THREE RIVERS COMMUNITY COLLEGE
POPLAR BLUFF, MISSOURI

FINANCIAL STATEMENTS

JUNE 30, 2015

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Internal Control and Compliance:

KMT

**KRAFT, MILES & TATUM, LLC**
CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITORS' REPORT

Board of Trustees
Three Rivers Community College
Poplar Bluff, Missouri

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Three Rivers Community College and Three Rivers Endowment Trust, a discretely presented component unit of Three Rivers Community College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Three Rivers Endowment Trust were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Three Rivers Community College as of June 30, 2015, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, in 2015, the College adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Community College's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements.

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

The disclosure required by the Lease Participation Certificates has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of Three Rivers 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Community College's internal control over financial reporting and compliance.

Kraft, Miles & Tatum, LLC

Certified Public Accountants
November 9, 2015

## Introduction

Management's discussion and analysis is an overview of the financial position and financial activities of Three Rivers Community College (the "College"). This discussion was prepared by the College's management and should be read in conjunction with the financial statements and notes that follow.

The financial statements were prepared in accordance with principles established by the Government Accounting Standards Board (GASB). These standards require that financial statements be presented on a consolidated basis to focus on the College as a whole.

There are three financial statements presented that are proprietary funds. These deal with day-to-day operations of the College. These statements are: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. In addition, there are two statements dealing with fiduciary assets which will be discussed later in this section, as well as two statements disclosing the activities of the component unit of the College.

## Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of the College as of June 30, 2015, the last day of the fiscal year. The general purpose of this statement is to present a "snapshot" of the financial condition of the College.

Assets and liabilities are categorized as either current or noncurrent. Current assets mature and current liabilities become payable within the normal twelve month accounting cycle. Noncurrent assets mature and noncurrent liabilities become payable beyond the twelve month period. The current assets of the College consist of cash and cash equivalents and various trade receivables. Noncurrent assets are primarily the College's capital assets, i.e. property, plant and equipment, net of depreciation.

Total net position, which is the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is one of the key indicators of the current financial condition of the College. Net position is presented in three major categories. The first is "net investment in capital assets" which simply represents the College's equity in its property, plant and equipment.

The second - restricted - is further divided between nonexpendable and expendable. Nonexpendable restricted net assets are endowments, which can never be spent. These endowments earn interest, which is used for scholarships. Expendable restricted net assets are available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time.

Unrestricted net assets are available for any lawful purpose.

**Three Rivers Community College**
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

**Table 1**
**Comparative Statement of Net Position**

| | 2015 | 2014 |
|---|---|---|
| Assets | | |
| Current | $16,090,228 | 16,276,109 |
| Land | 5,329,286 | 5,329,286 |
| Capital assets, net | 28,015,632 | 20,766,715 |
| Housing capital assets, net | 2,911,803 | 3,083,107 |
| Other non-current assets | 2,416,973 | 8,950,715 |
| Total Assets | 54,763,922 | 54,405,932 |
| Deferred Outflows of Resources | | |
| Pension deferrals | 2,304,348 | |
| Total Deferred Outflows of Resources | 2,304,348 | |
| Liabilities | | |
| Bonds, notes and leases payable | 18,055,409 | 18,459,431 |
| Other current liabilities | 7,522,323 | 8,572,755 |
| Other non-current liabilities | 9,467,851 | 827,655 |
| Total Liabilities | 35,045,583 | 27,859,841 |
| Deferred Inflows of Resources | | |
| Pension deferrals | 4,136,452 | |
| Total Deferred Inflows of Resources | 4,136,452 | |
| Net Position | | |
| Net investment in capital assets | 21,300,071 | 20,353,319 |
| Net investment in housing capital assets | (1,337,262) | (1,339,891) |
| Restricted | | |
| Non-expendable | 550,300 | 550,974 |
| Expendable | 163,267 | 163,767 |
| Unrestricted | (2,790,141) | 6,817,922 |
| Total Net Position | $17,886,235 | 26,546,091 |

Both total assets and total liabilities increased in the current year. Total assets increased by approximately $358,000, while total liabilities increased by approximately $7,186,000. Assets were increased primarily due to continued investment in new classroom buildings in Poplar Bluff and Sikeston as well as the planning stage of a new athletic complex. Liabilities increased due to the recognition of net pension liability in conjunction with the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting for Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which resulted in a change in accounting principle (see Note 6). Amounts for the fiscal year ended June 30, 2014 are reported in Table 1 as originally presented and have not been restated to reflect the changes from GASB Statement No. 68, as amended by GASB Statement No. 71.

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

This statement presents the College's results of operations for the year ended June 30, 2015. It includes the College's revenues and expenses, both operating and non-operating. Operating revenues and expenses are those for which the College directly provides or receives goods and services. Non-operating revenues and expenses are those that exclude specific, direct exchanges of goods and services. Local property taxes and state aid are two examples of non-operating revenues where local taxpayers and the state legislature, respectively, do not directly receive goods or services in exchange for the revenue.

Following are summarized versions of the College's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014.

| | 2015 | 2014 |
|---|---|---|
| Operating revenues | $14,547,864 | 15,361,984 |
| Operating expenses | (23,919,817) | (25,543,847) |
| Operating Loss | (9,371,953) | (10,181,863) |
| Non-operating revenues | 12,707,161 | 11,212,408 |
| Gain (loss) on sale of asset | (83,249) | |
| Gift returns | (60,347) | (101,450) |
| Debt issue costs | | (201,637) |
| Interest expense | (591,354) | (369,361) |
| Change in Net Position | 2,600,258 | 358,097 |
| Net Position, Beginning of Year, restated (Note 15) | 15,285,977 | 26,187,994 |
| Net Position, End of Year | $17,886,235 | 26,546,091 |

For purposes of comparison, the schedule of the College's revenues, both operating and non-operating, for the years ended June 30, 2015 and 2014, are presented here.

