State Fair Community College

Annual Financial Report
Year Ended June 30, 2022

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Table of Contents

CPAS & ADVISORS

Independent Auditors' Report

Board of Trustees
State Fair Community College
Sedalia, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of State Fair Community College (the "College"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of State Fair Community College, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of State Fair Community College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2022, the College adopted new accounting guidance, GASB Statement No. 87 – *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information, and other post-employment benefit information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 on 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.

Supplementary 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 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 Schedule of Expenditures of Federal Awards is 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 13, 2022, on our consideration of State Fair Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's 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 13, 2022

Management’s Discussion and Analysis

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 State Fair Community College (the College) and the State Fair Community College Foundation (the Foundation).

There are five financial statements presented: the Combined Statement of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; the Combined Statement of Cash Flows; the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. 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 account 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 five financial statements: the Combined Statement of Net Position; the Combined Statement of Revenues, Expenses, and Changes in Net Position; the Combined Statement of Cash Flows; the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. 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 information on all of the College’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating. The purpose of the Combined Statement of Net Position is to present a snapshot of the financial condition of the College.

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, 2022, 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 and lease assets owned by the College.

Net position is presented in three major categories. The first is net investment in capital and lease 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 the Foundation. The third is unrestricted net position, which is available for any lawful purpose.

Condensed Combined Statement of Net Position (in millions)

	2022	2021
Current Assets	$ 44.4	$ 45.0
Non-current Assets	46.4	37.8
Total Assets	90.8	82.8
Deferred outflow of resources	7.6	9.7
Total Deferred Outflow of Resources	7.6	9.7
Current Liabilities	5.2	4.7
Non-current Liabilities	21.2	39.5
Total Liabilities	26.4	44.2
Deferred inflow of resources	18.6	3.7
Total Deferred Inflow of Resources	18.6	3.7
Net investment in capital and lease assets	30.5	29.0
Restricted	20.7	21.4
Unrestricted	2.2	(5.8)
Total Net Position	$ 53.4	$ 44.6

Total net position of the College increased by $8.8 million for the year due to current year activity. Total liabilities for the College decreased by $17.7 million primarily due to issuance of lease obligations of $2.5 million and a decrease of $18.6 million in the net pension liability and principal payments on long-term debt of $1.5 million. Restricted net position of the College totaled $20.7 million as of June 30, 2022. This amount represents monies held by the Foundation for restricted gifts and donations.

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)	
	2022	**2021**
Operating Revenue	$ 26.7	$ 20.8
Operating Expenses	(45.4)	(44.8)
Operating (Loss)	(18.7)	(24.0)
Nonoperating Revenues (Expenses), net	27.5	31.1
Change in Net Position	8.8	7.1
Net Position, Beginning of year	44.6	37.5
Net Position, End of year	$ 53.4	$ 44.6

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 2022 and 2021 revenues, both operating and nonoperating:

	(In Millions)	
	2022	**2021**
Operating Revenues		
Student tuition and fees, net	$ 10.3	$ 10.0
Contracts and grants	13.4	8.0
Auxiliary services	2.4	2.2
Other	0.6	0.6
Total Operating Revenue	$ 26.7	$ 20.8

	(In Millions)	
	2022	**2021**
Nonoperating Revenues (Expenses)		
State appropriations	$ 7.7	$ 7.0
Nonexchange grant revenue	14.9	13.4
County property tax revenue	4.1	3.9
Gifts and donations	3.1	3.4
Investment income (expense)	(1.8)	3.7
Other income	0.1	0.1
Interest and fees on debt related to property and equipment	(0.6)	(0.4)
Total Nonoperating Revenues (Expenses), Net	$ 27.5	$ 31.1

Following are the components of operating expenses for the College during 2022 and 2021:

	(In Millions)	
Operating Expenses by Functional Classification	**2022**	**2021**
Instruction	$ 13.1	$ 12.8
Public services	0.6	0.6
Academic support	5.0	5.6
Student services	4.2	3.3
Institutional support	1.6	6.8
Auxiliary services	3.0	2.5
Scholarships and fellowships	10.9	7.1
Depreciation and amortization	2.7	2.3
Bad debt expense	0.7	0.5
Plant operating expenses	3.6	3.3
Total	$ 45.4	$ 44.8

	(In Millions)	
Operating Expenses by Natural Classification	**2022**	**2021**
Salaries and benefits	$ 17.2	$ 21.7
Supplies and other services	13.1	12.4
Scholarships and fellowships	10.9	7.0
Utilities	0.9	0.9
Depreciation and amortization	2.6	2.3
Bad debt expense	0.7	0.5
Total	$ 45.4	$ 44.8

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, 2022 and 2021:

	(In Millions)	
	2022	**2021**
Cash Provided (Used) By		
Operating activities	$ (19.7)	$ (18.8)
Noncapital financing activities	30.2	27.2
Capital financing activities	(9.4)	2.6
Investing activities	(8.5)	1.4
Net Change in Cash and Cash Equivalents	(7.4)	12.4
Cash and Cash Equivalents, Beginning of year	23.0	10.6
Cash and Cash Equivalents, End of year	$ 15.6	$ 23.0

Combined Long-Term Obligations

The following is a summary of long-term obligations of the College as of June 30, 2022 and 2021:

	(In Millions)	
	2022	**2021**
Long-Term Obligations - Combined		
Financed purchases	$ 5.4	$ 6.7
Lease obligations	9.7	7.4
Net pension liability	5.6	24.2
Postemployment benefit liability	2.0	2.4
Total Long-Term Obligations	$ 22.7	$ 40.7

Total long-term debt of the College was $22.7 million, which is down $18 million from the year primarily from a decrease of $18.6 and $.4 million in the net pension liability and post-employment benefit liability, respectively, issuance of long-term debt of $2.5 million, combined with payments on long-term debt principal of $1,522,144.

Capital and Lease Assets

Capital and lease assets of the College were $45.5 million (net of accumulated depreciation) as of June 30, 2022. This represents a $7,732,258 net increase from the prior year primarily due to current year additions being greater than current year depreciation and disposals.

Economic Outlook

The College continues to successfully face the financial challenges of a changing economic situation. In Fiscal Year 2021, State of Missouri net general revenue collections grew by 25.8% over Fiscal Year 2020. The increase was driven primarily by the income tax return filing due date moving from April 15, 2020 to July 15, 2020 which resulted in Fiscal 2020 income tax receipts being collected in Fiscal Year 2021. Had the tax due dates in Fiscal Year 2020 not been delayed into Fiscal Year 2021, revenue would have grown by 7.6%. In planning for fiscal Year 2022, the State Budget was based on revenue decline of 0.5% from Fiscal Year 2021. The forecast for Fiscal Year 2023 reflects moderating growth. Governor Parson's Fiscal Year 2023 budget was based on a 2.1% growth in net general revenue compared to the Fiscal Year 2022 estimate.

Missouri's economic rebound from the pandemic continued to be robust. Economic indicators show Missouri's economy is recovering better than anticipated and budgeted. Actual net general revenue collections for Fiscal Year 2022 increased 14.6% compared to Fiscal Year 2021, from $11.24 billion in Fiscal Year 2021 to $12.88 billion in Fiscal Year 2022. Continuing that trend, net general revenue collections for November 2022 grew 4.8% compared to those for November 2021, from $965.5 million last year to $1.01 billion this year. Net general revenue collections for the 2022 fiscal year-to-date increased 14.5% compared to November 2021, from $4.50 billion last year to $5.15 billion this year.

The annual consensus revenue estimate, used as the benchmark for budgeting by both the state executive and the Legislature, projects net general revenue tax receipts of $13.1 billion in the current Fiscal Year 2023. This represents growth of 1.4% over fiscal 2022, a dramatic decline from the growth rate of 14.5% through November, indicating a significant slowdown is expected in 2023. Net general revenue collections in FY24 are expected to be $13.2 billion, a 0.7% net general revenue growth over the estimated revenue for FY23.

To turn 14.5% growth through November into 1.4% growth at the end of June, revenues from December through June 30 would have to decline by 6%, or by about $500 million. It is uncertain how much the decline in growth will be due to tax cuts (State income tax cuts enacted in October of this year will cut the top income tax rate to 4.95% on Jan. 1, with possible additional cuts to come on Jan. 1 of subsequent years), and how much is expected to result from economic conditions. Many economic prognosticators believe the possibility of recession is growing because lower-income Americans are spending their savings due to inflation and will not be able to sustain their purchasing power in the new year.

