STATE FAIR COMMUNITY COLLEGE

SEDALIA, MISSOURI

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
State Fair Community College
Sedalia, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, as of and for the year ended June 30, 2017, of State Fair Community College, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of State Fair Community College as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise State Fair Community College's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

Board of Trustees
State Fair Community College
Sedalia, Missouri

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, on our consideration of State Fair Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Fair Community College's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's Discussion and Analysis is an overview of the financial position and activities of State Fair Community College (the College). It should be read in conjunction with the financial statements and notes that follow.

The College prepares the financial statements in accordance with Government Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 establishes standards for external reporting for public colleges and universities and requires that financial statements be presented on a combined basis to focus on the College as a whole. The accompanying combined financial statements of the College include the accounts of the Junior College District of Sedalia (the District), the State Fair Community College Facilities Corporation (the Facilities Corporation) and the State Fair Community College Foundation (the Foundation).

There are three financial statements presented: the Combined Statement of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; and the Combined Statement of Cash Flows. The emphasis of the discussion about the financial statements is on current year data. Previously, financial statements focused on the accountability of individual fund groups rather than the College as a whole. Fund statements are still used internally to manage the College and for external reporting to various agencies.

Individual fund statements have not been included in this financial statement presentation. The main difference between the College's financial statements and the individual fund statements presentation is the treatment of scholarship aid used for tuition and fees. The statements, per GASB 35, require such aid to be offset against tuition and fees, whereas the individual fund statements accounts for tuition and fees and scholarship aid at gross.

Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are maintained in accordance with activities or specific objectives. Separate accounts are maintained for each fund. Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups.

Using the Financial Statements

The College's financial report includes three financial statements: the Combined Statement of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities.

Combined Statement of Net Position

The Combined Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and net position of the College, the Facilities Corporation, and the Foundation at June 30, 2017. The purpose of the Combined Statement of Net Position is to present a snapshot of the financial condition of the College. Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflow of resources.

Assets and liabilities are categorized as current or noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12 month accounting cycle versus noncurrent, which mature or become payable after 12 months. For example, at June 30, 2017, the College's current assets consisted primarily of cash and cash equivalents, short-term investments, net accounts receivable, auxiliary inventories, and other assets. Non-current assets consist of property and equipment. Property and equipment are the capital assets owned by the College or the Facilities Corporation.

Net position is presented in three major categories. The first is net investment in capital assets, which represents the College's equity in its property and equipment, net of related debt. The second is restricted net position, which is restricted for capital projects. The third is unrestricted net position, which is available for any lawful purpose.

The following table of the College's net position at June 30, 2017, shows the unrestricted portion at negative $3.4 million.

	(In Millions)	
	2017	2016
Current Assets	$ 27.5	$ 26.6
Non-current Assets	40.2	39.8
TOTAL ASSETS	67.7	66.4
Deferred outflow of resources	10.9	7.2
Current Liabilities	3.6	3.1
Non-current Liabilities	28.6	25.6
TOTAL LIABILITIES	32.2	28.7
Deferred inflow of resources	4.3	3.8
Net investment in capital assets	29.8	28.5
Restricted	15.7	13.2
Unrestricted	(3.4)	(0.6)
TOTAL NET POSITION	$ 42.1	$ 41.1

Combined Statement of Revenues, Expenses, and Changes in Net Position

The Combined Statement of Revenues, Expenses, and Changes in Net Position presents the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and nonoperating.

Operating revenues and expenses are those for which the College directly exchanges goods and services. Nonoperating revenues and expenses are those that exclude specific, direct exchanges of goods and services. Local property tax revenue and state aid are two examples of nonoperating revenues where the local taxpayers and the state, respectively, do not directly receive goods and services for the revenue.

The following is a condensed summary of the change in net position, with prior year comparable data:

	(In Millions)	
	2017	2016
Operating Revenue	$ 34.1	$ 34.6
Operating Expenses	(48.7)	(46.5)
OPERATING (LOSS)	(14.6)	(11.9)
Nonoperating Revenues (Expenses), net	15.6	10.2
Increase (Decrease) in Net Position	1.0	(1.7)
Net Position, Beginning of year	41.1	42.8
Net Position, End of year	$ 42.1	$ 41.1

One of the financial strengths of the College is the diverse stream of revenues that supplement its student tuition and fees. The following are the College's 2017 and 2016 revenues, both operating and nonoperating:

	(In Millions)	
	2017	2016
OPERATING REVENUES		
Student tuition and fees, net	$ 9.1	$ 8.0
Contracts and grants	20.9	22.1
Auxiliary services	2.9	3.0
Other	1.2	1.5
TOTAL OPERATING REVENUE	$ 34.1	$ 34.6

	(In Millions)	
	2017	2016
NONOPERATING REVENUES (EXPENSES)		
State appropriations	$ 7.6	$ 5.9
County property tax revenue	3.6	3.4
Gifts and donations	3.3	1.4
Investment income	0.2	0.3
Unrealized gain (loss) on investments	1.3	(0.2)
(Loss) on disposal of assets	-	(0.1)
Interest on debt related to property	(0.4)	(0.5)
NONOPERATING REVENUES (EXPENSES), NET	$ 15.6	$ 10.2

Following are the components of operating expenses for the College during 2017 and 2016:

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION	(In Millions)	
	2017	2016
Instruction	$ 13.4	$ 14.1
Academic support	2.7	3.1
Student services	3.4	3.2
Institutional support	8.7	6.3
Auxiliary services	3.2	3.2
Scholarships and fellowships	11.4	11.4
Depreciation	2.2	2.2
Bad debt expense	0.3	0.3
Plant operating expenses	3.4	2.7
TOTAL	$ 48.7	$ 46.5

OPERATING EXPENSES BY NATURAL CLASSIFICATION	(In Millions)	
	2017	2016
Salaries and benefits	$ 20.3	$ 18.6
Supplies and other services	13.4	13.1
Scholarships and fellowships	11.4	11.4
Utilities	1.0	0.9
Depreciation	2.2	2.2
Bad debt expense	0.4	0.3
TOTAL	$ 48.7	$ 46.5

Combined Statement of Cash Flows

The Combined Statement of Cash Flows presents information about the cash activity of the College. The statement shows the major sources and uses of cash. The following is a summary of the combined statement of cash flows for the years ended June 30, 2017 and 2016:

	(In Millions)	
	2017	2016
Cash Provided (Used) By:		
Operating activities	$ (11.8)	$ (10.5)
Noncapital financing activities	13.0	10.6
Capital financing activities	(3.6)	(1.9)
Investing activities	3.4	(0.3)
Net Change in Cash and Cash Equivalents	1.0	(2.1)
Cash and Cash Equivalents, Beginning of year	4.1	6.2
Cash and Cash Equivalents, End of year	$ 5.1	$ 4.1

Combined Long-Term Obligations

The following is a summary of long-term obligations of the College as of June 30, 2017 and 2016:

	(In Millions)	
	2017	2016
LONG-TERM OBLIGATIONS - COMBINED		
Loans and leases	$ 4.5	$ 4.9
Certificates of participation	5.9	6.3
Net pension liability	18.5	14.7
Post-employment benefit liability	0.6	0.5
TOTAL LONG-TERM OBLIGATIONS	$ 29.5	$ 26.4

Economic Outlook

The College continues to successfully face significant financial challenges to its academic programs and technology, stemming from the State's trend with significant swings in revenue growth/decline. Revenue forecasting is challenging under the best of circumstances and is even more difficult when the previous year includes abnormally low growth following a period of abnormally high growth.

Although Missouri's economy was expected to accelerate in 2017 and then maintain moderate growth in 2018, amid lower-than-expected revenue growth, cuts in spending for higher education were required for the current governor and his predecessor.