| | 2015 | 2014 |
|---|---|---|
| Operating Revenues | | |
| Student tuitions and fees | $11,139,236 | 11,566,149 |
| Auxiliary enterprises | 3,124,592 | 3,505,651 |
| Other | 284,036 | 290,184 |
| Total | $14,547,864 | 15,361,984 |
| Non-Operating Revenues | | |
| Donations | $ | 2,866 |
| Property taxes | 2,063,051 | 1,995,098 |
| State aid and grants | 5,668,845 | 5,526,897 |
| Federal grants and contracts | 4,862,911 | 3,565,742 |
| Other | 112,354 | 121,805 |
| Total | $12,707,161 | 11,212,408 |

Tuition and fees decreased by approximately $427,000. The decrease is due to an overall decrease in credit hours. Community college enrollments are counter-cyclical to economic performance. Enrollments typically decrease when jobs are more plentiful.

State aid and grants increased by approximately $142,000. This increase was due to an increase in the state appropriation. Federal grants increased by approximately $1,297,000, primarily due to the construction progress on the SEMA/FEMA safe rooms contained within the Poplar Bluff and Sikeston classroom buildings as well as the planning stage of a new athletic complex.

The following schedule presents operating expenses of the College by function for the years ended June 30, 2015 and 2014.

| | 2015 | 2014 |
|---|---|---|
| Operating Expenses | | |
| Instruction | $ 8,050,854 | 8,575,828 |
| Student services | 3,456,769 | 3,785,101 |
| Academic support | 2,098,052 | 2,181,513 |
| Institutional support | 3,396,112 | 3,903,736 |
| Operation and management of plant | 2,372,348 | 2,483,088 |
| Financial aid and scholarships | 671,228 | 614,013 |
| Auxiliary enterprises | 2,350,062 | 2,710,296 |
| Depreciation and amortization | 1,524,392 | 1,290,272 |
| Total Operating Expenses | $23,919,817 | 25,543,847 |
| Non-Operating Expenses | | |
| (Gain) loss on sale of asset | $ 83,249 | |
| Gift returns | 60,347 | 101,450 |
| Debt issue costs | | 201,637 |
| Interest | 591,354 | 369,361 |
| Total Non-Operating Expenses | $ 734,950 | 672,448 |

The cost of operations decreased 10% compared to a 5% decrease in operational revenues.

**Statement of Cash Flows**

This Statement of Cash Flows presents information about the cash activity of the College. It shows the major sources and uses of cash. Comparative summary statements of cash flows for the fiscal years ended June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Net Cash Provided (Used) By: | | |
| Operating activities | $ (9,388,219) | (8,045,760) |
| Investing activities | 49,553 | 55,762 |
| Non-capital financing activities | 12,592,586 | 11,043,787 |
| Capital and related financing activities | (9,590,068) | (2,661,683) |
| Net Change in Cash | (6,336,148) | 392,106 |
| Cash and Cash Equivalents, Beginning of Year | 16,262,761 | 15,870,655 |
| Cash and Cash Equivalents, End of Year | $ 9,926,613 | 16,262,761 |

The balance between net cash used by operating and provided by non-capital financing activities reflects the College's continued judicious use of its major revenue sources-tuition, property taxes and state aid.

**Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position**

These statements are presented separately from the operating statements of the College discussed previously. The information contained in these statements deals with funds that have been contributed to the College subject to the requirement that a designated beneficiary receive a specified annual payment. When these payments end, the balance of the funds will be available for use by the College at a time specified in the trust agreement. The net position of the trust at June 30, 2015, totaled approximately $3,189,000, an increase of approximately $71,000 from the prior year due primarily to unrealized gains on investments.

The Statement of Fiduciary Net Position also contains a column titled "Agency Funds". These are funds held in trust by the College belonging to various organizations in the College.

## Analysis

The College realized a decrease of approximately 4% in tuition and fees due to a decrease in enrollment. Community college enrollments are counter-cyclical to economic performance. Enrollments typically decrease when jobs are more plentiful. This is a trend seen on a national level at community colleges as our nation's economy continues to improve.

In 2015, the college implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting for Financial Reporting for Pensions* (see Note 15) and resulted in a restatement of net position as of June 30, 2014 with a reduction of approximately $11,300,000. The College finished the year with an increase in net position of approximately $2,600,000 as investment in the construction and improvement of facilities continues.

The financial condition of the College remains sound. Adequate fund balances and reserves exist to continue to provide a quality educational experience.

## Contacting the College's Financial Management

This financial report is designed to provide our constituents with a general overview of Three Rivers Community College's finances and to demonstrate the College's accountability for the resources it receives. Questions concerning this report or requests for additional financial information should be directed to Ms. Charlotte Eubank, Chief Financial Officer, 2080 Three Rivers Boulevard, Poplar Bluff, Missouri 63901.

**Three Rivers Community College**

Statement of Net Position

June 30, 2015

| | 2015 |
|---|---|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | $ 7,509,640 |
| Investments | 40,236 |
| Tuition and fees receivable, net | 7,335,212 |
| Rent receivable | 120,216 |
| Other receivables | 527,498 |
| Property taxes and other receivables | 128,329 |
| Inventory | 238,144 |
| Prepaid expenses | 190,953 |
| Total Current Assets | 16,090,228 |
| Non-Current Assets | |
| Restricted cash and cash equivalents | 2,416,973 |
| Land | 5,329,286 |
| Capital assets, net | 28,015,632 |
| Housing capital assets, net | 2,911,803 |
| Total Non-Current Assets | 38,673,694 |
| Total Assets | 54,763,922 |
| Deferred Outflows of Resources | |
| Pension deferrals | 2,304,348 |
| Total Deferred Outflows of Resources | 2,304,348 |
| Total Assets and Deferred Outflows of Resources | $ 57,068,270 |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**
Statement of Net Position
June 30, 2015