Countering this, the state is currently sitting on a massive surplus because of federal COVID-19 policies and the rapid growth in state revenues over the prior two years. The balance in the general revenue fund grew to $4.9 billion at the end of November, up about $150 million from the October balance, with another $1.5 billion in funds that have few restrictions. Furthermore, State revenue has benefited from inflation, with 13% growth in sales tax receipts in fiscal 2022 and 9.1% growth in the current year. Higher pay, from an increasing minimum wage and from wages hiked to cover inflation, is pushing income tax receipts higher at a brisk pace as well, up 13.6% so far this year. Inflation-fighting interest rate hikes are also contributing to Missouri revenue growth. So far this fiscal year, interest income for the general revenue fund is $58.8 million, compared with $22.5 million over the full 12 months of the previous fiscal year.

The rebound in the economy has not helped enrollment at the State's public colleges and universities, including State Fair Community College. According to the Missouri Department of Higher Education and Workforce Development (DHEWD), Missouri public institutions enrollment figures have steadily dropped since 2016, with 246,999 students enrolled in a public university or college five years ago, compared to 211,176 students in 2021 – nearly a 15.6% difference. Four-year public university enrollment figures decreased by 4% between fall 2020 and fall 2021, from 137,464 students to 136,957, whereas two-year public college enrollment dropped by 8.6% during the same time, from 75,465 students to 74,219 in 2021. At the time of this report, DHEWD has not released enrollment data for 2022.

The College continues to face financial challenges fueled by a strong labor market, declining enrollments and significantly increasing costs (CPI increase of 7.7% in October 2022), especially in technology, cybersecurity and faculty and staff compensation. Additionally, the continued uncertainty of potential COVID-19 virus variants and the measures still necessary to mitigate its impact now and in the future will likely continue to impact enrollment and costs. During the pandemic, assistance provided by the Higher Education Emergency Relief Funds through the CARES, CRRSAA and ARPA legislation assisted both students and the college to meet the increased costs and depressed revenues resulting from the pandemic. These funds have allowed the College to expand its resources to greatly increase its delivery of remote instruction and improve technology access for students and faculty. The need to continue funding and investing in these initiatives will continue without the assistance of Federal funding.

To the benefit of the College, Governor Parson has made workforce development a priority in his economic policy for the State of Missouri. In June 2022, State Fair Community College opened its 38,000 sq. ft. Olen Howard Workforce Innovation Center, which doubled its capacity for delivering workforce education, training and certifications in Precision Machining and Welding. The Fielding Technical Center will be renovated to accommodate expanded and additional programs in Industrial Electrical Maintenance, Climate and Environmental Control Technologies and other emerging careers. Our Health Sciences program remains the top-ranked nursing program in the State and continues to expand the breadth and depth of its offerings including the addition of Surgical Technology to its programs.

While State Fair Community College is well-positioned to maintain a strong financial position in the near term, there will be continued pressure on its ability to increase revenues in-line with increasing system costs. As a labor-intensive organization, State Fair Community College faces competitive compensation pressures related to attracting and retaining high-quality faculty and staff. Increased state funding is a critical component of meeting these needs. State Fair Community College's financial position is closely aligned to the economy and the State's budget. Changes in revenue collection, unemployment, high school graduation rates and population growth all impact (often beyond our control) our financial position. Revenues provided by various State and Federal programs, plus private financial support, are essential to supplement the base revenues provided by state budget appropriations, local property taxes and student tuition.

Management believes that our increased capacity for workforce training, expanded Health Sciences offerings, and expanded resources dedicated to admissions, enrollment management and retention, plus continued efforts to manage costs will offset the broader enrollment trends and ever-increasing costs. While the future of higher education and community colleges continues to evolve, State Fair Community College will continue to take proactive steps to be the best choice for students of all ages and backgrounds to improve their futures. Finally, while it is not possible to predict future results, College management believes that the College's financial position remains strong as evidenced by the 2022 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. Keith Acuff, Vice President for Finance and Administration
State Fair Community College
3201 West 16th Street
Sedalia, MO 65301

Financial Statements

State Fair Community College

Combined Statement of Net Position

June 30, 2022

Assets		
Current Assets		
Cash and cash equivalents	$	15,627,310
Investments		24,918,929
Accounts receivable, net		3,061,773
Property taxes receivable, net		37,487
Lease receivable - current		17,201
Prepaid expenses		130,832
Inventory		627,923
Total Current Assets		44,421,455
Noncurrent Assets		
Lease receivable - noncurrent		846,592
Capital Assets		
Non-depreciable		12,888,551
Depreciable, net		21,963,478
Lease Assets		
Non-depreciable		7,162,775
Depreciable, net		3,511,606
Total Noncurrent Assets		46,373,002
Total Assets		90,794,457
Deferred Outflow of Resources		
Deferred pension outflow		7,391,184
Deferred OPEB outflow		244,139
Total Deferred Outflows of Resources		7,635,323
Total Assets and Deferred Outflow of Resources	$	98,429,780
Liabilities		
Current Liabilities		
Accounts payable	$	1,325,747
Accrued liabilities		1,421,839
Accrued interest payable		14,880
Unearned revenues		372,837
Other current liabilities		704,695
Current maturities of long-term debt		1,410,891
Total Current Liabilities		5,250,889
Noncurrent Liabilities		
Financed purchases		4,477,820
Lease obligations		9,163,800
Net pension liability		5,609,311
Post-employment benefit liability		1,996,855
Total Noncurrent Liabilities		21,247,786
Total Liabilities		26,498,675
Deferred Inflows of Resources		
Deferred pension inflow		16,394,436
Deferred postemployment benefit inflow		1,302,632
Deferred lease inflow		861,697
Total Deferred Inflows of Resources		18,558,765
Net Position		
Net investment in capital and lease assets		30,473,899
Restricted		20,696,145
Unrestricted		2,202,296
Total Net Position		53,372,340
Total Liabilities, Deferred Inflow of Resources, and Net Position	$	98,429,780

See accompanying Notes to the Financial Statements.

State Fair Community College

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

Year Ended June 30, 2022

Operating Revenues	
Student tuition and fees (net of scholarship allowance of $6,250,383)	$ 10,264,068
Federal grants and contracts	2,729,672
State and local grants and contracts	10,754,878
Auxiliary services revenues	2,458,221
Other operating revenues	559,799
Total Operating Revenues	26,766,638
Operating Expenses	
Salaries	15,395,616
Fringe benefits, net of annual pension and OPEB adjustments - (decrease) of $(2,948,722) and $(15,723), respectively	1,792,111
Supplies and other services	13,114,456
Scholarships and fellowships	10,898,719
Utilities	877,091
Depreciation	2,669,789
Bad debt expense	693,522
Total Operating Expenses	45,441,304
Operating (Loss)	(18,674,666)
Nonoperating Revenues (Expenses)	
State appropriations	7,755,489
Nonexchange grant revenue	14,889,651
County property tax revenue	4,071,954
Gifts and donations	3,151,686
Investment income (expense)	
Interest	610,106
Net (decrease) in fair value of investments	(2,446,624)
Gain on disposal of assets	3,750
Other income	45,362
Interest and fees on debt related to capital and lease assets	(586,661)
Total Nonoperating Revenues (Expenses), Net	27,494,713
Change in Net Position	8,820,047
Net Position, Beginning of year	44,552,293
Net Position, End of year	$ 53,372,340

See accompanying Notes to the Financial Statements.

State Fair Community College

Combined Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities	
Student tuition and fees	$ 9,544,149
Payments to suppliers	(13,867,044)
Payments for utilities	(877,091)
Payments for employees	(15,290,070)
Payments for benefits	(4,756,557)
Payments for financial aid and scholarships	(10,898,719)
Auxiliary enterprises charges, bookstore and vending	2,458,221
Contracts and grants	13,484,550
Other revenues	559,799
Net Cash (Used) by Operating Activities	(19,642,762)
Cash Flows from Noncapital Financing Activities	
State aid and grants appropriations	7,755,489
Nonexchange grant revenue	14,889,651
County property tax revenue	4,112,648
Gifts and donations	3,453,715
Payments from other nonoperating activities	43,266
Net Cash Provided by Noncapital Financing Activities	30,254,769
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of property	3,750
Purchase of capital and lease assets	(9,837,828)
Principal paid on debt related to capital and lease assets	(1,522,144)
Proceeds from issuance of new debt	2,491,917
Interest and fees paid on debt related to capital and lease assets	(571,781)
Net Cash (Used) by Capital and Related Financing Activities	(9,436,086)
Cash Flows from Investing Activities	
(Purchase) of investments	(9,135,518)
Interest on investments	610,106
Net Cash (Used) by Investing Activities	(8,525,412)
(Decrease) in Cash and Cash Equivalents	(7,349,491)
Cash and Cash Equivalents, Beginning of year	22,976,801
Cash and Cash Equivalents, End of year	$ 15,627,310

See accompanying Notes to the Financial Statements.