Continued employment increases, stronger wage growth and spending growth will help boost general revenue collections in Fiscal Year 2018. The Governor's Fiscal Year 2018 Budget is based on a forecast of revenue growth of 3.8 percent in Fiscal Year 2018. Even with the projections of revenue growth, Governor Greitens' deepened the cuts to public colleges and universities, bringing the total reduction to 9 percent instead of the initial 6.6 cut initially proposed.

Given the continuation of this difficult economic environment of slow revenue growth, it is imperative that the College continue its ongoing efforts toward revenue diversification and cost containment in order to provide the necessary resources to support a level of excellence in service to our students and College community. In addition, the Federal government, concerned about the issue of college costs, is proposing a plan with a number of elements that could cause major transformation in higher education reforms. It is important that the administration pay close attention to the proposal and the impact it could have on the allocation of federal student aid.

The revenues the College receives for sponsored programs from various government agencies and private sources are an increasingly important supplement to the fundamental support provided by State appropriations, student tuition, and local property taxes.

While the College is well positioned to maintain a strong financial position in the near term, ongoing constraints on revenue are expected due to flat or reduced State appropriations due to structural problems with the budget, flat local property taxes, and modest tuition increases with the implementation of tiered tuition for many of the high-cost technical programs. Management believes that some of the pressure can be offset by enrollment management and continued efforts to contain certain costs. The College's financial position is closely tied to the economy and the State's budget. Changes in the economy, unemployment rates, high school graduation yield rates, and retention efforts have all affected student enrollments. Additionally, management needs to continue to monitor the performance measures that are becoming more a part of the agenda at both the Federal and State level.

As a labor-intensive organization, the College faces competitive salary pressures related to attracting and retaining quality faculty and staff. Moreover, consistent with the national landscape, the cost of the College's benefits for its active employees and retirees has increased dramatically over the past several years, with the increasing cost of medical care and prescription drugs along with the PSRS/PEERS contribution rates of particular concern. Even though the retirement system has been relatively stable for the past five years, and medical care and prescription drug costs have remained low relative to the national average, the administration continues to keep these costs in the budget discussions each year. GASB 43 and 45 will be replaced by GASB 74 and 75 for the plan and plan sponsor fiscal years ending 06/30/2017 and 06/30/2018, respectively. The new GASB statements make significant changes to both how OPEB liabilities are calculated and reported. Additionally, some components of the *Patient Protection and Affordable Care Act* could have a significant impact on health-care costs to the College. To address these challenges, the College has successfully taken and continues to take proactive steps to respond to the challenges of rising costs while protecting the quality of the overall benefit package.

While it is not possible to predict the ultimate results, overall, management believes that the College's financial position remains strong as evidenced by the 2017 financial statements.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, students and investors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Garry Sorrell, Vice President for Finance and Administration, State Fair Community College, 3201 West Sixteenth Street, Sedalia, MO 65301.

FINANCIAL STATEMENTS

STATE FAIR COMMUNITY COLLEGE
COMBINED STATEMENT OF NET POSITION
June 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 5,049,626
Investments	16,158,434
Accounts receivable, net	3,609,461
Property taxes receivable, net	96,930
Prepaid expenditures	178,381
Inventory	1,044,070
Assets held for resale	1,345,035
TOTAL CURRENT ASSETS	27,481,937
Noncurrent Assets	
Capital Assets	
Non-depreciable	12,533,689
Depreciable, net	27,636,869
TOTAL NONCURRENT ASSETS	40,170,558
TOTAL ASSETS	67,652,495
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflow	10,876,212
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 78,528,707
LIABILITIES	
Current Liabilities	
Accounts payable	$ 357,172
Accrued liabilities	1,808,135
Unearned revenues	180,090
Current maturities of long-term debt	864,801
Other current liabilities	308,570
TOTAL CURRENT LIABILITIES	3,518,768
Noncurrent Liabilities	
Long-term debt	9,549,875
Net pension liability	18,512,030
Post-employment benefit liability	563,800
TOTAL NONCURRENT LIABILITIES	28,625,705
TOTAL LIABILITIES	32,144,473
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflow	4,264,450
NET POSITION	
Net investment in capital assets	29,755,882
Restricted	15,744,766
Unrestricted	(3,380,864)
TOTAL NET POSITION	42,119,784
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 78,528,707

See accompanying notes.

STATE FAIR COMMUNITY COLLEGE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2017

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowance of $7,613,348)	$ 9,127,942
Federal grants and contracts	16,157,050
State and local grants and contracts	4,734,306
Auxiliary services revenues	2,901,491
Other operating revenues	1,196,842
TOTAL OPERATING REVENUES	34,117,631
OPERATING EXPENSES	
Salaries	15,524,348
Fringe benefits	4,823,511
Supplies and other services	13,416,761
Scholarships and fellowships	11,379,904
Utilities	968,617
Depreciation	2,242,660
Bad debt expense	378,065
TOTAL OPERATING EXPENSES	48,733,866
OPERATING (LOSS)	(14,616,235)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	7,582,683
County property tax revenue	3,564,509
Gifts and donations	3,283,455
Investment income	260,159
Unrealized gain on investments	1,329,915
(Loss) on disposal of assets	(2,386)
Interest on debt related to property and equipment	(426,149)
NONOPERATING REVENUES (EXPENSES), NET	15,592,186
INCREASE IN NET POSITION	975,951
NET POSITION, Beginning of year	41,143,833
NET POSITION, End of year	$ 42,119,784

See accompanying notes.

STATE FAIR COMMUNITY COLLEGE
COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 7,808,619
Payments to suppliers	(12,783,887)
Payments for utilities	(968,617)
Payments for employees	(15,421,260)
Payments for benefits	(4,087,371)
Payments for financial aid and scholarships	(11,379,904)
Auxiliary enterprises charges, bookstore and vending	2,901,491
Contracts and grants	20,891,356
Other revenues	1,196,842
NET CASH (USED) BY OPERATING ACTIVITIES	(11,842,731)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State aid and grants appropriations	7,582,683
County property tax revenue	3,564,509
Gifts and donations	1,911,837
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	13,059,029
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Proceeds from sale of capital assets	324
Purchase of property and equipment	(2,376,161)
Principal paid on debt related to property and equipment	(837,423)
Interest paid on debt related to property and equipment	(426,149)
NET CASH (USED) BY CAPITAL FINANCING ACTIVITIES	(3,639,409)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	4,418,726
Interest on investments	260,159
Purchase of investments	(1,270,086)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,408,799
INCREASE IN CASH AND CASH EQUIVALENTS	985,688
CASH AND CASH EQUIVALENTS, Beginning of year	4,063,938
CASH AND CASH EQUIVALENTS, End of year	$ 5,049,626

See accompanying notes.

STATE FAIR COMMUNITY COLLEGE
COMBINED STATEMENT OF CASH FLOWS (continued)
Year Ended June 30, 2017

RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating (loss)	$ (14,616,235)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	2,242,660
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Receivables, net	(1,086,021)
Prepaid expenditures	78,020
Inventory	299,454
Deferred pension outflow	(3,620,807)
Accounts payable	194,124
Accrued liabilities	103,088
Unearned revenue	144,763
Net pension liability	3,833,905
Post-employment benefit liability	82,400
Other liabilities	61,276
Deferred pension inflow	440,642
NET CASH (USED) BY OPERATING ACTIVITIES	$ (11,842,731)

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Fair Community College was created on April 5, 1966, as the Junior College District of Sedalia, Missouri and operates under an elected Board of Trustees form of government. State Fair Community College is a public institution of higher education providing services to residents in all or in part of the counties of Benton, Pettis, Cooper, Hickory, Johnson, Morgan, Henry and Saline.