| | 2015 |
|---|---|
| Liabilities | |
| Current Liabilites | |
| Accounts payable | $ 1,409,290 |
| Accrued vacation, salaries, and retirement | 556,069 |
| Accrued interest | 145,412 |
| Student deposits | 44,282 |
| Unearned tuition and fees | 5,359,430 |
| Endowments and scholarships | 1,343 |
| Bonds, notes and leases payable | 700,000 |
| Incentive retirement payable | 6,497 |
| Total Current Liabilities | 8,222,323 |
| Non-Current Liabilities | |
| Net pension liability | 8,465,951 |
| Other post employment benefits | 1,001,900 |
| Bonds, notes, and leases payable | 17,355,409 |
| Total Non-Current Liabilities | 26,823,260 |
| Total Liabilities | 35,045,583 |
| Deferred Inflows of Resources | |
| Pension deferrals | 4,136,452 |
| Total Deferred Inflows of Resources | 4,136,452 |
| Net Position | |
| Net investment in capital assets | 21,300,071 |
| Net investment in housing capital assets | (1,337,262) |
| Restricted for nonexpendable: | |
| Scholarships and fellowships | 550,300 |
| Restricted for expendable: | |
| Scholarships and fellowships | 163,267 |
| Unrestricted | (2,790,141) |
| Total Net Position | 17,886,235 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | $ 57,068,270 |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**

Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended June 30, 2015

| | 2015 |
|---|---|
| Operating Revenue | |
| Student tuitions and fees (net of scholarship allowances of $10,100,689) | $ 11,139,236 |
| Auxiliary enterprises | |
| Housing | 487,801 |
| Bookstore | 2,359,087 |
| Student activities | 277,704 |
| Other operating revenues | 284,036 |
| Total Operating Revenues | 14,547,864 |
| Operating Expenses | |
| Instruction | 8,050,854 |
| Student services | 3,456,769 |
| Academic support | 2,098,052 |
| Institutional support | 3,396,112 |
| Operating and management of plant | 2,372,348 |
| Financial aid and scholarships | 671,228 |
| Auxiliary enterprises | |
| Housing | 280,465 |
| Bookstore | 1,682,654 |
| Student activities | 386,943 |
| Depreciation and amortization | 1,524,392 |
| Total Operating Expenses | 23,919,817 |
| Operating Income/(Loss) | (9,371,953) |
| Non-Operating Revenues/(Expenses) | |
| Property taxes | 2,063,051 |
| State aid and grants | 5,668,845 |
| Federal grants and contracts | 4,862,911 |
| Investment gain | 54,228 |
| Contributions | 58,126 |
| Gift returns | (60,347) |
| Gain (loss) on sale of asset | (83,249) |
| Interest expense | (591,354) |
| Total Non-Operating Revenues/(Expenses) | 11,972,211 |
| Changes in Net Position | 2,600,258 |
| Net Position, Beginning of year, restated (Note 15) | 15,285,977 |
| Net Position, End of year | $ 17,886,235 |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**

Statement of Cash Flows

For the Year Ended June 30, 2015

| | 2015 |
|---|---|
| Cash Flows from Operating Activities: | |
| Tuition and fees | $ 13,345,250 |
| Payments to suppliers | (8,098,880) |
| Payments to employees | (14,810,847) |
| Receipts (refunds) of deposits | (15,094) |
| Auxiliary enterprise receipts | (168,997) |
| Other | 360,349 |
| Net cash used in operating activities | (9,388,219) |
| Cash Flows from Noncapital Financing Activities: | |
| Local property taxes | 2,063,051 |
| State aid and grants | 5,668,845 |
| Federal grants and contracts | 4,862,911 |
| Gift returns | (60,347) |
| Contributions | 58,126 |
| Net cash provided by noncapital financing activities | 12,592,586 |
| Cash Flows from Capital and Related Financing Activities: | |
| Debt service - interest payments | (587,493) |
| Debt service - principal payments | (400,000) |
| Proceeds from sale of asset | 5,033 |
| Aquisition of capital assets | (8,607,608) |
| Net cash used in capital and related financing activities | (9,590,068) |
| Cash Flows from Investing Activities: | |
| Interest and dividends | 54,228 |
| Purchase of investments | (4,675) |
| Net cash provided by investing activities | 49,553 |
| Net decrease in cash and cash equivalents | (6,336,148) |
| Cash, beginning of year | 16,262,761 |
| Cash, end of year | $ 9,926,613 |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**
Statement of Cash Flows - Continued
For the Year Ended June 30, 2015

| | | 2015 |
|---|---|---|
| Displayed as: | | |
| Cash and cash equivalents | $ | 7,509,640 |
| Restricted cash and cash equivalents | | 2,416,973 |
| | $ | 9,926,613 |
| | | |
| Reconciliation of operating income/(loss) to net cash provided by/(used in) operating activities | | |
| Operating loss | $ | (9,371,953) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | | 1,524,392 |
| Bad debt, net | | 1,738,902 |
| | | |
| Changes in assets and liabilities | | |
| (Increase)/decrease in: | | |
| Tuition and fees receivable | | (2,053,828) |
| Other receivables | | 707,348 |
| Property taxes | | (4,157) |
| Inventory | | (25,389) |
| Prepaid expenses | | (61,427) |
| Deferred outflows | | (923,209) |
| Increase/(decrease) in: | | |
| Accounts payable | | (1,385,147) |
| Accrued vacation, salaries, and retire | | 130 |
| Student deposits | | (15,094) |
| Unearned tuition and fees | | 400,217 |
| Endowments and scholarships | | (3,520) |
| Incentive retirement payable | | (56,134) |
| Other post employment benefits | | 179,500 |
| Deferred inflows | | 4,136,452 |
| Net pension liability | | (4,175,302) |
| Net cash used in operating activities | $ | (9,388,219) |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**
Statement of Fiduciary Net Position
For the Year Ended June 30, 2015

| Assets | Private Purpose Trusts | Agency Funds |
|---|---|---|
| Cash and cash equivalents | $ | 156,774 |
| Beneficial interest in trust | 3,189,200 | |
| Total assets | 3,189,200 | 156,774 |
| Liabilities | | |
| Deposits held in trust for others | | 156,774 |
| Total liabilities | | 156,774 |
| Net Position | | |
| Unreserved | $ 3,189,200 | |