State Fair Community College

Combined Statement of Cash Flows

Year Ended June 30, 2022

Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (loss)	$ (18,674,666)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation and amortization	2,669,789
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable, net	(242,333)
Prepaid expenditures	(121,123)
Inventory	(52,667)
Deferred pension outflow	2,022,449
Deferred post-employment benefit outflow	47,158
Accounts payable	(599,052)
Accrued liabilities	(36,955)
Unearned revenue	236,190
Net pension liability	(18,581,624)
Post-employment benefit liability	(426,873)
Other liabilities	142,501
Deferred pension inflow	13,610,452
Deferred post-employment benefit inflow	363,992
Net Cash (Used) by Operating Activities	$ (19,642,762)
Noncash Investing Activities	
(Decrease) in fair value of investments	$ (2,446,624)

See accompanying Notes to the Financial Statements.

State Fair Community College

Statement of Fiduciary Net Position

June 30, 2022

	Custodial Fund Job Retention Training Program
Assets	
Cash and cash equivalents	$ 1,334,551
Total Assets	$ 1,334,551
Net Position	
Restricted for training programs	$ 1,334,551
Total Net Position	$ 1,334,551

See accompanying Notes to the Financial Statements.

State Fair Community College

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

		Custodial Fund Job Retention Training Program
Additions		
Investment income		
Interest	$	530
Other Revenue		
Jobs retention tax credit revenue		987,191
Total Additions		987,721
Deductions		
Training expense		417,914
College administration and allowance		171,408
Other		4,853
Total Deductions		594,175
Change in Net Position		393,546
Net Position, Beginning of Year		941,005
Net Position, End of Year	$	1,334,551

See accompanying Notes to the Financial Statements.

1. 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 unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationships with the College.

Component Units

Blended Component Unit

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.

Fiduciary Fund

Activities relating to the fiduciary activities of the College include the Jobs Retention Training Program and are presented in fiduciary statements in accordance with *GASB 84 – Fiduciary Activities*. While fiduciary activities are controlled by the College through its Board of Trustees, the transactions for these activities are separated from the College's primary financial statements in accordance with GASB 84 and are presented separately herein in the fiduciary statements section presented immediately after the College's financial statements. The Jobs Retention Training Program is a job training and re-training program established by the State of Missouri and administered by Missouri Community Colleges within their designated service regions in cooperation with the Missouri Department of Revenue. The Jobs Retention Training Program is discretionary and qualified businesses must make substantial capital investments, maintain certain employment levels, and have a minimum of one hundred employees. Training funds are generated from existing employees' regular withholding taxes. As withholding credits are claimed by qualified businesses, funds are transferred from the Missouri Department of Revenue to designated training accounts (Trust Accounts) for each employer. The Trust Accounts are administered by the College as a fiduciary activity. Disbursement are made for qualified expenditures for training. Such qualified expenditures may include educational courses or services provided by the College to the employer businesses.

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 use restricted expendable assets or unrestricted assets, it uses 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.

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.

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.

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 and improvements	40
Land Improvements	20 to 25
Equipment	5 to 7
Vehicles	6

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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 Net 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 two items that qualify for reporting in this category, deferred amounts relating to the retirement plan and post-employment benefit plan.

In addition to liabilities, the Statement of Net 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 three types of items that qualify for reporting in this category, deferred pension inflows relating to the retirement plan and post-employment benefit plan and deferred lease inflows, which is derived from leases receivable on the Statement of Net Position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

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; however, such premiums are based upon a blended participant pool of the College's employees and the retirees. Such blending results in an implied subsidy to the retirees inasmuch as the premiums charged to retirees are less than the retiree could purchase from third party insurance carriers.

The implied subsidy is reflected in the Statement of Net Position as OPEB liabilities including deferred inflows of resources and deferred outflows of resources relating to post-employment health care benefits. OPEB liabilities and the related deferred inflows of resources and deferred outflows of resources are discussed more in Note 11 – Post-employment Benefits Other Than Pensions (OPEB).

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, net of scholarship discounts and allowances; sales and services of auxiliary enterprises; most federal, state, and local grants and contracts; and other fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College. 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, state apportionments, certain grants without equal value given/received such as Pell and Education Stabilization Funds, property taxes, investment income, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB statement No. 34.

Scholarship Allowance

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

Federal Student Financial Assistance Programs

The College participates in the following federal student financial aid programs: Federal Pell Grant, Federal Supplemental Education Opportunity Grant, Federal Work Study, and Federal Direct Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, and the *Compliance Supplement* Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

Income Tax Status

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

New Pronouncement

The College implemented GASB Statement No. 87 – *Leases* in the year ended June 30, 2022. The objective of this pronouncement is to establish standards for the measurement, recognition, and display of lease obligations (lessee) and the measurement, recognition, and display of sums to be received from third parties where an entity is the lessor. While the application of the new pronouncement did not affect the College's net position or the net increase in net position for the year ended June 30, 2021, certain balances and other classifications were added that changed amounts previously reported.

2. Cash, Cash Equivalents, & 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, 2022, the College and Foundation balances on deposit totaled $12,472,376 and $3,015,073, respectively. These balances include cash that is maintained at financial institutions. At June 30, 2022, $1,277,543 of the Foundation's 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, 2022, are in the following institutions:

- Central Bank – $12,471,641

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 and College places no limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in U.S. Treasury Notes, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank notes. These investments are 73%, 5%, and 5%, respectively, of the College's total investments.

The College and Foundation categorizes investments within the fair value hierarchy as discussed in Note 1. As of June 30, 2022, the College and Foundation 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					
U.S. Treasury Notes	7/31/22 to 10/15/23	$ -	$ 6,633,102	$ -	$ 6,633,102
U.S. Government Agency Securities					
Federal Home Loan Mortgage Corporation	8/24/2023	-	494,440	-	494,440
Federal Farm Credit Bank	9/15/2023	-	481,845	-	
Negotiable Certificates of Deposit	11/9/22 to 11/29/23	-	1,459,957	-	1,459,957
		-	9,069,344	-	8,587,499
Foundation					
Equity Securities Funds	N/A	-	10,189,688	-	10,189,688
Fixed Income Securities	N/A	-	3,163,073	-	3,163,073
Real Assets Funds	N/A	1,624,474	-	-	1,624,474
Alternatives Funds	N/A	862,571	-	-	862,571
U.S. Corporate Bonds	2/1/2029	-	-	9,779	9,779
		2,487,045	13,352,761	9,779	15,849,585
		$ 2,487,045	$ 22,422,105	$ 9,779	$ 24,437,084

U.S. Treasury Notes

Funds invested in U.S. Treasury Notes are held by Central Bank and have a current rating of Aaa by Moody's.

U.S. Government Agency Securities

Funds invested in Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank are held by Central Bank and are all rated Aaa by Moody's.

Certificates of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the College's deposits be collateralized in the name of the College by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2022, all certificates of deposit are entirely insured or collateralized with securities. Negotiable certificates of deposit are carried at fair market value.

Equity Funds

The Foundation has invested in equity funds at Central Trust Company. The equity fund portfolio is comprised of hedged equity, international developed, mid and small capital funds, and the largest percentage invested in large capital funds. The fund is not rated.

Fixed Income Securities Funds

The Foundation has invested in fixed income securities funds at Central Trust Company. The fixed income securities are comprised of inflation protected debt and investment grade debt. These funds are not rated.

Real Assets Funds

The Foundation has invested in real assets funds at Central Trust company. The real assets are comprised of gold and silver commodities funds which are not rated.

Alternatives Funds

The Foundation has invested in alternatives funds at Central Trust Company. The alternatives are comprised of flexible and strategic income funds which are not rated.