The accounting methods and procedures adopted by the College conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the College's Financial Statements.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The College is a primary government, which is governed by an elected six-member Board. As required by accounting principles generally accepted in the United States of America, the College has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The component units discussed below are included in the College's reporting entity because of the significance of its operational or financial relationships with the College.

Component Units

Blended Component Units:

The State Fair Community College Facilities Corporation ("Facilities Corporation") is governed by a nine-member Board appointed by the College. Although it is legally separate from the College, the Facilities Corporation is reported as if it were part of the primary government because its sole purpose is for the planning, development, acquisition, construction, reconstruction, improvement, extension, repair, remodeling, renovation and financing of sites, buildings, structures, facilities, furnishings and equipment for the benefit or use of the College.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The J. Higdon Potter Educational Foundation (the "Foundation") (also known as the State Fair Community College Foundation) is governed by a separate board. Although legally separate from the College, the Foundation is reported as if it were part of the primary government because its sole purpose is to raise monies for scholarships and the benefit of the College.

Basis of Accounting and Measurement Focus

The College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities. Accordingly, the College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, which is similar to that often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities* establishes standards for external financial reporting for public colleges and universities, which is meant to present information in a format that more closely resembles that of the private sector. The College reports as a business-type activity, as defined by GASB Statement No. 35.

The College's resources are classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Net position whose use by the College is subject to externally imposed stipulations that they can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. When the College is able to utilize restricted expendable assets or unrestricted assets, it utilizes the restricted assets first. The College's restricted net position reflects unspent tax levy proceeds restricted for debt service and unspent contributions with purpose restrictions.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

It is the College's policy to first use restricted net position prior to the use of unrestricted net position when expenditures are made for purposes for which both restricted and unrestricted net position are available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The College implemented GASB Statement No. 77 – *Tax Abatement Disclosures*, for the year ended June 30, 2017. The primary objective of this Statement is to improve financial reporting by giving users of the financial statements essential information that is not consistently or comprehensively reported to the public.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value

The fair value measurement and disclosure framework provides for a fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no significant changes from the prior year in the methodologies used to measure fair value. The levels of the fair value hierarchy are described below:

Level 1 – Inputs using quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs using significant other observable inputs including quoted prices for similar assets or liabilities

Level 3 – Inputs are significant unobservable inputs

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments

The College considers all highly liquid investments (including restricted assets) with an original maturity of three months or less at date of acquisition to be cash equivalents. Securities with an initial maturity of more than three months at the date of acquisition are reported as investments.

Student Accounts Receivable

Student accounts receivable are uncollateralized student obligations. Accounts receivable are stated at the billed amount less applied scholarships and loan proceeds. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts based on management's assessment of the collectability of specific student accounts and the aging of the accounts receivable. All accounts, or portions thereof, deemed to be uncollectible or to require an excess collection cost are written off to the allowance for doubtful accounts.

Inventory

Inventory consisting of bookstore items is stated at the lower of cost or market with cost being determined on a first in, first out basis.

Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the business-type activities. Capital assets are defined by the College as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed less interest income earned on debt proceeds. No interest was capitalized in the current year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings, improvements, infrastructure and equipment assets are depreciated using the modified half-month depreciation method, (straight line depreciation with a half-month depreciation if placed in service before the middle of the month, otherwise no depreciation until the next full month) over the following estimated useful lives:

Assets	Years
Buildings	40
Land improvements	20-25
Equipment	5-7
Vehicles	6

Unearned Revenue

Unearned revenue consists of future revenue received from early enrollment payments for the fall semester as well as unearned grant revenue. Revenue will be recognized as income when earned.

Compensated Absences

Employees earn vacation, personal, and sick leave during the year using a formula based on the employee's classification, hours worked, and years of service. Unpaid vacation, personal, and sick leave are classified in the accompanying statements of net position as a component of accrued wages payable.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the College has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has only one type of item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Employment Health Care Benefits

Retiree Benefits – The College offers post-employment health care benefits to all employees who retire from the College. Retirees are eligible as long as they receive retirement benefits under the Public School Retirement System. Retirees pay 100% of their own premiums.

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured each month. This program is offered for a duration of 18 months after the employee's termination date. There is no associated cost to the College under this program.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees; sales and services of auxiliary enterprises; most federal, state, and local grants and contracts and federal appropriations; and interest on student loans. Revenue from operating sources is recognized when earned.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, property tax revenue, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Allowance

Student tuition and fee revenue are presented net of financial assistance and scholarships applied to student accounts.

Property Tax Revenue Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The College is exempt from income tax as a local governmental unit. The Facilities Corporation and the Foundation have qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash

Custodial Credit Risk

Custodial credit rate risk is the risk that, in event of a bank failure, the College will not be able to recover the value of its deposits that are in possession of an outside party. State statutes and Board policy require that the College's deposit with financial institutions in excess of any insurance limit must be 100% collateralized in the name of the College by the trust department of a bank that does not hold the collateralized deposits. At June 30, 2017, the College and Foundation balances on deposit totaled $7,752,137 and $806,984, respectively. These balances include cash and certificates of deposit that are maintained at financial institutions. At June 30, 2017, none of the deposits in financial institutions were exposed to custodial credit risk.

Concentration of Credit Risk

The College places no limit on the amount the College may deposit at any one institution. More than 5% of the College's total balances on deposit at June 30, 2017, are in the following institutions:

- Equity Bank - $4,481,272
- Farmers Bank of Lincoln - $1,302,043
- Commerce Bank - $1,960,000

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

Investments

Interest Rate Risk and Credit Risk

State statutes permits public colleges to invest in obligations of the State of Missouri or U.S. Government and obligations of government agencies. The College's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. By Board policy, the College may invest in Certificates of Deposit, U.S. Treasury Bills, and other obligations of the U.S. Government, U.S. Government Agency, or a corporation guaranteed by the full faith and credit of the U.S. Government.

The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Nor does it have a formal investment policy that would limit its investment choices. The Foundation's investment objectives would be conservative to moderate with a return objective of current income and capital appreciation.

Concentration of Credit Risk

The Foundation places no limit on the amount that may be invested in any one issuer.

The College categorizes its investments within the fair value hierarchy as discussed in Note A. As of June 30, 2017, the College had the following recurring fair value measurements:

Investment	Maturity Dates	Not Subject to Fair Value	Fair Value Level 1	Fair Value Level 2	Total
College					
Certificates of Deposit	8/11/2017 - 7/10/2018	$ 3,262,043	$ -	$ -	$ 3,262,043
Facilities Corporation					
Corporate Bonds	9/18/2017 - 10/10/2017	-	-	464,000	464,000
Foundation					
U.S. Treasury Bonds	5/15/2021	-	-	49,538	49,538
Multi-strategy Equity Funds	N/A	-	8,673,929	-	8,673,929
Multi-strategy Bond Funds	N/A	-	-	3,697,521	3,697,521
U.S. Corporate Bonds	2/1/2029	-	-	11,403	11,403
		-	8,673,929	3,758,462	12,432,391
		$ 3,262,043	$ 8,673,929	$ 4,222,462	$16,158,434
Assets held for resale		$ -	$ 373,035	$ 972,000	$ 1,345,035

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

Certificates of Deposit

All certificates of deposit are at various financial institutions and are fully collateralized in the name of the College.

Corporate Bonds

The Facilities Corporation has fixed income securities on deposit with UMB Corporate Trust Services, which are rated Al by Moody's. These deposits are held in a trust account for the Series 2007 Certificates of Participation reserve fund.

U.S. Treasury Bonds

Foundation funds in U.S. Treasury Bonds are held by Central Investment Advisors and are rated Aaa by Moody's.

Multi-strategy Equity and Bond Funds

The Foundation has $8,673,929 invested in multi-strategy equity funds and $3,697,521 invested in multi-strategy bond funds with Commonfund. Multi-strategy funds are not rated as they are made up of a pool of funds.