**Three Rivers Community College**
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

| | Private Purpose Trusts |
|---|---|
| Additions | |
| Interest income | $ 86,748 |
| Realized gain/(loss) on investments | 144,594 |
| Total Additions | 231,342 |
| Deductions | |
| Benefits paid to beneficiaries | 51,276 |
| Unrealized (gain)/loss on investments | 83,609 |
| Administrative expense | 25,882 |
| Total Deductions | 160,767 |
| Changes in Net Position | 70,575 |
| Net Position, Beginning of year | 3,118,625 |
| Net Position, End of year | $ 3,189,200 |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**
Statement of Financial Position-Component Unit
Three Rivers Endowment Trust
For the Year Ended June 30, 2015

| | 2015 |
|---|---|
| Assets | |
| Current Assets: | |
| Cash | $ 2,120,264 |
| Contribution receivable | 2,354,441 |
| Certificates of deposit | 71,015 |
| Investments | 1,123,675 |
| Assets held for sale | 257,000 |
| Property and equipment, net | - |
| Total Assets | $ 5,926,395 |
| Liabilites and Net Assets | |
| Liabilities: | |
| Accounts payable | $ - |
| Accrued payroll expenses | - |
| Refundable advances | - |
| Notes payable | - |
| Total Liabilities | - |
| Net Assets: | |
| Permanently restricted | 770,140 |
| Temporarily restricted | 4,714,882 |
| Unrestricted | 441,373 |
| Total Net Assets | 5,926,395 |
| Total Liabilities and Net Assets | $ 5,926,395 |

The accompanying notes are an integral part of these financial statements.

**Three Rivers Community College**
Statement of Activities-Component Unit
Three Rivers Endowment Trust
For the Year Ended June 30, 2015

| | 2015 |
|---|---|
| Changes in Unrestricted Net Assets | |
| Revenues | |
| Contributions | $ 96,226 |
| Fundraising events | 15,740 |
| License fee income | 54,987 |
| Miscellaneous | 1,224 |
| Net assets released from restrictions | 33,140 |
| Total Unrestricted Revenue | 201,317 |
| Expenses | |
| Program services | 60,431 |
| General and administrative | 174,620 |
| Fundraising | 3,400 |
| Total Expenses | 238,451 |
| Change in Unrestricted Net Assets | (37,134) |
| Changes in Temporarily Restricted Net Assets | |
| Contributions | 3,618,399 |
| Interest and dividend income | 4,373 |
| Investment gain | (17,338) |
| Net assets released from restrictions | (33,140) |
| Change in Temporarily Restricted Net Assets | 3,572,294 |
| Changes in Permanectly Restricted Net Assets | |
| Contributions | 61,287 |
| Change in Permanently Restricted Net Assets | 61,287 |
| Change in Net Assets | 3,596,447 |
| Net Assets, Beginning of Year | 2,329,948 |
| Net Assets, End of Year | $ 5,926,395 |

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

Three Rivers Community College (the "College"), a public two-year institution, was established April 5, 1966, under the Missouri Junior College Act of 1961. The College provides academic transfer, occupational, technical, developmental, and continuing education courses to its four-county district, known as The Community College District of Poplar Bluff, Missouri, and many surrounding counties in Southeast Missouri. The six-member elected Board of Trustees establishes the policies and procedures by which the College is governed.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities.

**Basis of Accounting**

Proprietary Funds

For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Non-exchange transactions, in which the college receives value without directly giving equal value in return, includes property taxes; federal, state and local grants; state appropriations; and other contributions. On the accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized when requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided on a reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the College's own programs. Fiduciary fund reporting focuses on net position and changes in net position and also uses the economic resources measurement focus and the accrual basis of accounting.

The private purpose trusts of the College consist of funds contributed to the College by various grantors subject to the requirement that the college periodically pay specified amounts of the income earned on the assets to designated beneficiaries. Such payments terminate at a time specified in the agreements and the balance of the funds will be transferred to the College as designated by the grantor.

The agency fund accounts for assets held by the College in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

### Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board ("GASB"), the financial reporting entity consists of the primary government, as well as its blended component unit and discretely presented component units.

### Blended Component Unit

Three Rivers Community College Building Corporation (the "Corporation") is a component unit incorporated on June 20, 1994, as a not-for-profit organization whose stated purpose is to operate exclusively for the benefit of Three Rivers Community College. Although the College is not legally responsible for the debt of the building corporation, the Corporation's sole source of revenue is from lease payments from the College.

The following financial information represents the condensed financial statements for the Three Rivers Community College Building Corporation.