U.S. Corporate Bonds

The Foundation has securities in U.S. corporate bonds on deposit with Edward Jones which were rated Ba2 by Moody's.

3. 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, 2022, these amounts were as follows:

	College	Foundation	Eliminations	Total
Accounts receivable	$ 7,529,904	$ 475,111	$ (20,254)	$ 7,984,761
Allowance	(4,889,924)	-	-	(4,889,924)
Discount on pledges receivable	-	(33,064)	-	(33,064)
Net Accounts Receivable	$ 2,639,980	$ 442,047	$ (20,254)	$ 3,061,773

Property Tax Receivable

Property taxes receivable are presented net of allowances for uncollectible accounts. As of June 30, 2022, these amounts were as follows:

	College
Property tax receivable	$ 73,770
Allowance	(36,283)
Net Property Tax Receivable	$ 37,487

4. 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.

The assessed valuation of the tangible taxable property for calendar year 2021 for purposes of local taxation was:

Real estate	$ 734,696,031
Personal property	240,945,301
Total Assessed Valuation	$ 975,641,332

The tax levy per $100 of the assessed valuation of tangible taxable property for the calendar year 2021 for purposes of local taxation was:

General Fund	$ 0.3972
Total Levy	$ 0.3972

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, 2022, was:

Constitutional debt limit	$ 48,782,067
General obligation bonds payable	-
Amount available to service debt	-
Legal Debt Margin	$ 48,782,067

5. Accrued Liabilities

At June 30, 2022, accrued liabilities consisted of accrued payroll and benefits, accrued vacation payable, and retirement payable.

6. 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, 2022, restricted net position consisted of $20,696,145 of restricted gifts and donations to the Foundation.

7. Concentrations of Credit Risk

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

8. Property & Equipment

College

The properties of the College consisted of the following categories at June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Non-depreciable Capital Assets				
Land	$ 1,794,745	$ -	$ -	$ 1,794,745
Artwork	9,557,484	-	-	9,557,484
Construction in progress	809,040	877,072	149,790	1,536,322
Total Non-depreciable Capital Assets	12,161,269	$ 877,072	$ 149,790	12,888,551
Depreciable Capital Assets				
Library books	2,176,302	$ 62,817	$ -	2,239,119
Buildings and improvements	46,898,357	189,582	-	47,087,939
Furniture and fixtures	7,452,000	1,508,559	87,709	8,872,850
Vehicles	215,748	281,000	-	496,748
Total Depreciable Capital Assets	56,742,407	$ 2,041,958	$ 87,709	58,696,656
Less accumulated depreciation	34,393,003	$ 2,427,884	$ 87,709	36,733,178
Depreciable Capital Assets, Net	22,349,404			21,963,478
Total Capital Assets, Net	34,510,673			34,852,029
Depreciable Lease Assets				
Buildings	1,108,704	$ 2,508,402	$ -	3,617,106
Office equipment	136,405	-	-	136,405
Total Depreciable Lease Assets	1,245,109	$ 2,508,402	$ -	3,753,511
Less accumulated amortization	-	$ 241,905	$ -	241,905
Depreciable Lease Assets, Net	1,245,109			3,511,606
Total Capital and Lease Assets, Net	$ 35,755,782			$ 38,363,635

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.

Foundation

The properties of the Foundation consisted of the following categories at June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Non-depreciable Lease Assets				
Construction in progress	$ 2,038,370	$ 5,124,405	$ -	$ 7,162,775
Total Lease Assets	$ 2,038,370	$ 5,124,405	$ -	$ 7,162,775

9. Long-Term Debt

College

Financed Purchases

October 26, 2011, the College entered into a direct borrowing agreement to finance an energy savings project. The agreement requires annual payments of $459,974, which includes interest at 3%. In the event of default, the lender may by written notice, declare all rental amounts payable immediately or may retake possession of the equipment.

The total annual minimum payments required at June 30, 2022, are as follows:

	Direct Borrowing		
Year Ending June 30,	Principal	Interest	Total
2023	$ 393,510	$ 66,464	$ 459,974
2024	405,986	53,988	459,974
2025	418,858	41,116	459,974
2026	432,138	27,836	459,974
2027	445,838	14,136	459,974
	$ 2,096,330	$ 203,540	$ 2,299,870

On October 12, 2017, the College entered into an agreement with UMB Bank, N.A. to issue Refunding Certificates of Participation, Series 2017, in the aggregate stated principal amount of $5,175,000 with interest rates at 3.0%. The College issued the Certificates to current refund the Series 2007 Certificates of the Facilities Corporation. In the event of default (failure of payment for 60 days), the Trustee may declare all rent payable immediately or may take possession of the property for the remainder of the term of the agreement and will have the right to sublease the property or sell its interest in the property. Principal payments are due annually on June 15 with interest payments due semi-annually on December 15 and June 15 each year.

The annual debt service requirements on the Series 2017 Certificates of Participation outstanding at June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 510,000	$ 90,900	$ 600,900
2024	525,000	75,375	600,375
2025	540,000	59,400	599,400
2026	555,000	42,975	597,975
2027	570,000	26,100	596,100
2028	585,000	8,775	593,775
	$ 3,285,000	$ 303,525	$ 3,588,525

Lease Obligations

The College has entered into lease agreements for classroom space and equipment, the terms of which expire in various years through 2042. Payments are based on each specific lease agreement.

The following is a schedule by year of payments under the leases as of June 30, 2022

Year Ending June 30,	Principal	Interest	Total
2023	$ 202,381	$ 173,988	$ 376,369
2024	214,496	163,569	378,065
2025	210,120	152,712	362,832
2026	197,139	142,732	339,871
2027	181,234	133,236	314,470
2028-2032	1,055,117	517,237	1,572,354
2033-2037	754,659	283,082	1,037,741
2038-2042	756,035	84,740	840,775
	$ 3,571,181	$ 1,651,296	$ 5,222,477

Foundation

Lease Obligation

On April 27, 2021, the Foundation issued a Public Facilities Lease Revenue Note in the amount of $6,100,000 to acquire, construct and equip the Olen Howard Workforce Innovation Center for the benefit of the State Fair Community College. The Foundation has entered into a ground lease of the same date with the College in which the College has conveyed to the Foundation a leasehold interest in the real estate (together with all existing improvements thereon, and all additions, modifications, improvements, replacements and substitutions made pursuant to the lease in consideration of the payment by the Foundation to the College of $6,100,000 to be used to (a) pay costs of acquiring, constructing and equipping the Olen Howard Workforce Innovation Center. The Foundation and the College have also entered into an annually renewable lease purchase agreement of the same date pursuant to which the College has agreed, subject to annual appropriation, to pay rental payments to the Foundation in consideration for the Foundation's sublease of the leased property back to the College. Principal payments are due on December 15 of each year with interest payments due semi-annually on June 15 and December 15 including interest of 3.95%. In the event of default, the Lender shall have the right to accelerate the debt without prior notice or demand and declare the debt immediately due and payable and exercise all other rights available under law to collect the debt.

The total annual minimum payments required at June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 305,000	$ 234,927	$ 539,927
2024	320,000	222,582	542,582
2025	330,000	209,745	539,745
2026	345,000	196,414	541,414
2027	360,000	182,490	542,490
2028	370,000	168,072	538,072
2029	385,000	153,161	538,161
2030	400,000	137,657	537,657
2031	415,000	121,561	536,561
2032	435,000	104,774	539,774
2033	450,000	87,295	537,295
2034	470,000	69,125	539,125
2035	485,000	50,264	535,264
2036	505,000	30,711	535,711
2037	525,000	10,369	535,369
	$ 6,100,000	$ 1,979,147	$ 8,079,147

A summary of changes in debt for the year ended June 30, 2022, is as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Amounts Due In One Year
Foundation					
Lease Obligation	$ 6,100,000	$ -	$ -	$ 6,100,000	$ 305,000
College					
Financed Purchases					
Direct Borrowing					
Dept. of Economic Development Loan	209,711	-	(209,711)	-	-
Equipment	275,171	-	(275,171)	-	-
Energy Performance	2,477,747	-	(381,417)	2,096,330	393,510
Series 2017 COP	3,775,000	-	(490,000)	3,285,000	510,000
	6,737,629	-	(1,356,299)	5,381,330	903,510
Lease Obligations	1,245,109	2,491,917	(165,845)	3,571,181	202,381
Net Pension Liability	24,190,935	-	(18,581,624)	5,609,311	-
Post-employment Benefit Liability	2,423,728	-	(426,873)	1,996,855	-
	$ 40,697,401	$ 2,491,917	$ (20,530,641)	$ 22,658,677	$ 1,410,891

10. Retirement Plan

Summary of Significant Accounting Policies

Financial reporting information included in the notes to the financial statements 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) are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended.