U.S. Corporate Bonds

The Foundation has U.S. corporate bonds on deposit with Edward Jones which were rated Baa2 by Moody's.

Assets Held for Resale

Assets held for resale consist of two homes donated to the Foundation with appraised values of $837,000 and $135,000. Also, included are donated investments valued at $373,035. It is the policy of the Foundation to sell donations of this nature.

NOTE C – ACCOUNTS RECEIVABLE

Accounts Receivable

Student and other accounts receivable are presented net of allowances for uncollectible accounts and net of discount on pledges receivable. As of June 30, 2017, these amounts were as follows:

	College	Facilities Corporation	Foundation	Eliminations	Total
Accounts receivable	$ 6,084,022	$ -	$ 274,025	$ (64,688)	$ 6,293,359
Allowance	(2,671,665)	-	(500)	-	(2,672,165)
Discount on pledges receivable	-	-	(11,733)	-	(11,733)
Net accounts receivable	$ 3,412,357	$ -	$ 261,792	$ (64,688)	$ 3,609,461

Property Tax Receivable

Property taxes receivable are presented net of allowances for uncollectible accounts. As of June 30, 2017, these amounts were as follows:

	College
Property tax receivable	$ 128,711
Allowance	(31,781)
Net property tax receivable	$ 96,930

NOTE D – TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The counties collect the property tax and remit it to the College.

NOTE D – TAXES (continued)

The assessed valuation of the tangible taxable property for the calendar year 2016 for purposes of local taxation was:

Real estate	$ 613,361,430
Personal property	221,558,583
TOTAL ASSESSED VALUATION	$ 834,920,013

The tax levy per $100 of the assessed valuation of tangible taxable property for the calendar year 2016 for purposes of local taxation was:

General Fund	$ .4084
TOTAL LEVY	$ .4084

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a community college district to 5 percent of the assessed valuation of the community college district. The legal debt margin of the community college district at June 30, 2017, was:

Constitutional debt limit	$ 41,746,001
General obligation bonds payable	-
Amount available to service debt	-
LEGAL DEBT MARGIN	$ 41,746,001

NOTE E – INTEREST CAPITALIZATION

Interest expense that relates to the cost of acquiring or constructing fixed assets in the College is capitalized. Interest expense incurred in connection with construction of capital assets is reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 - *Capitalization of Interest Costs*. There was no interest capitalized during the current fiscal year.

NOTE F – PROPERTY AND EQUIPMENT

The College's properties consisted of the following categories at June 30, 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Non-depreciable capital assets				
Land	$ 1,794,745	$ -	$ -	$ 1,794,745
Artwork	8,601,045	278,025	-	8,879,070
Work in progress	20,025	1,839,849	-	1,859,874
Total Non-depreciable Capital Assets	10,415,815	$ 2,117,874	$ -	12,533,689
Depreciable capital assets				
Library books	1,870,307	$ 71,710	$ 3,405	1,938,612
Buildings and improvements	35,584,044	9,100	-	35,593,144
Furniture and fixtures	6,011,410	459,177	148,748	6,321,839
Vehicles	248,006	-	-	248,006
Total Depreciable Capital Assets	43,713,767	$ 539,987	$ 152,153	44,101,601
Less accumulated depreciation	24,335,629	$ 1,813,556	$ 133,487	26,015,698
Total Depreciable Capital Assets, net	19,378,138			18,085,903
Capital Assets, net	$ 29,793,953			$ 30,619,592

The College has elected to capitalize its collection of library books, artwork and historical treasures. This collection adheres to the College's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Collections that are inexhaustible and meeting this criteria need not be depreciated under generally accepted accounting principles. Accordingly, the College has not taken depreciation on these collections.

The Facilities Corporation's property and equipment consisted of the following at June 30, 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Depreciable capital assets				
Buildings and improvements	$ 12,873,125	$ -	$ -	$ 12,873,125
Less accumulated depreciation	2,893,055	$ 429,104	$ -	3,322,159
Capital Assets, Net	$ 9,980,070			$ 9,550,966

NOTE G – ACCRUED LIABILITIES

At June 30, 2017, accrued liabilities consisted of accrued payroll and benefits, accrued vacation payable, and retirement payable.

NOTE H – LONG-TERM DEBT

Capital Lease

On October 26, 2011, the College entered a lease purchase agreement to finance an energy savings project. The agreement requires annual lease payments of $459,974, which includes interest at 3%.

The lease purchase agreement provides for cancellation of the lease on the annual renewal date if the College should fail to appropriate funds. However, the College does not foresee exercising its right to cancel. Therefore, the lease is accounted for as a noncancellable capital lease in accordance with FASB ASC Topic No. 840-30-30 – *Accounting for Capital Leases*.

The total annual minimum lease payments required at June 30, 2017, are as follows:

Year Ended June 30,	Energy Efficiency Project
2018	$ 459,974
2019	459,974
2020	459,974
2021	459,974
2022	459,974
2023	459,974
2024	459,974
2025	459,974
2026	459,974
2027	459,974
TOTAL MINIMUM LEASE PAYMENTS	4,599,740
LESS AMOUNT REPRESENTING INTEREST	(709,990)
PRINCIPAL BALANCE, JUNE 30, 2017	$ 3,889,750

NOTE H – LONG-TERM DEBT (continued)

Loan Obligation

On December 15, 2011, the College entered into a loan agreement with the Department of Economic Development – Division of Energy in the amount of $1,035,950 to finance an energy efficiency project. The agreement requires semi-annual payments of $57,669, which includes interest at 2%.

Principal and interest payments are due as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 103,152	$ 12,185	$ 115,337
2019	105,225	10,112	115,337
2020	107,340	7,997	115,337
2021	109,498	5,839	115,337
2022	111,698	3,639	115,337
2023	98,013	1,393	99,406
	$ 634,926	$ 41,165	$ 676,091

Certificates of Participation

On July 10, 2007, the Facilities Corporation entered into an agreement with UMB Bank, N.A. to issue certificates of participation in the aggregate stated principal amount of $9,560,000. The certificates of participation are payable from lease proceeds from the College, and consist of the following at June 30, 2017:

$9,560,000, Series 2007, Certificates of Participation, due in varying semi-annual installments from December 15, 2007, to December 15, 2027; interest from 3.85% to 4.75%.	$ 5,890,000

Changes in Certificates of Participation

Outstanding Balance, July 1, 2016	$ 6,300,000
Additions	-
Retirements	(410,000)
Outstanding Balance, June 30, 2017	$ 5,890,000

NOTE H – LONG-TERM DEBT (continued)

Debt service requirements

The amount available in the Facilities Corporation to service the Certificates of Participation is $707,543. The debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 425,000	$ 257,761	$ 682,761
2019	445,000	238,945	683,945
2020	465,000	219,094	684,094
2021	485,000	198,253	683,253
2022	505,000	176,346	681,346
2023	530,000	153,185	683,185
2024	555,000	128,634	683,634
2025	580,000	102,668	682,668
2026	605,000	75,261	680,261
2027	635,000	46,273	681,273
2028	660,000	15,675	675,675
	$ 5,890,000	$ 1,612,095	$ 7,502,095

A summary of changes in noncurrent liabilities for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amounts Due In One Year
Energy Performance Lease	$ 4,216,054	$ -	$ 326,304	$ 3,889,750	$ 336,649
Dept. of Economic Development Loan	736,045	-	101,119	634,926	103,152
Series 2007 COP	6,300,000	-	410,000	5,890,000	425,000
Net Pension Liability	14,678,125	3,833,905	-	18,512,030	-
Post-employment Benefit Liability	481,400	82,400	-	563,800	-
TOTAL	$ 26,411,624	$ 3,916,305	$ 837,423	$ 29,490,506	$ 864,801

NOTE I – RETIREMENT PLAN

Summary of Significant Accounting Policies

Financial reporting information pertaining to the College's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by the Systems. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value. The fiduciary net position is reflected in the measurement of the College's net pension liability, deferred outflows and inflows of resources related to pensions and pension expense. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

General Information about the Pension Plan

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Sections 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

NOTE I – RETIREMENT PLAN (continued)

PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 - 169.715 and Sections 169.560 - 169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Summary Plan descriptions detailing the provisions of the plans can be found on the Systems’ website at www.psrs-peers.org.