**Condensed Statement of Net Position**

| | 2015 |
|---|---|
| Assets | |
| Current assets | $ 1,906,909 |
| Capital assets | 14,788,731 |
| Total Assets | 16,695,640 |
| Liabilities | |
| Current liabilities | 145,412 |
| Noncurrent liabilities | 18,055,409 |
| Due to college | 152,135 |
| Total Liabilities | 18,352,956 |
| Net Position | |
| Net investment in capital assets | (1,657,315) |
| Total Net Position | $ (1,657,315) |

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

| | 2015 |
|---|---|
| Operating Revenues (Expenses) | |
| Operating revenues | $ 989,002 |
| Other operating expenses | (1,510) |
| Depreciation and amortization expense | (259,924) |
| Operating Income | 727,568 |
| Non-Operating Revenues (Expenses) | |
| Interest expense | (591,353) |
| Changes in Net Position | 136,215 |
| Beginning Net Position | (1,793,530) |
| Ending Net Position | $ (1,657,315) |

**Condensed Statement of Cash Flows**

| | 2015 |
|---|---|
| Net Cash Provided By: | |
| Operating activities | $ 989,002 |
| Capital and related financing activities | (7,517,395) |
| Net Change | (6,528,393) |
| Cash and Cash Equivalents, Beginning | 8,435,302 |
| Cash and Cash Equivalents, Ending | $ 1,906,909 |

**Discretely Presented Component Unit**

Three Rivers Endowment Trust

Three Rivers Endowment Trust ("the Trust") is a legally separate, tax exempt component unit of the College, created December 21, 2009. The purpose of the Trust is to encourage, promote, obtain and provide funds or property of any nature or kind for the advantage of the College and the encouragement and subsidization of its students and mission.

Under state law, neither the principal nor income generated by the assets of the Trust can be taken into consideration in determining the amount of state-appropriated funds allocated to the College. Third parties dealing with the College, the Missouri Coordinating Board of Higher Education, the State of Missouri, and the Federal Government (or any agency thereof) should not rely upon the financial statements of the Trust for any purpose without consideration of all of the foregoing conditions and limitations.

The directors of the Trust make all decisions regarding the business and affairs of the Trust, including, without limitations, distributions made to the College. Although the College does not control the timing or amount of receipts from the Trust, the majority of resources or income thereon that the Trust holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Trust can only be used by, or for the benefit of, the College, the Trust is considered a component unit of the College. The Trust is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Trust is a private not-for-profit organization that reports its financial results in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Most significant to the Trust's operations and reporting model are FASB ASC 958-605 and FASB ASC 958-205. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Trust's financial information in the College's financial reporting entity for these differences; however, significant note disclosures to the Trust's financial statements have been incorporated into the College's notes to the financial statements as described below.

The Trust maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations that will be met by actions of the Trust and/or passage of time.

Unrestricted Net Assets
Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

Questions concerning the component unit's financial information or requests for additional financial information should be directed to Three Rivers Endowment Trust, 2080 Three Rivers Boulevard, Poplar Bluff, Missouri 63901.

**Omitted Component Unit**

Three Rivers Booster Club

Three Rivers Booster Club (the "Club") is a legally separate, tax-exempt component unit of the College. The Club provides assistance and support to the Three Rivers Community College athletic programs and because the College is the exclusive beneficiary of the Club, its financial information is required to be presented. The Club is not a subsidiary or affiliate of the College. Moreover, the assets of the Club are the exclusive property of the Club and are not owned by the College. The College is not accountable for, and does not have ownership of, any of the financial or capital resources of the Club. In addition, the College does not have the power or authority to mortgage, pledge or encumber the assets of the Club. The financial activities of this omitted component unit are not considered material to the basic financial statements.

Questions concerning the component unit's financial information or requests for additional financial information should be directed to Three Rivers Booster Club, 1815 Zehm Avenue, Poplar Bluff, Missouri 63901.

**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, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

## Property 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 in the College's district collect the tax and remit it to the College. Delinquent property taxes are deemed to be uncollectible with the following percentages:

| | |
|---|---|
| 1 year | 10% |
| 2 years | 20% |
| 3 years | 50% |
| 4 years | 60% |
| 5 years | 90% |
| Over 5 years | 100% |

The assessed valuation of the tangible taxable property for the calendar year 2014 for purposes of local taxation was $823,274,640. The tax levy per $100 of the assessed valuation of tangible property for the calendar year 2014 was set at $0.2352.

## Cash and Cash Equivalents

For purposes of the statements of cash flows, the College considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

## Investments

Investments are stated at fair value based on quoted market prices.

## Tuition and Fees Receivable

Accounts receivable consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable are recorded net of estimated uncollectible amounts. Accounts outstanding are deemed to be uncollectible with the following percentages:

| | |
|---|---|
| 0-1 year | 2% |
| 1-2 years | 30% |
| 2-3 years | 60% |
| 3-5 years | 75% |
| 5-7 years | 90% |
| Over 7 years | 100% |

**Capital Assets**

Capital assets include property, plant, equipment, and infrastructure assets such as roads and sidewalks. Capital assets are defined by the College as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the College are depreciated using the straight-line method over the following useful lives:

| | |
|---|---|
| Buildings and improvements | 20-40 years |
| Infrastructure | 15-20 years |
| Land improvements | 20 years |
| Library materials | 10 years |
| Furniture, fixtures and equipment | 5 years |

**Inventory**

Inventory consists of bookstore merchandise and is stated at the lower of cost or market determined on the first-in, first-out basis.

**Unearned Tuition and Fees**

Unearned tuition and fees revenue represents the student fees and advances on grants and contract awards, which the College has not yet earned.

**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 and so will not be recognized as an expense until then. The College has one item that meets the criterion for this category- pension deferrals that result from the implementation of GASB Statement 68. 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 and so will not be recognized as revenue until then. The College has one item that meets the criterion for this category - pension deferrals that result from the implementation of GASB Statement 68. See Note 6.

**Compensated Absences**

The College records a liability for employees' vacation leave earned, but not yet taken. Employees are allowed to carry over a limited number of vacation days from year to year. Expense and related liability are recognized as vacation benefits are earned. The College has no commitment for accumulated sick leave and no liability is recorded.

## Classification of Revenue

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, and (2) sales and services of auxiliary enterprises. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts, and federal appropriations, and (4) gifts and contributions.

## Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported as the net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and or/third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition, fees, and housing for the year ended June 30, 2015 is $10,100,689.

## Federal Financial Assistance Programs

Major federally funded student financial aid programs in which the College participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, and Federal Direct Student Loan Programs.