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. An Annual Comprehensive Financial Report 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 the Systems, 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 "two-thirds 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.

PEERS is a mandatory cost-sharing multiple employer retirement system for all non-certificated 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 PSRS must contribute to PEERS. Employees of the Systems 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 169.6–0 - 169.715 and Sections 169.5–0 - 169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of PSRS.

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. Actuarially age-reduced benefits are available for members with 5 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 retirement, disability, and death 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 f"r "Rule of"80" "r "30-and-"ut" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 5 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.

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

Cost-of-Living Adjustments (COLA). The Board of Trustees has established a policy of providing a 0% 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 year 2022. 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.

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal 2022. 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 $1,930,037 and $180,104, respectively, for the year ended June 30, 2022.

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

At June 30, 2022, the College had a liability of $5,463,603 for its proportionate share of PSRS' net pension liability and $145,708 for its proportionate share of PEERS' net pension liability. In total the College had a net pension liability of $5,609,311. The net pension liability for the plans in total was measured as of June 30, 2021, 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 $1,837,708 and $170,038, respectively, for the year ended June 30, 2021, relative to the actual contributions of $744,694,744 for PSRS and $125,712,392 for PEERS from all participating employers. At June 30, 2022, the College's proportionate share was 0.2468% for PSRS and 0.1353% for PEERS.

For the year ended June 30, 2022, the College recognized pension income of $765,420 for PSRS and $73,160 for PEERS, its proportionate share of the total pension income. Pension expense is the change in the net pension liability from the previous reporting period to the current reporting period, less adjustments. This may be a negative expense (pension income).

At June 30, 2022, 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	$ 2,040,973	$ 489,021	$ 84,296	$ 7,563	$ 2,125,269	$ 496,584
Changes of assumptions	2,241,627	-	78,364	-	2,319,991	-
Net difference between projected and actual earnings on pension plan investments	-	13,979,265	-	974,284	-	14,953,549
Changes in proportion and differences between employer contributions and proportionate share of contributions	835,783	870,332	-	73,971	835,783	944,303
Employer contributions subsequent to the measurement date	1,930,037	-	180,104	-	2,110,141	-
Total	$ 7,048,420	$ 15,338,618	$ 342,764	$ 1,055,818	$ 7,391,184	$ 16,394,436

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2021, will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

	PSRS	PEERS	Total
Year Ending June 30,	**Net Deferred Outflows (Inflows) of Resources**	**Net Deferred Outflows (Inflows) of Resources**	**Net Deferred Outflows (Inflows) of Resources**
2023	$ (1,983,347)	$ (216,951)	$ (2,200,298)
2024	(2,266,076)	(172,604)	(2,438,680)
2025	(2,886,963)	(219,367)	(3,106,330)
2026	(3,459,561)	(284,236)	(3,743,797)
2027	375,712	-	375,712
	$ (10,220,235)	$ (893,158)	$ (11,113,393)

Actuarial Assumptions

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. 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 and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in May 2021. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2021 valuation. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Annual Comprehensive Financial Report (ACFR). The next experience studies are scheduled for 2026.

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

Measurement Date: June 30, 2021

Valuation Date: June 30, 2021

Expected Return on Investments: 7.30%, net of investment expenses and including 2.00% inflation

Inflation: 2.00%

Total Payroll Growth

- *PSRS*: 2.25% per annum, consisting of 2.00% inflation, 0.125% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.125% of real wage growth due to productivity.

- *PEERS*: 2.50% per annum, consisting of 2.00% 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.

Future Salary Increases

- *PSRS*: 2.625% - 8.875%, depending on service and including 2.00% inflation, 0.125% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.125% of real wage growth due to productivity and real wage growth for merit.

- *PEERS*: 3.25% - 9.75%, depending on service and including 2.00% 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, and real wage growth for merit.

Cost-of-Living (COLA) Increases

- *PSRS & PEERS*: Given that the actual increase in the CPI-U Index from June 2020 to June 2021 was 5.39%, the Board approved an actual cost-of-living adjustment (COLA) as of January 1, 2022 of 5.00%, in accordance with the Board's funding policy and Missouri statutes, compared to an assumed COLA of 2.00%. Future COLAs assumed in the valuation are 2.00% as of January 1, 2023 and January 1, 2024, and 1.35% each January 1, thereafter. This COLA assumption is based on the 20-year stochastic analysis of inflation performed in the 2021 experience study, the application of the board's COLA policy , and the short-term expectations of COLA due to recent CPI activity. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:

    - If the June to June change in the CPI-U is less than 2% for one or more consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2% at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of living increase is granted.
    - If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
    - If the June to June change in the CPI-U is greater than or equal to 2%, but less than or equal to 5%, a cost-of-living increase of 5% will be granted
    - If the CPI decreases, no COLA is provided.
    - 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 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:* Experience-adjusted Pub-2010 Teachers Mortality Table for employees projected from 2010 to 2018 using the MP-2020 improvement scale and multiplied by the healthy retiree experience-based adjustment factors at all ages for both males and females, with generational improvement after 2018 using the MP-2020 improvement scale.
  - *PEERS*: Experience-adjusted Pub-2020 General (Below-Median Income) Mortality Table for Employees projected from 2010 to 2018 using the MP-2020 improvement scale and multiplied by the healthy retiree experience-based adjustment factors at all ages for both males and females, with generational improvement after 2018 using the MP-2020 improvement scale.
- *Non-Disabled Retirees, Beneficiaries and Survivors*
  - *PSRS*: Mortality rates for non-disabled retirees and beneficiaries are based on the Pub-2010 Teachers Mortality Table for Healthy Retirees and the Pub-2010 Teachers Mortality Table for Contingent Survivors, respectively. The tables are projected from 2010 to 2018 using the MP-2020 improvement scale and multiplied by the experience-based adjustment factors shown in the tables below at all ages for both males and females, with generational improvement after 2018 using the MP-2020 improvement scale.
    - Non-Disabled: males 1.10, females 1.04
    - Contingent Survivor: males 1.18, females 1.07
  - *PEERS*: Mortality rates for non-disabled retirees and beneficiaries are based on the Pub-2010 General (Below-Median Income) Mortality Table for Healthy Retirees and the Pub-2010 General (Below-Median Income) Mortality Table for Contingent Survivors, respectively. The tables are projected from 2010 to 2018 using the MP-2020 improvement scale and multiplied by the experience-based adjustment factors shown in the tables below at all ages for both males and females, with generational improvement after 2018 using the MP-2020 improvement scale.
    - Non-Disabled: males 1.13, females .94
    - Contingent Survivor: males 1.01, females 1.07
- *Disabled Retirees*
  - *PSRS & PEERS*: Experience-adjusted Pub-2010 Teacher Disability Mortality Table, projected from 2010 to 2018 using the MP-2020 improvement scale and multiplied by the healthy retiree experience-based adjustment factors at all ages for both males and females, with generational improvement after 2018 using the MP-2020 improvement scale.

Changes in Actuarial Assumptions and Methods:

- PSRS & PEERS: An experience study was completed in May 2021 resulting in an update to the following assumptions:
    - The long-term inflation assumption was decreased from 2.25% to 2.00%.
    - The expected return on assets assumption was decreased from 7.50% to 7.30%.
    - The cost-of-living increase assumption was changed to be 2.00% on January 1, 2022, 2023, and 2024, and 1.35% on each January 1 thereafter.
- PSRS:
    - The total payroll growth assumption was decreased from 2.75% to 2.25%.
    - The future salary growth assumption was decreased from 3.00%-9.50%, depending on service, to 2.625%-8.875%, depending on service.
    - The mortality assumptions were changed to reflect the PubT-2010 (Teacher) mortality tables, with adjustments based on actual member mortality experience from 2015-2020, and to incorporate future mortality improvement on a generational basis in accordance with the MP-2020 improvement scale.
    - Other demographic assumptions were also changed based on actual member demographic experience from 2015-2020.
- PEERS:
    - The total payroll growth assumption was decreased from 3.25% to 2.50%.
    - The future salary growth assumption was decreased from 4.00%-11.00%, depending on service, to 3.25%-9.75%, depending on service.
    - The mortality assumptions were changed to reflect the PubG-2010(B) (General Employee, Below-Median Income) mortality tables, with adjustments based on actual member mortality experience from 2015-2020, and to incorporate future mortality improvement on a generational basis in accordance with the MP-2020 improvement scale.
    - Other demographic assumptions were also changed based on actual member demographic experience from 2015-2020.