NOTE I – RETIREMENT PLAN (continued)

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing a 0.00% COLA for years in which the CPI increases between 0.00% and 2.00%, a 2.00% COLA for years in which CPI increases between 2.00% and 5.00%, and a COLA of 5.00% if the CPI increase is greater than 5.00%. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015, 2016 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015, 2016 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The College's contributions to PSRS and PEERS were $1,579,281 and $173,567, respectively, for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the College recorded a liability of $17,061,408 for its proportionate share of PSRS' net pension liability and $1,450,622 for its proportionate share of PEERS' net pension liability. In total the College recorded net pension liabilities of $18,512,030. The net pension liability for the plans in total was measured as of June 30, 2016, and determined by an actuarial valuation as of that date. The College's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of $1,535,662 and $191,515, respectively, for the year ended June 30, 2016, relative to the actual contributions of $669,858,142 for PSRS and $105,934,385 for PEERS from all participating employers. At June 30, 2016, the College's proportionate share was 0.2293% for PSRS and 0.1808% for PEERS.

For the year ended June 30, 2017, the College recognized pension expense of $2,366,311 for PSRS and $315,179 for PEERS, its proportionate share of the total pension expense. The College also recognized expense of $853 for contributions to PSRS related to employee reciprocity and other service transfers.

NOTE I – RETIREMENT PLAN (continued)

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	PSRS		PEERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
- Differences between expected and actual experience	$ 1,227,560	$ 1,303,597	$ 41,990	$ 85,019	$ 1,269,550	$ 1,388,616
- Changes of assumptions	192,971	-	86,399	-	279,370	-
- Net difference between projected and actual earnings on pension plan investments	5,797,615	2,262,098	527,301	196,625	6,324,916	2,458,723
- Changes in proportion and differences between employer contributions and proportionate share of contributions	1,169,605	417,111	79,923	-	1,249,528	417,111
- Employer contributions subsequent to the measurement date	1,579,281	-	173,567	-	1,752,848	-
Total	$ 9,967,032	$ 3,982,806	$ 909,180	$ 281,644	$ 10,876,212	$ 4,264,450

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2016, will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as collective deferred (inflows) / outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30,	PSRS	PEERS	Total
2018	$ 756,212	$ 106,013	$ 862,225
2019	756,212	98,243	854,455
2020	1,887,261	156,709	2,043,970
2021	1,170,212	93,004	1,263,216
2022	(97,768)	-	(97,768)
Thereafter	(67,184)	-	(67,184)
	$ 4,404,945	$ 453,969	$ 4,858,914

NOTE I – RETIREMENT PLAN (continued)

Actuarial Assumptions

Actuarial valuations of the Systems involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For addition information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date – June 30, 2016
- Valuation Date – June 30, 2016
- Expected Return on Investments – 7.75%, net of investment expenses and including 2.5% inflation
- Inflation – 2.25%
- Total Payroll Growth
  - PSRS – 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Future Salary Increases
  - PSRS – 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

NOTE I – RETIREMENT PLAN (continued)

- Cost-Of-Living Increases
  - PSRS & PEERS – The long-term cost of living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
- Mortality Assumption
  - *Actives*
    - PSRS – RP-2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
    - PEERS – RP-2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
  - *Non-Disabled Retirees, Beneficiaries and Survivors*
    - PSRS – RP-2006 White Collar Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
    - PEERS – RP-2006 Total Dataset Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
  - *Disabled Retirees*
    - RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
- Changes in Actuarial Assumptions and Methods – An experience study was completed in June 2016 resulting in an update to the following assumptions:
  - PSRS & PEERS – The inflation assumption decreased from 2.50% to 2.25% per year.
  - PSRS & PEERS – In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.

NOTE I – RETIREMENT PLAN (continued)

- PSRS
  - The payroll growth assumption decreased from 3.50% to 2.75% per year.
  - They future salary increase assumption decreased from 4.00% to 10.00%, depending on service to 3.00% to 9.50%, depending on service.
  - The investment return assumption decreased from 8.00% to 7.75% per year.
  - The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
  - The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
  - The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
- PEERS
  - The payroll growth assumption decreased from 3.75% to 3.25% per year.
  - The future salary increase assumption decreased from 5.00% to 12.00%, depending on service to 4.00% to 11.50%, depending on service.
  - The investment return assumption decreased from 8.00% to 7.75% per year.
  - The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
  - The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
  - The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

- Fiduciary Net Position – The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org.

NOTE I – RETIREMENT PLAN (continued)

- Expected Rate of Return – The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2016 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	80.00%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100.0%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.89%
		Long-term expected geometric return	7.75%

NOTE I – RETIREMENT PLAN (continued)

- Discount Rate – The long-term expected rate of return used to measure the total pension liability was 7.75% as of June 30, 2016, and is consistent with the long-term expected geometric return on the plan investments. The actuarial assumed rate of return was 8.00% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Discount Rate Sensitivity – The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The College's net pension liabilities calculated using the discount rate of 7.75% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

Discount Rate	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
PSRS Proportionate share of the Net Pension Liability	$ 28,943,972	$ 17,061,408	$ 7,167,368
PEERS Proportionate share of the Net Pension Liability	$ 2,522,683	$ 1,450,622	$ 550,000

At June 30, 2017, the College reported a payable of $772,601 and $89,339 for the outstanding amount of PSRS and PEERS contributions, respectively, to the pension plan required for the year ended June 30, 2017.

NOTE J – POST EMPLOYMENT HEALTH CARE PLAN

Plan Description – The College's postemployment health care plan is a single-employer defined benefit medical and dental plan. To be eligible for participation in the plan, retirees must meet the retirement eligibility requirements as set by the Public School Retirement System of Missouri (PSRS) or the Public Education Employee Retirement System of Missouri (PEERS). Eligible participants receive benefits in the form of an implicit rate subsidy where participants receive health insurance coverage by paying a blended retiree/active rate.

Funding Policy – The contribution requirements of plan members and the College are established and may be amended by the Board of Trustees. Current contribution requirements require participants to pay the full blended premium. The College funds the plan on a pay-as-you-go basis.

NOTE J – POST EMPLOYMENT HEALTH CARE PLAN (continued)

Annual OPEB Cost and Net OPEB Obligation – The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the College, an amount actuarially determined in accordance with the parameters of GASB-45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued (UAAL) liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2017:

Annual required contribution (ARC)	$ 216,300
Interest on net OPEB obligation	14,000
Adjustment to ARC	(14,300)
Annual OPEB cost (expense)	$ 216,000

The change in net OPEB obligation was as follows:

Balance June 30, 2016 Net OPEB Obligation	Annual OPEB Cost	Employer Contribution	Balance June 30, 2017 Net OPEB Obligation
$ 481,400	$ 216,000	$ 133,600	$ 563,800

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2017.