## Net Position

The College's net position is classified as follows:

<u>Net Investment in Capital Assets</u>
Represents the College's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

<u>Restricted Net Assets-Nonexpendable</u>
Includes permanent endowments that are required to be retained in perpetuity.

<u>Restricted Net Assets-Expendable</u>
Includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted Net Assets
Includes resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

**Subsequent Events**

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 9, 2015, the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

The Missouri Revised Statutes allow funds belonging to the College to be invested. College policy delegates this authority to the Treasurer of the Board of Trustees as permitted by Missouri law and limits the investments to certificates of deposit with banks within the College district and United States treasury bills.

**Deposits**

The carrying values of the College's bank accounts and certificates of deposit at June 30, 2015 were $10,083,387, and the bank balances at June 30, 2015 were $8,939,200, substantially all of which were covered by federal depository insurance and collateral held by the College's agent in the College's name. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies and instrumentalities or the State of Missouri; bonds of any city, county, school district, or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value of at least equal to the amount of the deposits.

**Summary of Carrying Values**

The carrying values of deposits and investments are included in the statements of net position as follows:

| | 2015 |
|---|---|
| Carrying Value | |
| Deposits | $10,083,387 |

Included in the following statements of net position captions:

| | 2015 |
|---|---|
| Proprietary Funds | |
| Cash and cash equivalents | $ 7,509,640 |
| Restricted cash and cash equivalents | 2,416,973 |
| Fiduciary-Agency Funds | |
| Cash and cash equivalents | 156,774 |
| | $10,083,387 |

### Investments

Investments consist of equity securities donated to the College.

## 3. BENEFICIAL INTEREST IN TRUST

As of June 30, 2015 the College has $3,189,200 of beneficial interest in a charitable remainder annuity trust. The trust is maintained by an outside fiscal agent and is not under the control of the College. Under the terms of the trust agreement, the donor's designated beneficiary receives five percent of the initial fair market value of the assets in the trust during her lifetime.

Upon her death, the trust is to terminate and the remaining trust assets are to be distributed to the College for the establishment of an endowment fund. Assets held in the charitable trust are reported at fair market value in the College's Statement of Fiduciary Assets and changes in the fair value of the charitable trust are reflected in the Statement of Changes in Fiduciary Net Position.

## 4. LONG TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the College for the year ended June 30, 2015.

| | Balance June 30, 2014 | Additions | Deductions | Balance June 30, 2015 | Current Portion |
|---|---|---|---|---|---|
| Lease Participation Certificates, Series 2012A | $ 4,425,000 | | 175,000 | 4,250,000 | 175,000 |
| Lease Participation Certificates, Series 2012B | 5,400,000 | | 225,000 | 5,175,000 | 225,000 |
| Lease Participation Certificates, Series 2014 | 8,550,000 | | | 8,550,000 | 300,000 |
| Premiums (Discounts) | 84,431 | | 4,022 | 80,409 | |
| Other liabilities: | | | | | |
| Incentive retirement payable | 62,631 | 1,239 | 57,373 | 6,497 | 6,497 |
| Net pension liability | | 8,465,951 | | 8,465,951 | |
| Other post employment benefits | 822,400 | 179,500 | | 1,001,900 | |
| Total | $ 19,344,462 | 8,646,690 | 461,395 | 27,529,757 | 706,497 |

**Debt Service Requirements to Maturity**

The debt service requirements for the next five years, and thereafter, as of June 30, 2015, are as follows:

| Year Ending June 30, | Principal | Interest | Total to be Paid |
|---|---|---|---|
| 2016 | $ 700,000 | 591,344 | 1,291,344 |
| 2017 | 725,000 | 577,344 | 1,302,344 |
| 2018 | 750,000 | 562,844 | 1,312,844 |
| 2019 | 775,000 | 544,344 | 1,319,344 |
| 2020 | 825,000 | 525,125 | 1,350,125 |
| 2021-2025 | 4,525,000 | 2,272,375 | 6,797,375 |
| 2026-2030 | 5,650,000 | 1,451,688 | 7,101,688 |
| 2031-2035 | 4,025,000 | 366,438 | 4,391,438 |
| | $ 17,975,000 | 6,891,502 | 24,866,502 |

Lease Participation Certificates - Series 2012A
On October 12, 2012, the College issued $4,600,000 of lease participation certificates. These certificates bear interest at 2.0% to 3.63%, due in semiannual installments, which began on April 1, 2013. Principal maturities will begin on April 1, 2014, and continue through 2032. These certificates were issued for the refinancing of the Series 2004 Student Housing Revenue Bonds.

Lease Participation Certificates - Series 2012B
On December 27, 2012, the College issued $5,400,000 of lease participation certificates. These certificates bear interest at 2.0% to 3.75%, due in semiannual installments, which began on April 1, 2013. Principal maturities will begin on April 1, 2015, and continue through 2033. These certificates are being used for the construction of the FEMA safe rooms within the new classroom buildings at Sikeston, Missouri and the Poplar Bluff campus.

Lease Participation Certificates - Series 2014
On April 15, 2014 the College issued $8,550,000 of lease participation certificates. These certificates bear interest at 2.0% to 4.125%, due in semiannual installments, which began on October 1, 2014. Principal maturities will begin on April 1, 2016, and continue through 2034. These certificates are being used for the construction of new classroom buildings at Sikeston, Missouri and the Poplar Bluff campus.