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

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, 2021, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	23.0%	4.81%
Public Credit	0.0%	0.80%
Hedged Assets	6.0%	2.39%
Non-U.S. Public Equity	16.0%	6.88%
U.S. Treasuries	20.0%	-0.02%
U.S. TIPS	0.0%	0.29%
Private Credit	8.0%	5.61%
Private Equity	16.0%	10.90%
Private Real Estate	11.0%	7.47%
Total	100.0%	

Discount Rate: The long-term expected rate of return used to measure the total pension liability was 7.30% as of June 30, 2021, and is consistent with the long-term expected geometric return on plan investments. The Board of Trustees adopted a new actuarial assumed rate of return of 7.30% effective with the June 30, 2021 valuation based on the actuarial experience studies conducted during the 2021 fiscal 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 using 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 7.30% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.30%) or 1.0% higher (8.30%) than the current rate.

Discount Rate	1% Decrease (6.30%)	Current Rate (7.30%)	1% Increase (8.30%)
PSRS Proportionate share of the Net Pension Liability	$ 21,996,059	$ 5,463,603	$ (8,224,427)
PEERS Proportionate share of the Net Pension Liability	1,233,853	145,708	(762,374)
	$ 23,229,912	$ 5,609,311	$ (8,986,801)

Payable to the Pension Plan: The College reported a payable of $516,541 for the outstanding amount of PSRS and PEERS contributions, to the pension plan required for the year ended June 30, 2022.

11. Post-employment Benefits Other than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description. The College's health benefit plan (defined benefit OPEB plan) is administered by the College. The College does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis and there is not a trust for accumulating plan assets. Eligible participants are employees who are eligible for normal or early retirement under PSRS or PEERS. Normal retirement age is the earlier of age 60 with 5 years of service, age plus service equal to 80 points ("Rule of 80"), or any age with 30 years of service. Early retirement is age 55 with 5 years of service. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death.

Benefits Provided. The College's OPEB plan provides medical, including prescription drugs, and dental insurance coverage for eligible retirees and their dependents. Retirees can continue coverage past Medicare eligibility age (age 65).

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Active employees	227
Retirees and surviving spouses	59
Spouses of current retirees	12
	298

Total OPEB Liability

The College's total OPEB liability of $1,996,855 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022, calculated based on the discount rate and actuarial assumptions below.

Actuarial Assumptions and other inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date: June 30, 2022

Valuation Date: June 30, 2022

Actuarial Cost Method: Entry Age Normal

Inflation: 2.40%

Salary Increases: 3.00% per annum

Discount Rate: 3.54% per annum based on the 20 year bond GO index at June 30, 2022.

Healthcare Cost Trend Rates: Medical cost trend rate of 5.4% for 2022, gradually decreasing to an ultimate rate of 3.8% for 2073 and beyond. Healthcare trends were generated by the Getzen Model.

Retirement: 50% of employees who retire prior to age 65 are assumed to elect medical coverage under the plan.

Mortality: Pub-2010 Teacher Mortality for Employees and Healthy Annuitants, with generational projection per Scale MP-2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	$ 2,423,728
Changes for the year	
Service Cost	205,814
Interest in total OPEB liability	55,673
Effect of assumptions changes or inputs	(583,535)
Benefit payments	(104,825)
Balance at June 30, 2022	$ 1,996,855

Sensitivity Analysis

The following presents the total OPEB liability of the College, calculated using the discount rate of 3.54%, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one (1) percentage point lower (2.54%) or one (1) percentage point higher (4.54%) than the current rate.

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	$ 2,198,719	$ 1,996,855	$ 1,822,012

The following presents the total OPEB liability of the College, calculated using the current healthcare cost trend rates, as well as what the College's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one (1) percentage point lower or one (1) percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 1,771,830	$ 1,996,855	$ 2,271,726

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the College recognized OPEB expense of $89,102.

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ (1,047,244)	$ (1,047,244)
Changes of assumptions	244,139	(255,388)	(11,249)
	$ 244,139	$ (1,302,632)	$ (1,058,493)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB are to be recognized in OPEB expense as follows:

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2023	$ (172,385)
2024	(172,385)
2025	(172,385)
2026	(162,426)
2027	(173,748)
Thereafter	(205,164)
	$ (1,058,493)

12. Claims & 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. Significant amounts of expenditures have not been audited by grantor governments, but the College believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on an of the individual government funds or the overall financial position of the College.

13. 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.

14. Commitments

On June 30, 2022, the College had the following commitments:

The College is obligated to Prost Builders, Inc., in the amount of $163,712 for the Olen Howard Workforce Innovation Center.

On October 9, 2017, 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, 2028 at a base cost of $1,890,156 per annum with annual CPI adjustments.

15. Unearned Revenue

Unearned revenue consists of future revenue received from early enrollment payments for the fall semester as well as unearned grant revenue in the amount of $372,837. Revenue will be recognized as income when earned.

16. Operating Expenses by Functional Classification

Operating expenses by functional classification for the year ended June 30, 2022, were as follows:

	College	Foundation	Eliminations	Combined
Instruction	$ 13,142,840	$ -	$ -	$ 13,142,840
Public services	627,781	-	-	627,781
Academic support	5,026,924	-	-	5,026,924
Student services	4,145,354	-	-	4,145,354
Institutional support	1,341,011	241,393	-	1,582,404
Auxiliary services	3,045,101	-	-	3,045,101
Scholarships and fellowships	10,285,344	645,808	(20,254)	10,910,898
Depreciation and amortization	2,669,789	-	-	2,669,789
Bad debt expense	693,522	-	-	693,522
Plant operating expenses	3,596,691	-	-	3,596,691
	$ 44,574,357	$ 887,201	$ (20,254)	$ 45,441,304

17. Lease Receivable

The College, as a lessor has entered into a lease agreement for a building rental, the terms of which expire 2023 through 2048. Lease and interest revenue recognized under the lease agreement during the year ended June 30, 2022, was $11,264 and $14,431, respectively.

Below is a schedule of future payments that are included in the measurement of the lease receivable:

Year Ending June 30,	Principal	Interest	Total
2023	$ 17,201	$ 42,799	$ 60,000
2024	18,081	41,919	60,000
2025	19,006	40,994	60,000
2026	19,978	40,022	60,000
2027	21,001	38,999	60,000
2028-2032	122,262	177,738	300,000
2033-2037	156,906	143,094	300,000
2038-2042	201,366	98,634	300,000
2043-2047	258,425	41,575	300,000
2048	29,567	433	30,000
	$ 863,793	$ 666,207	$ 1,530,000

18. Combining Financial Statements

Combining information for the College and the Foundation as of and for the year ended June 30, 2022 is as follows:

	Combining Statement of Net Position			
	College	Foundation	Eliminations	Combined Total
Assets				
Current Assets				
Cash and cash equivalents	$ 10,410,579	$ 5,216,731	$ -	$ 15,627,310
Investments	9,069,344	15,849,585	-	24,918,929
Accounts receivable, net	2,639,980	442,047	(20,254)	3,061,773
Property taxes receivable, net	37,487	-	-	37,487
Lease receivable - current	17,201	-	-	17,201
Prepaid expenses	130,832	-	-	130,832
Inventory	627,923	-	-	627,923
Total Current Assets	22,933,346	21,508,363	(20,254)	44,421,455
Noncurrent Assets				
Lease receivable - noncurrent	846,592	-	-	846,592
Capital Assets				
Non-depreciable	12,888,551	-	-	12,888,551
Depreciable, net	21,963,478	-	-	21,963,478
Lease Assets				
Non-depreciable	-	7,162,775	-	7,162,775
Depreciable, net	3,511,606	-	-	3,511,606
Total Noncurrent Assets	39,210,227	7,162,775	-	46,373,002
Total Assets	62,143,573	28,671,138	(20,254)	90,794,457
Deferred Outflows of Resources				
Deferred pension outflow	7,391,184	-	-	7,391,184
Deferred OPEB outflow	244,139	-	-	244,139
Total Deferred Outflows of Resources	7,635,323	-	-	7,635,323
Total Assets and Deferred Outflows of Resources	$ 69,778,896	$ 28,671,138	$ (20,254)	$ 98,429,780