Schedule of Employer Contributions

Fiscal Year Ending June 30,	Annual Required Contribution	Interest on Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation
2012	$ 154,100	$ 6,600	$ 5,500	$ 155,200	$ 96,400	$ 223,800
2013	154,100	9,000	7,500	155,600	119,400	260,000
2014	185,800	9,800	9,600	186,000	116,500	329,500
2015	185,800	9,800	9,600	186,000	116,500	399,000
2016	216,300	14,000	14,300	216,000	133,600	481,400
2017	216,300	14,000	14,300	216,000	133,600	563,800

NOTE J – POST EMPLOYMENT HEALTH CARE PLAN (continued)

Actuarial Methods and Assumptions – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The most recent OPEB liability actuarial valuation was completed in the year ended June 30, 2016. In the 2016 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 3.75%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 5.9% for 2016, with annual rate charges to an ultimate rate of 5.8% in 2040. The valuation also assumed an initial dental premium inflation rate of 5.0%, with four annual decreases in the rate to an ultimate inflation rate of 4.2%. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 50% of all future retirees will elect medical coverage and 50% will elect dental coverage.

NOTE K – CLAIMS AND ADJUSTMENTS

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the College may be required to reimburse the grantor government. As of June 30, 2017, the College is still in the process of a Title IV review from the Department of Education. As of December 6, 2017, correspondence received from the Department of Education has only been in regards to requesting additional information and there are no results that may have an effect on the financial position of the College at this time.

NOTE L – RISK MANAGEMENT

The College is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Since its inception, the College has transferred its risk by obtaining coverage from commercial insurance companies or a public risk entity pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE M – CONCENTRATIONS OF CREDIT RISK

The College grants credit without collateral to its students for tuition and fees.

NOTE N – RESTRICTED NET POSITION

Net position is reported as restricted when there are limitations on their use, either through enabling action adopted by the college or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2017, restricted net position consisted of $707,543 of restricted lease reserves, and $15,037,223 of restricted gifts and donations to the Foundation.

NOTE O – OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Operating expenses by functional classification for the year ended June 30, 2017, were as follows:

	College	Building Corporation	Foundation	Eliminations	Combined
Instruction	$ 13,404,832	$ -	$ -	$ -	$ 13,404,832
Academic support	2,671,655	-	-	-	2,671,655
Student services	3,414,465	-	-	-	3,414,465
Institutional support	8,208,623	-	453,441	-	8,662,064
Auxiliary services	3,176,373	-	-	-	3,176,373
Scholarships and fellowships	10,710,180	-	669,724	-	11,379,904
Depreciation	1,813,556	429,104	-	-	2,242,660
Bad debt expense	378,065	-	-	-	378,065
Plant operating expenses	4,086,991	-	-	(683,143)	3,403,848
	$ 47,864,740	$ 429,104	$ 1,123,165	$ (683,143)	$ 48,733,866

NOTE P – COMMITMENTS AND SUBSEQUENT EVENTS

On June 30, 2017, the College had the following commitments and subsequent events:

- On November 4, 2012, the College amended its contract with Ellucian Company, L.P. ("Ellucian"), in which Ellucian serves as a service provider to plan, manage, provide and operate certain information system environments for the College. The agreement is in effect through June 30, 2019. Commitment for the services are $1,797,605 per year.
- On December 6, 2011, the College entered into contract with Ellucian Company, L.P. for information technology services. The contract calls for payments of $347,520 annually. This agreement is in effect through June 30, 2019.
- On June 27, 2017, the College approved entering into contract with Lan-Tel Communications Services, Inc. for installation of a fiber optics network in the amount of $227,600.
- On August 22, 2017, the College entered into a lease purchase agreement with Hewlett-Packard Financial Services Company to provide financing for technical equipment in the amount of $868,969.

NOTE Q – FOUNDATION – INCOME TAXES

The Foundation does not believe there are any material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2017, there were no interest or penalties recorded in the financial statements.

The Foundation's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2017, the following tax years are subject to examination:

Jurisidiction	Open Years for Filed Returns	Return to be Filed in 2017
Federal	2013-2015	2016
Missouri	2013-2015	2016

REQUIRED SUPPLEMENTARY INFORMATION

STATE FAIR COMMUNITY COLLEGE
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS
Year Ended June 30, 2017

Public School Retirement System (PSRS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	0.2215%	$ 9,087,204	$ 9,839,024	92.36%	89.30%
6/30/2016	0.2382%	13,750,953	10,784,121	127.51%	85.78%
6/30/2017	0.2293%	17,061,408	10,590,770	161.10%	82.18%

Public Education Employee Retirement System (PEERS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	0.1621%	$ 591,934	$ 2,363,100	25.05%	91.33%
6/30/2016	0.1753%	927,172	2,628,610	35.27%	88.28%
6/30/2017	0.1808%	1,450,622	2,791,770	51.96%	83.32%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

*The data provided in these schedules is based as of the measurement date of the Systems' net pension liability, which is as of the beginning of the College's fiscal year.

STATE FAIR COMMUNITY COLLEGE
SCHEDULES OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2017

Public School Retirement System (PSRS)

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	$ 1,300,997	$ 1,300,997	$ -	$ 8,972,393	14.50%
6/30/2014	1,426,659	1,426,659	-	9,839,024	14.50%
6/30/2015	1,563,698	1,563,698	-	10,784,121	14.50%
6/30/2016	1,535,662	1,535,662	-	10,590,770	14.50%
6/30/2017	1,579,281	1,579,281	-	10,891,590	14.50%

Public Education Employee Retirement System (PEERS)

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	$ 146,812	$ 146,812	$ -	$ 2,140,123	6.86%
6/30/2014	162,109	162,109	-	2,363,100	6.86%
6/30/2015	180,322	180,322	-	2,628,610	6.86%
6/30/2016	191,515	191,515	-	2,791,770	6.86%
6/30/2017	173,567	173,567	-	2,530,124	6.86%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

STATE FAIR COMMUNITY COLLEGE
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2017

Postemployment Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2010	$ -	$ 1,686,700	$ 1,686,700	0%	$ 12,564,000	13.4%
6/30/2012	-	2,346,200	2,346,200	0%	9,627,300	24.4%
6/30/2014	-	2,390,600	2,390,600	0%	14,430,300	16.6%
6/30/2016	-	2,815,300	2,815,300	0%	14,765,600	19.1%

OTHER FINANCIAL INFORMATION

STATE FAIR COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION
June 30, 2017

	College	Facilities Corporation	Foundation	Eliminations	Combined Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 3,444,998	$ 243,543	$ 1,361,085	$ -	$ 5,049,626
Investments	3,262,043	464,000	12,432,391	-	16,158,434
Accounts receivable, net	3,412,357	-	261,792	(64,688)	3,609,461
Property taxes receivable, net	96,930	-	-	-	96,930
Prepaid expenditures	178,381	-	-	-	178,381
Inventory	1,044,070	-	-	-	1,044,070
Assets held for resale	-	-	1,345,035	-	1,345,035
TOTAL CURRENT ASSETS	11,438,779	707,543	15,400,303	(64,688)	27,481,937
Noncurrent Assets					
Capital Assets					
Non-depreciable	12,533,689	-	-	-	12,533,689
Depreciable, net	18,085,903	9,550,966	-	-	27,636,869
TOTAL NONCURRENT ASSETS	30,619,592	9,550,966	-	-	40,170,558
TOTAL ASSETS	42,058,371	10,258,509	15,400,303	(64,688)	67,652,495
DEFERRED OUTFLOW OF RESOURCES					
Deferred pension outflow	10,876,212	-	-	-	10,876,212
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 52,934,583	$ 10,258,509	$ 15,400,303	$ (64,688)	$ 78,528,707
LIABILITIES					
Current Liabilities					
Accounts payable	$ 357,172	$ -	$ 64,688	$ (64,688)	$ 357,172
Accrued liabilities	1,808,135	-	-	-	1,808,135
Unearned revenues	180,090	-	-	-	180,090
Current maturities of long-term debt	439,801	425,000	-	-	864,801
Other current liabilities	308,570	-	-	-	308,570
TOTAL CURRENT LIABILITIES	3,093,768	425,000	64,688	(64,688)	3,518,768
Noncurrent Liabilities					
Long-term debt	4,084,875	5,465,000	-	-	9,549,875
Net pension liability	18,512,030	-	-	-	18,512,030
Post-employment benefit liability	563,800	-	-	-	563,800
TOTAL NONCURRENT LIABILITIES	23,160,705	5,465,000	-	-	28,625,705
TOTAL LIABILITIES	26,254,473	5,890,000	64,688	(64,688)	32,144,473
DEFERRED INFLOW OF RESOURCES					
Deferred pension inflow	4,264,450	-	-	-	4,264,450
NET POSITION					
Net investment in capital assets	26,094,916	3,660,966	-	-	29,755,882
Restricted	-	707,543	15,037,223	-	15,744,766
Unrestricted	(3,679,256)	-	298,392	-	(3,380,864)
TOTAL NET POSITION	22,415,660	4,368,509	15,335,615	-	42,119,784
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 52,934,583	$ 10,258,509	$ 15,400,303	$ (64,688)	$ 78,528,707