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015:

| | Balance June 30, 2014 | Additions | Retirements | Balance June 30, 2015 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 5,329,286 | | | 5,329,286 |
| Construction in progress | 8,828,143 | 7,173,011 | 8,447,798 | 7,553,356 |
| Total capital assets, not being depreciated | 14,157,429 | 7,173,011 | 8,447,798 | 12,882,642 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 22,734,900 | 9,963,473 | 16,063 | 32,682,310 |
| Furniture, fixtures and equipment | 9,808,267 | 627,877 | 5,000 | 10,431,144 |
| Infrastructure and land improvements | 1,216,624 | | | 1,216,624 |
| Library materials | 727,744 | 21,931 | | 749,675 |
| Leasehold improvements | 1,520,581 | | 736,937 | 783,644 |
| Total capital assets, being depreciated | 36,008,116 | 10,613,281 | 758,000 | 45,863,397 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 10,748,354 | 543,764 | 16,063 | 11,276,055 |
| Furniture, fixtures and equipment | 8,158,101 | 747,153 | 5,000 | 8,900,254 |
| Infrastructure and land improvements | 865,540 | 145,190 | | 1,010,730 |
| Library materials | 660,870 | 13,943 | | 674,813 |
| Leasehold improvements | 553,572 | 78,364 | 4,470 | 627,466 |
| Total accumulated depreciation | 20,986,437 | 1,528,414 | 25,533 | 22,489,318 |
| Total capital assets, being depreciated, net | 15,021,679 | 9,084,867 | 732,467 | 23,374,079 |
| Total capital assets, net | $ 29,179,108 | 16,257,878 | 9,180,265 | 36,256,721 |

6. PENSION PLANS

**Summary of Significant Accounting Policies - PSRS**

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

The fiduciary net position as well as additions to and deductions from the fiduciary net position, of PSRS have been determined on the same basis as they are reported by PSRS. 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 PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. 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.

**Change in Accounting Principle**

Net position as of July 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

| | |
|---|---|
| Net Position as previously reported at June 30, 2014: | $ 26,546,091 |
| Prior period adjustment: | |
| Net Pension Liability (measurement date as of June 30, 2013) | (12,641,253) |
| Deferred outflows: | |
| College contributions made during the fiscal year 2014 | 1,381,139 |
| Total prior period adjustment | (11,260,114) |
| Net Position as restated, July 1, 2014 | $ 15,285,977 |

**General Information about the Pension Plan**

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

*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 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014 a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lessor 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

*Cost-of-Living Adjustments ("COLA").* The PSRS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00% the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second 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 2015. 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 for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The College's contributions to PSRS were $1,275,237 for the year ended June 30, 2015.

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

At June 30, 2015, the College recorded a liability of $8,016,432 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 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 of $1,275,237 paid to PSRS for the year ended June 30, 2014 relative to the actual contributions of $643,964,894 from all participating employers. At June 30, 2014, the College's proportionate share was 0.1954%.

For the year ended June 30, 2015, the College recognized a pension expense of $381,601, its proportionate share of the total pension expense.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS pension benefits:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Balance of Deferred Outflows and Inflows Due to: | | |
| Differences between expected and actual experience | $ 373,471 | |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | | 3,855,333 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 522,237 | |
| Employer contributions subsequent to the measurement date | 1,275,237 | |
| Total | $ 2,170,945 | 3,855,333 |

$1,275,237 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

| Year Ending June 30: | |
|---|---|
| 2016 | $ (797,654) |
| 2017 | (797,654) |
| 2018 | (797,654) |
| 2019 | (797,654) |
| 2020 | 166,180 |
| Thereafter | 64,810 |
| | $ (2,959,626) |

**Actuarial Assumptions**

Actuarial valuations of PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

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

| | |
|---|---|
| Measurement Date | June 30, 2014 |
| Valuation Date | June 30, 2014 |
| Expected Return on Investments | 8.00%, net of investment expenses and including 2.5% inflation |
| Inflation | 2.50% |
| Total Payroll Growth | 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth. |
| Future Salary Increases | 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%. |
| Cost-of-Living Increases | 2.00% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase. |
| Mortality Assumption | |
| Actives: | RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA. |
| Non-Disabled Retirees, Beneficiaries and Survivors: | RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA. |
| Disabled Retirees: | RP 2000 Disabled Mortality Table |
| Changes in Actuarial Assumptions and Methods | There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation. |
| Fiduciary Net Position | PSRS issues 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 PSRS' 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 target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PSRS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

| Asset Class | Target Asset Allocation | Long-term Expected Real Return Arithmetic Basis | Weighted Long-term Expected Real Return Arithmetic Basis |
|---|---|---|---|
| U.S. Public Equity | 27.0% | 5.85% | 1.58% |
| Public Credit | 12.0% | 2.44% | 0.29% |
| Hedged Assets | 6.0% | 5.22% | 0.31% |
| Non-U.S. Public Equity | 15.0% | 6.64% | 1.00% |
| U.S. Treasuries | 16.0% | 1.01% | 0.16% |
| U.S. TIPS | 4.0% | 1.12% | 0.04% |
| Private Credit | 2.0% | 7.61% | 0.15% |
| Private Equity | 10.5% | 8.61% | 0.90% |
| Private Real Estate | 7.5% | 4.60% | 0.35% |
| | 100.0% | | 4.78% |
| | | Inflation | 2.50% |
| | | Long term arithmetical nominal return | 7.28% |
| | | Effect of covariance matrix | 0.81% |
| | | Long term expected geometric return | 8.09% |

Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount Rate Sensitivity

The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The College's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

| Discount Rate | 1% Decrease (7.00%) | Current Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Proportionate share of the Net Pension Liability/(Asset) | $ 16,974,876 | 8,016,432 | 502,315 |

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios**

| Year Ended* | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Actual Covered Member Payroll | Net Pension Liability (Asset) as a Percentage of Covered Payroll | Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 6/30/2015 | 0.1954% | $ 8,016,432 | 8,693,284 | 92.21% | 89.30% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
* The data provided in the schedule is based as of the measurement date of PSRS' net pension liability, which is as of the beginning of the College's fiscal year.