	Combining Statement of Net Position			
	College	Foundation	Eliminations	Combined Total
Liabilities				
Current Liabilities				
Accounts payable	$ 680,085	$ 665,916	$ (20,254)	$ 1,325,747
Accrued liabilities	1,421,839	-	-	1,421,839
Accrued interest payable	14,880	-	-	14,880
Unearned revenues	372,837	-	-	372,837
Other current liabilities	704,695	-	-	704,695
Current maturities of long-term debt	1,105,891	305,000	-	1,410,891
Total Current Liabilities	4,300,227	970,916	(20,254)	5,250,889
Noncurrent Liabilities				
Financed purchases	4,477,820	-	-	4,477,820
Lease obligations	3,368,800	5,795,000	-	9,163,800
Net pension liability	5,609,311	-	-	5,609,311
Post-employment benefit liability	1,996,855	-	-	1,996,855
Total Noncurrent Liabilities	15,452,786	5,795,000	-	21,247,786
Total Liabilities	19,753,013	6,765,916	(20,254)	26,498,675
Deferred Inflows of Resources				
Deferred pension inflow	16,394,436	-	-	16,394,436
Deferred postemployment benefit inflow	1,302,632	-	-	1,302,632
Deferred lease inflow	861,697			861,697
Total Deferred Inflows of Resources	18,558,765	-	-	18,558,765
Net Position				
Net investment in capital and lease assets	29,411,124	1,062,775	-	30,473,899
Restricted	-	20,696,145	-	20,696,145
Unrestricted	2,055,994	146,302	-	2,202,296
Total Net Position	31,467,118	21,905,222	-	53,372,340
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 69,778,896	$ 28,671,138	$ (20,254)	$ 98,429,780

	Combining Statement of Revenues, Expenses, and Changes in Net Position			
	College	Foundation	Eliminations	Combined Total
Operating Revenues				
Student tuition and fees (net of scholarship allowance of $6,250,383)	$ 10,264,068	$ -	$ -	$ 10,264,068
Federal grants and contracts	2,729,672	-	-	2,729,672
State and local grants and contracts	10,754,878	-	-	10,754,878
Auxiliary services revenues	2,458,221	-	-	2,458,221
Other operating revenues	580,053	-	(20,254)	559,799
Total Operating Revenues	26,786,892	-	(20,254)	26,766,638
Operating Expenses				
Salaries	15,395,616	-	-	15,395,616
Fringe benefits, net of annual pension and OPEB adjustments - (decrease) of $(2,948,722) and $(15,723), respectively	1,792,111	-	-	1,792,111
Supplies and other services	12,873,063	241,393	-	13,114,456
Scholarships and fellowships	10,273,165	645,808	(20,254)	10,898,719
Utilities	877,091	-	-	877,091
Depreciation and amortization	2,669,789	-	-	2,669,789
Bad debt expense	693,522	-	-	693,522
Total Operating Expenses	44,574,357	887,201	(20,254)	45,441,304
Operating (Loss)	(17,787,465)	(887,201)	-	(18,674,666)
Nonoperating Revenues (Expenses)				
State appropriations	7,755,489	-	-	7,755,489
Nonexchange grant revenue	14,889,651	-	-	14,889,651
County property tax revenue	4,071,954	-	-	4,071,954
Gifts and donations	1,151,891	1,999,795	-	3,151,686
Investment income (expense)				
Interest	42,741	567,365	-	610,106
Net (decrease) in fair value of investments	(130,986)	(2,315,638)	-	(2,446,624)
Gain on disposal of assets	3,750	-	-	3,750
Other income	45,362	-	-	45,362
Interest and fees on debt related to capital and lease assets	(345,711)	(240,950)	-	(586,661)
Total Nonoperating Revenues (Expenses), Net	27,484,141	10,572	-	27,494,713
Change in Net Position	9,696,676	(876,629)	-	8,820,047
Net Position, Beginning of year	21,770,442	22,781,851	-	44,552,293
Net Position, End of year	$ 31,467,118	$ 21,905,222	$ -	$ 53,372,340

	Combining Statement of Cash Flows			
	College	Foundation	Eliminations	Combined Total
Cash Flows from Operating Activities				
Student tuition and fees	$ 9,544,149	$ -	$ -	$ 9,544,149
Payments to suppliers	(12,744,447)	(1,122,597)	-	(13,867,044)
Payments for utilities	(877,091)	-	-	(877,091)
Payments for employees	(15,290,070)	-	-	(15,290,070)
Payments for benefits	(4,756,557)	-	-	(4,756,557)
Payments for financial aid and scholarships	(10,273,165)	(645,808)	20,254	(10,898,719)
Auxiliary enterprises charges, bookstore and vending	2,458,221	-	-	2,458,221
Contracts and grants	13,484,550	-	-	13,484,550
Other revenues	580,053	-	(20,254)	559,799
Net Cash (Used) by Operating Activities	(17,874,357)	(1,768,405)	-	(19,642,762)
Cash Flows from Noncapital Financing Activities				
State aid and grants appropriations	7,755,489	-	-	7,755,489
Nonexchange grant revenue	14,889,651	-	-	14,889,651
County property tax revenue	4,112,648	-	-	4,112,648
Gifts and donations	1,151,891	2,301,824	-	3,453,715
Payments from other nonoperating activities	43,266	-	-	43,266
Net Cash Provided by Noncapital Financing Activities	27,952,945	2,301,824	-	30,254,769
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of property	3,750	-	-	3,750
Purchase of capital and lease assets	(5,277,642)	(4,560,186)	-	(9,837,828)
Principal paid on debt related to capital and lease assets	(1,522,144)	-	-	(1,522,144)
Proceeds from issuance of new debt	2,491,917	-	-	2,491,917
Interest and fees paid on debt related to capital and lease assets	(330,831)	(240,950)	-	(571,781)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,634,950)	(4,801,136)	-	(9,436,086)
Cash Flows from Investing Activities				
Maturity (purchase) of investments	(9,200,330)	64,812	-	(9,135,518)
Interest on investments	42,741	567,365	-	610,106
Net Cash Provided (Used) by Investing Activities	(9,157,589)	632,177	-	(8,525,412)
(Decrease) in Cash and Cash Equivalents	(3,713,951)	(3,635,540)	-	(7,349,491)
Cash and Cash Equivalents, Beginning of year	14,124,530	8,852,271	-	22,976,801
Cash and Cash Equivalents, End of year	$ 10,410,579	$ 5,216,731	$ -	$ 15,627,310

	Combining Statement of Cash Flows			
	College	Foundation	Eliminations	Combined Total
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities				
Operating (loss)	$ (17,787,465)	$ (887,201)	$ -	$ (18,674,666)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:				
Depreciation and amortization	2,669,789	-	-	2,669,789
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Accounts receivable, net	(262,587)	-	20,254	(242,333)
Prepaid expenditures	(121,123)	-	-	(121,123)
Inventory	(52,667)	-	-	(52,667)
Deferred pension outflow	2,022,449	-	-	2,022,449
Deferred post-employment benefit outflow	47,158	-	-	47,158
Accounts payable	302,406	(881,204)	(20,254)	(599,052)
Accrued liabilities	(36,955)	-	-	(36,955)
Unearned revenue	236,190	-	-	236,190
Net pension liability	(18,581,624)	-	-	(18,581,624)
Post-employment benefit liability	(426,873)	-	-	(426,873)
Other liabilities	142,501	-	-	142,501
Deferred pension inflow	13,610,452	-	-	13,610,452
Deferred post-employment benefit inflow	363,992	-	-	363,992
Net Cash (Used) by Operating Activities	$ (17,874,357)	$ (1,768,405)	$ -	$ (19,642,762)
Noncash Investing Activities				
(Decrease) in fair value of investments	$ (130,986)	$ (2,315,638)	$ -	$ (2,446,624)

19. Restatement

During the current year, the College adopted GASB Statement No. 87 – *Leases*. Net Position has been restated to reflect application of the new pronouncement, however there was no net effect on net position.