STATE FAIR COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2017

	College	Facilities Corporation	Foundation	Eliminations	Combined Total
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowance of $7,613,348)	$ 9,127,942	$ -	$ -	$ -	$ 9,127,942
Federal grants and contracts	16,157,050	-	-	-	16,157,050
State and local grants and contracts	4,734,306	-	-	-	4,734,306
Auxiliary services revenues	2,901,491	-	-	-	2,901,491
Other operating revenues	1,196,828	683,143	14	(683,143)	1,196,842
TOTAL OPERATING REVENUES	34,117,617	683,143	14	(683,143)	34,117,631
OPERATING EXPENSES					
Salaries	15,524,348	-	-	-	15,524,348
Fringe benefits	4,823,511	-	-	-	4,823,511
Supplies and other services	13,646,463	-	453,441	(683,143)	13,416,761
Scholarships and fellowships	10,710,180	-	669,724	-	11,379,904
Utilities	968,617	-	-	-	968,617
Depreciation	1,813,556	429,104	-	-	2,242,660
Bad debt expense	378,065	-	-	-	378,065
TOTAL OPERATING EXPENSES	47,864,740	429,104	1,123,165	(683,143)	48,733,866
OPERATING INCOME (LOSS)	(13,747,123)	254,039	(1,123,151)	-	(14,616,235)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	7,582,683	-	-	-	7,582,683
County property tax revenue	3,564,509	-	-	-	3,564,509
Gifts and donations	1,402,506	-	1,880,949	-	3,283,455
Investment income	50,215	8,122	201,822	-	260,159
Unrealized gain on investments	-	-	1,329,915	-	1,329,915
(Loss) on disposal of assets	(2,386)	-	-	-	(2,386)
Interest on debt related to property and equipment	(147,888)	(278,261)	-	-	(426,149)
TOTAL NET NONOPERATING REVENUES (EXPENSES)	12,449,639	(270,139)	3,412,686	-	15,592,186
INCREASE (DECREASE) IN NET POSITION	(1,297,484)	(16,100)	2,289,535	-	975,951
NET POSITION, Beginning of year	23,713,144	4,384,609	13,046,080	-	41,143,833
NET POSITION, End of year	$ 22,415,660	$ 4,368,509	$ 15,335,615	$ -	$ 42,119,784

STATE FAIR COMMUNITY COLLEGE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	College	Facilities Corporation	Foundation	Eliminations	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Student tuition and fees	$ 7,808,619	$ -	$ -	$ -	$ 7,808,619
Payments to suppliers	(13,026,787)	-	(440,243)	683,143	(12,783,887)
Payments for utilities	(968,617)	-	-	-	(968,617)
Payments for employees	(15,421,260)	-	-	-	(15,421,260)
Payments for benefits	(4,087,371)	-	-	-	(4,087,371)
Payments for financial aid and scholarships	(10,710,180)	-	(669,724)	-	(11,379,904)
Auxiliary enterprises charges, bookstore and vending	2,901,491	-	-	-	2,901,491
Contracts and grants receipts	20,891,356	-	-	-	20,891,356
Other revenues	1,196,828	683,143	14	(683,143)	1,196,842
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(11,415,921)	683,143	(1,109,953)	-	(11,842,731)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State aid and grants appropriations	7,582,683	-	-	-	7,582,683
County property tax revenue	3,564,509	-	-	-	3,564,509
Gifts and donations	1,124,481	-	787,356	-	1,911,837
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	12,271,673	-	787,356	-	13,059,029
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	324	-	-	-	324
Purchase of property and equipment	(2,376,161)	-	-	-	(2,376,161)
Principal paid on debt related to property and equipment	(427,423)	(410,000)	-	-	(837,423)
Interest paid on debt related to property and equipment	(147,888)	(278,261)	-	-	(426,149)
NET CASH (USED) BY CAPITAL FINANCING ACTIVITIES	(2,951,148)	(688,261)	-	-	(3,639,409)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	2,940,000	-	1,478,726	-	4,418,726
Interest on investments	50,215	8,122	201,822	-	260,159
Purchase of investments	-	-	(1,270,086)	-	(1,270,086)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,990,215	8,122	410,462	-	3,408,799
INCREASE IN CASH AND CASH EQUIVALENTS	894,819	3,004	87,865	-	985,688
CASH AND CASH EQUIVALENTS, Beginning of year	2,550,179	240,539	1,273,220	-	4,063,938
CASH AND CASH EQUIVALENTS, End of year	$ 3,444,998	$ 243,543	$ 1,361,085	$ -	$ 5,049,626

STATE FAIR COMMUNITY COLLEGE
COMBINING STATEMENT OF CASH FLOWS (continued)
Year Ended June 30, 2017

	College	Facilities Corporation	Foundation	Eliminations	Combined Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (13,747,123)	$ 254,039	$ (1,123,151)	$ -	$ (14,616,235)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,813,556	429,104	-	-	2,242,660
Changes in assets, deferred outflows, liabilities and deferred inflows:					
Accounts receivable, net	(1,086,021)	-	-	-	(1,086,021)
Prepaid expenditures	78,020	-	-	-	78,020
Inventory	299,454	-	-	-	299,454
Deferred pension outflow	(3,620,807)	-	-	-	(3,620,807)
Accounts payable	180,926	-	13,198	-	194,124
Accrued liabilities	103,088	-	-	-	103,088
Unearned revenue	144,763	-	-	-	144,763
Net pension liability	3,833,905	-	-	-	3,833,905
Post-employment benefit liability	82,400	-	-	-	82,400
Other liabilities	61,276	-	-	-	61,276
Deferred pension inflow	440,642	-	-	-	440,642
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (11,415,921)	$ 683,143	$ (1,109,953)	$ -	$ (11,842,731)

OTHER REPORTING REQUIREMENTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
State Fair Community College
Sedalia, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of State Fair Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise State Fair Community College College's financial statements, and have issued our report thereon, dated December 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered State Fair Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
State Fair Community College
Sedalia, Missouri

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether State Fair Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of State Fair Community College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Fair Community College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
State Fair Community College
Sedalia, Missouri

Report on Compliance for Each Major Federal Program

We have audited State Fair Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2017. State Fair Community College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of State Fair Community College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on State Fair Community College's compliance.

Opinion on the Major Federal Program

In our opinion, State Fair Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

State Fair Community College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. State Fair Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of State Fair Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or

combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a material weakness.