	College	Foundation	Combined
Net Position, as previously stated, June 30, 2021	$ 21,770,442	$ 22,781,851	$ 44,552,293
Lease asset	1,245,109	-	1,245,109
Lease obligations	(1,245,109)	-	(1,245,109)
Net Position, as restated, July 1, 2021	$ 21,770,442	$ 22,781,851	$ 44,552,293

Required Supplementary Information

State Fair Community College

Schedules of Proportionate Share of the Net Pension Liability and Related Ratios

Year Ended June 30, 2022

Public School Retirement System (PSRS)

Year Ended*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Payroll	Net Pension Liability 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%	89.34%
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%
6/30/2018	0.2406%	17,374,990	11,353,201	153.04%	83.77%
6/30/2019	0.2572%	19,141,998	12,368,732	154.76%	84.06%
6/30/2020	0.2473%	18,250,914	12,138,386	150.36%	84.62%
6/30/2021	0.2558%	22,844,772	12,769,579	178.90%	82.01%
6/30/2022	0.2468%	5,463,603	12,673,844	43.11%	95.81%

Public Education Employee Retirement System (PEERS)

Year Ended*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Payroll	Net Pension Liability 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%	927,173	2,628,610	35.27%	88.28%
6/30/2017	0.1808%	1,450,622	2,791,770	51.96%	83.32%
6/30/2018	0.1574%	1,200,885	2,530,124	47.46%	85.35%
6/30/2019	0.1592%	1,230,158	2,648,470	46.45%	86.06%
6/30/2020	0.1546%	1,222,826	2,484,518	49.22%	86.38%
6/30/2021	0.1387%	1,346,163	2,495,399	53.95%	84.06%
6/30/2022	0.1353%	145,708	2,478,687	5.88%	98.36%

*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.

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 Employer Contributions

Year Ended June 30, 2022

Public School Retirement System (PSRS)

Year Ended	Statutorily Required Contribution	Actual Employers Contributions	Contribution Excess/(Deficiency)	Actual Covered 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	1,646,215	1,646,215	-	11,353,201	14.50%
6/30/2018	1,793,467	1,793,467	-	12,368,732	14.50%
6/30/2019	1,760,067	1,760,067	-	12,138,386	14.50%
6/30/2020	1,851,589	1,851,589	-	12,769,579	14.50%
6/30/2021	1,837,708	1,837,708	-	12,673,844	14.50%
6/30/2022	1,930,037	1,930,037	-	13,310,601	14.50%

Public Education Employee Retirement System (PEERS)

Year Ended	Statutorily Required Contribution	Actual Employers Contributions	Contribution Excess/(Deficiency)	Actual Covered 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%
6/30/2018	181,685	181,685	-	2,648,470	6.86%
6/30/2019	184,152	184,152	-	2,484,518	7.41%
6/30/2020	171,184	171,184	-	2,495,399	6.86%
6/30/2021	170,038	170,038	-	2,478,687	6.86%
6/30/2022	180,104	180,104	-	2,625,431	6.86%

State Fair Community College

Schedule of Changes in Total OPEB Liability & Related Ratios

Year Ended June 30, 2022

Post-employment Health Care Plan

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service cost	$ 205,814	$ 219,934	$ 165,834	$ 136,127	$ 133,792
Interest on total OPEB liability	55,673	53,428	108,465	108,941	100,009
Effect of economic/demographic gains or losses	(333,520)	-	(1,158,508)	-	(95,476)
Effect of assumptions changes or inputs	(250,015)	12,182	262,009	125,396	-
Benefit payments	(104,825)	(118,180)	(108,263)	(123,868)	(114,692)
Net Change in Total OPEB Liability	(426,873)	167,364	(730,463)	246,596	23,633
Total OPEB Liability, Beginning	2,423,728	2,256,364	2,986,827	2,740,231	2,716,598
Total OPEB Liability, Ending	$ 1,996,855	$ 2,423,728	$ 2,256,364	$ 2,986,827	$ 2,740,231
Covered payroll	$ 15,520,176	$ 14,896,520	$ 15,479,316	$ 14,862,113	$ 15,156,088
Total OPEB liability as a % of covered payroll	12.87%	16.27%	14.58%	20.10%	18.08%

These schedules are intended to show information for ten years.

Additional years will be displayed as they become available.

Other Reporting Requirements

CPAS & ADVISORS

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 and each major fund of State Fair Community College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise State Fair Community College's basic financial statements, and have issued our report thereon dated December 13, 2022.

Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 the 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 13, 2022

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

Opinion on 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 each of the College's major federal programs for the year ended June 30, 2022. State Fair Community College's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of State Fair Community College, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on State Fair Community College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about State Fair Community College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 13, 2022

State Fair Community College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	$ -	$ 6,122,379
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	152,075
Federal Work-Study Program	84.033	N/A	-	121,472
Federal Direct Student Loans	84.268	N/A	-	2,655,809
Total Student Financial Assistance Cluster			-	9,051,735
TRIO Cluster				
TRIO Upward Bound	84.047	N/A	-	622,027
TRIO Student Support Services	84.042	N/A	-	257,004
Total TRIO Cluster			-	879,031
COVID-19 - Education Stabilization Fund	84.425E	N/A	-	4,793,524
	84.425F	N/A	-	3,726,528
	84.425M	N/A	-	247,223
Passed Through Department of Higher Education and Workforce Development				
COVID-19 - Education Stabilization Fund	84.425C	7838	-	2,827
		7839	-	1,500
		7509	-	88,822
Passed Through Missouri Department of Elementary and Secondary Education				
COVID-19 - Education Stabilization Fund	84.425C	S425C210016	-	149,387
	84.425R	S425R210052	-	500,000
			-	9,509,811
Passed Through Missouri Department of Elementary and Secondary Education				
Adult Education - Basic Grants to States	84.002A	V002A190026	-	67,028
		V002A200026	-	94,959
			-	161,987
Career and Technical Education - Basic Grants to States	84.048A	V048A200025	-	220,105
		V048A210025	-	492,783
			-	712,888
Total U.S. Department of Education			-	20,315,452
U.S. Department of Health and Human Services				
Passed Through Missouri Department of Health and Senior Services				
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	DH220050260	-	31,492
Total U.S. Department of Health and Human Services			-	31,492

See accompanying Notes to the Schedule of Expenditures of Federal Awards

State Fair Community College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Small Business Administration				
Passed Through the Curators of the University of Missouri				
Small Business Development Centers	59.037	SBAHQ-20-B-0003	-	476
		SBAHQ-21-B-0082	-	42,402
		SBAHQ-22-B-0086	-	41,649
Total U.S. Small Business Administration			-	84,527
U.S. Department of Labor				
Passed Through Community College District of St. Louis				
H-1B Job Training Grant	17.268	HG-33040-19-SFCC	-	262,651
Total U.S. Department of Labor			-	262,651
U.S. Department of Agriculture				
Passed Through Missouri Department of Health and Senior Services				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	ERS0462222S	-	5,755
Total U.S. Department of Agriculture			-	5,755
Total Expenditures of Federal Awards			$ -	$ 20,699,877

N/A - Not Applicable

See accompanying Notes to the Schedule of Expenditures of Federal Awards

1. 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, 2022. 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.

2. Summary of Significant Accounting Policies

1. Expenditures reported in the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's basic financial statements.
2. Pass-through entity identifying numbers are presented where available.
3. The College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Loan Programs

The College participates in the Federal Direct Student Loan Program, which provides federal loans directly to the students rather than through private lending institutions. The College is responsible only for the origination of the loan (e.g., determining student eligibility and disbursing loan proceeds to the borrower). The Direct Loan Servicer is then responsible for the overall servicing and collection of the loan. Accordingly, these loans are not included in the College's financial statements.

The amount reported on the Schedule of Expenditures of Federal Awards for the loan program represents the total value of the loans awarded and paid to the College's student during the year ended June 30, 2022.

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?		No
Significant deficiency(ies) identified?		None Reported
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major federal programs:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified?		No
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)?		No
Identification of major federal programs:		

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Cluster
84.425C, 84.425E, 84.425F, 84.425M & 84.425R	COVID-19 - Education Stabilization Fund
84.047 & 84.042	Trio Cluster

Dollar threshold used to distinguish between type A and type B programs:		$750,000
Auditee qualified as low-risk auditee?		Yes

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None

There were no prior year audit findings.