State Fair Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. State Fair Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2017

STATE FAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	N/A	$ 8,681,522
Federal Supplemental Educational Opportunity Grants	84.007	N/A	108,727
Federal Work-Study Program	84.033	N/A	124,199
Federal Direct Student Loans	84.268	N/A	5,423,515
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			14,337,963
TRIO Cluster			
TRIO_Upward Bound	84.047	N/A	259,235
TRIO_Student Support Services	84.042	N/A	263,183
TOTAL TRIO CLUSTER			522,418
TOTAL U.S. DEPARTMENT OF EDUCATION (DIRECT)			14,860,381
Passed Through Missouri Department of Elementary and Secondary Education			
Adult Education - Basic Grants to States	84.002	V002A150026	346,673
Career and Technical Education - Basic Grants to States	84.048	V048A150025	657,939
TOTAL U.S. DEPARTMENT OF EDUCATION (PASS-THROUGH)			1,004,612
TOTAL U.S. DEPARTMENT OF EDUCATION			15,864,993
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed Through Missouri Department of Elementary and Secondary Education			
Child Care and Development Block Grant	93.575	1601MOCCDF	16,742
Passed Through Missouri Department of Health and Senior Services			
Assistance Programs for Chronic Disease Prevention and Control	93.945	AOC17380113	17,555
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			34,297
U.S. SMALL BUSINESS ADMINISTRATION			
The Curators of the University of Missouri			
Small Business Development Centers Grant	59.037	SBAHQ-16-B-0020	37,947
		SBAHQ-17-B-0007	33,282
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			71,229

STATE FAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed Through Metropolitan Community College			
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282	-	434,737
Passed Through Missouri Department of Economic Development			
Apprenticeship USA Grants	17.285	-	2,252
TOTAL U.S. DEPARTMENT OF LABOR			436,989
NATIONAL SCIENCE FOUNDATION			
Direct			
Education and Human Resources Grant	47.076	N/A	6,201
TOTAL NATIONAL SCIENCE FOUNDATION			6,201
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Missouri Department of Health and Senior Services			
Summer Food Service Program	10.559	ERS0462222S	4,882
TOTAL U.S. DEPARTMENT OF AGRICULTURE			4,882
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 16,418,591

N/A – Not Applicable

See accompanying notes to schedule of expenditures of federal awards.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of State Fair Community College under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of State Fair Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of State Fair Community College.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported in the Schedule are reported on the accrual basis of accounting, which is described in Note A to the College's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Pass-through entity identifying numbers are presented where available.

NOTE C – INDIRECT COST RATE

The College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The College did not provide funds to subrecipients during the current year.

STATE FAIR COMMUNITY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	yes	X	no
• Significant deficiency(ies) identified:	_____	yes	X	none reported
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?	X	yes	_____	no
• Significant deficiency(ies) identified:	_____	yes	X	none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	X	yes	_____	no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	_____	yes	X	no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

2017-001 Eligible Programs

U.S. DEPARTMENT OF EDUCATION
Student Financial Assistance Cluster
CFDA Nos. 84.007, 84.033, 84.063 & 84.268

Condition: The College awarded Title IV funds to a student who was not enrolled in an eligible program.

Criteria: Title IV funds can only be awarded to students enrolled in eligible programs per 34 CFR 668.32. Eligible programs are those that are approved by the Department of Education in accordance with 34 CFR 600.10.

Cause: The College was unaware that the certificate program was listed as not approved on the Eligibility and Certification Approval Report (ECAR).

Effect: The student was not eligible to receive Title IV program assistance.

Context: Of our sample, there was one instance of a student awarded Title IV funds who was enrolled in a certificate program that was not an allowable program as listed on the ECAR.

Questioned Costs: The student was awarded $4,500 in subsidized and $5,500 in unsubsidized direct student loans.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the College implement procedures to ensure that Title IV program assistance is only awarded to students in eligible programs in order to comply with the Department of Education's allowed activities and eligibility requirements.

College Response: The College has procedures to ensure that Title IV program assistance is only awarded to students in eligible programs. The forty-two hour General Education Certificate offered by the College was, and still is, an approved program according to the Higher Learning Commission and State of Missouri. In April 2014, it was, according to Kathleen Shelton with FSA Kansas City School Participation Division, disapproved because it was determined it did not lead to gainful employment. There is a question as to whether FSA or the College requested the removal of the program from the ECAR. When in the process of recertification in June 2016, Ms. Shelton's last correspondence with the College stated that she was waiting for clarification about this certificate program. During the on-campus site visit portion of the Title IV Program Review in May 2016, Joy Frazier, the lead Reviewer, stated that the College should not do anything until she looked into it further knowing our system was still set to allow aid for students in this program. On June 3, 2016, Joy requested additional information about agreements in the State of Missouri concerning transferability of the Gen Ed certificate which was provided the following week. The College has not heard back from Ms. Shelton nor Ms. Frazier since June 2016 concerning what action to take or if the certificate would simply be added back to the ECAR as Ms. Frazier suggested was in consideration. The correspondence between the College and both reviewers is documented in emails. At this time, the College is no longer accepting students into the program until the determination is made as to whether the program will be considered eligible for Title IV financial assistance.

2016-001 and 2015-002 Enrollment Reporting

U.S. DEPARTMENT OF EDUCATION
Student Financial Assistance Cluster
CFDA Nos. 84.007, 84.033, 84.063 & 84.268

Condition: The College was not in compliance with accurate and timely reporting of attendance changes to the Department of Education's National Student Loan Data System (NSLDS).

Recommendation: The auditor recommended that the College implement procedures in order to comply with the Department of Education's enrollment reporting requirements to the NSLDS.

Current Status: The College has implemented procedures to check accuracy for reporting to the NSLDS. No similar findings were noted in the 2017 audit.

State Fair Community College

3201 W. 16th Street
Sedalia, Missouri 65301-2199
(660) 530-5800
www.sfccmo.edu

CORRECTIVE ACTION PLAN
June 30, 2017

U.S. DEPARTMENT OF EDUCATION

State Fair Community College respectfully submits the following corrective action plan for the year end June 30, 2017.

Contact information for the individual responsible for the corrective action:

Dr. Brent Bates, Vice President for Educational and Student Support Services
State Fair Community College
3201 W. 16th Street
Sedalia, Missouri 65301-2199

Independent public accounting firm: KPM CPAs, PC, 1445 E. Republic Road, Springfield, MO 65804

Audit Period: Year ended June 30, 2017

The finding from the June 30, 2017, Schedule of Findings and Questioned Costs – Major Federal Award Program is discussed below. The finding is numbered with the number assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAM AUDIT

2017-001 Eligible Programs

Recommendation: The College implement procedures to ensure that Title IV program assistance is only awarded to students in eligible programs in order to comply with the Department of Education's allowed activities and eligibility requirements.

Corrective Action Taken: The College has procedures to ensure that Title IV program assistance is only awarded to students in eligible programs. The forty-two hour General Education Certificate offered by the College was, and still is, an approved program according to the Higher Learning Commission and State of Missouri. In April 2014, it was, according to Kathleen Shelton with FSA Kansas City School Participation Division, disapproved because it was determined it did not lead to gainful employment. There is a question as to whether FSA or the College requested the removal of the program from the ECAR. When in the process of recertification in June 2016, Ms. Shelton's last correspondence with the College stated that she was waiting for clarification about this certificate program. During the on-campus site visit portion of the Title IV Program Review in May 2016, Joy Frazier, the lead Reviewer, stated that the College should not do anything until she looked into it further knowing our system was still set to allow aid for students in this program. On June 3, 2016, Joy requested additional information about agreements in the State of Missouri concerning transferability of the Gen Ed certificate which was provided the following week. The College has not heard back from Ms. Shelton nor Ms. Frazier since June 2016 concerning what action to take or if the certificate would simply be added back to the ECAR as Ms. Frazier suggested was in consideration. The correspondence between the College and both reviewers is documented in emails. At this time, the College is no longer accepting students into the program until the determination is made as to whether the program will be considered eligible for Title IV financial assistance.

Anticipated Completion Date: Unknown.

Respectfully,

Dr. Brent Bates
Vice President for Educational and Student Support Services
State Fair Community College