**Schedule of Employer Contributions**

| Year Ended | Statutorily Required Contribution | Actual Employer Contributions | Contribution Excess/ (Deficiency) | Actual Covered Member Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 6/30/2013 | $ 1,166,814 | 1,166,814 | - | 8,058,382 | 14.48% |
| 6/30/2014 | 1,258,024 | 1,258,024 | - | 8,693,284 | 14.47% |
| 6/30/2015 | 1,275,237 | 1,275,237 | - | 8,754,674 | 14.57% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Payable to the Pension Plan
At June 30, 2015, the College reported a payable of $231,553 for the outstanding amount of contributions to PSRS required for the year ended June 30, 2015.

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

The fiduciary net position as well as additions to and deductions from the fiduciary net position, of PEERS have been determined on the same basis as they are reported by PEERS. 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 PEERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. 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.

**Change in Accounting Principle**
Net position as of July 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

| | |
|---|---|
| Net Position as previously reported at June 30, 2014: | $26,546,091 |
| Prior period adjustment: | |
| Net Pension Liability (measurement date as of June 30, 2013) | (12,641,253) |
| Deferred outflows: | |
| College contributions made during the fiscal year 2014 | 1,381,139 |
| Total prior period adjustment | (11,260,114) |
| Net Position as restated, July 1, 2014 | $15,285,977 |

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

*Benefits Provided.* PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for the "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced benefits are available with fiver 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 lessor 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org.

*Cost-of-Living Adjustments ("COLA").* The PEERS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00% the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member, such adjustments commence on the forth 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.* PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PEERS 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 PEERS were $123,519 for the year ended June 30, 2015.

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

At June 30, 2015, the College recorded a liability of $449,519 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 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 of $123,519 paid to PEERS for the year ended June 30, 2014 relative to the actual contributions of $100,035,580 from all participating employers. At June 30, 2014, the College's proportionate share was 0.1231%.

For the year ended June 30, 2015, the College recognized a pension expense of $55,408, its proportionate share of the total pension expense.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Balance of Deferred Outflows and Inflows Due to: | | |
| Differences between expected and actual experience | $ | 13,370 |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | | 267,749 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 9,884 | |
| Employer contributions subsequent to the measurement date | 123,519 | |
| Total | $ 133,403 | 281,119 |

$123,519 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

| | |
|---|---|
| Year Ending June 30: | |
| 2016 | $ (68,044) |
| 2017 | (68,044) |
| 2018 | (68,044) |
| 2019 | (67,103) |
| 2020 | |
| Thereafter | |
| | $ (271,235) |

**Actuarial Assumptions**

Actuarial valuations of PEERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

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

| | |
|---|---|
| Measurement Date | June 30, 2014 |
| Valuation Date | June 30, 2014 |
| Expected Return on Investments | 8.00%, net of investment expenses and including 2.5% inflation |
| Inflation | 2.50% |
| Total Payroll Growth | 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth. |
| Future Salary Increases | 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%. |
| Cost-of-Living Increases | 2.00% compounded annually, beginning on the forth January after retirement and capped at 80% lifetime increase. |

Mortality Assumption

| | |
|---|---|
| Actives: | RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA. |
| Non-Disabled Retirees, Beneficiaries and Survivors: | RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA. |
| Disabled Retirees: | RP 2000 Disabled Mortality Table |
| Changes in Actuarial Assumptions and Methods | There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation. |
| Fiduciary Net Position | PEERS issues 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 PEERS' 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 target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

| Asset Class | Target Asset Allocation | Long-term Expected Real Return Arithmetic Basis | Weighted Long-term Expected Real Return Arithmetic Basis |
|---|---|---|---|
| U.S. Public Equity | 27.0% | 5.85% | 1.58% |
| Public Credit | 12.0% | 2.44% | 0.29% |
| Hedged Assets | 6.0% | 5.22% | 0.31% |
| Non-U.S. Public Equity | 15.0% | 6.64% | 1.00% |
| U.S. Treasuries | 16.0% | 1.01% | 0.16% |
| U.S. TIPS | 4.0% | 1.12% | 0.04% |
| Private Credit | 2.0% | 7.61% | 0.15% |
| Private Equity | 10.5% | 8.61% | 0.90% |
| Private Real Estate | 7.5% | 4.60% | 0.35% |
| | 100.0% | | 4.78% |
| | | Inflation | 2.50% |
| | | Long term arithmetical nominal return | 7.28% |
| | | Effect of covariance matrix | 0.81% |
| | | Long term expected geometric return | 8.09% |

Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount Rate Sensitivity

The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The College's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

| Discount Rate | 1% Decrease (7.00%) | Current Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Proportionate share of the Net Pension Liability/Asset) | $ 1,078,673 | 449,519 | (81,985) |

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios**

| Year Ended* | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Actual Covered Member Payroll | Net Pension Liability (Asset) as a Percentage of Covered Payroll | Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 6/30/2015 | 0.1231% | $ 449,519 | 1,794,673 | 25.1% | 91.3% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

**Schedule of Employer Contributions**

| Year Ended | Statutorily Required Contribution | Actual Employer Contributions | Contribution Excess/ (Deficiency) | Actual Covered Member Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 6/30/2013 | $ 166,708 | 166,708 | - | 1,701,278 | 6.86% |
| 6/30/2014 | 123,115 | 123,115 | - | 1,794,673 | 6.86% |
| 6/30/2015 | 123,519 | 123,519 | - | 1,800,578 | 6.86% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Payable to the Pension Plan
At June 30, 2015, the College reported a payable of $18,396 for the outstanding amount of contributions to PEERS required for the year ended June 30, 2015.

7. SEGMENT INFORMATION

The following financial information represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding. The activities provided dormitory space to students of the College.

**Condensed Statement of Net Position**

| | 2015 |
|---|---|
| Assets | |
| Current assets | $ 276,207 |
| Capital assets, net | 2,911,803 |
| Total Assets | 3,188,010 |
| Liabilities | |
| Current liabilities | 269,498 |
| Noncurrent liabilities | 4,041,583 |
| Due to other funds | 967,239 |
| Total Liabilities | 5,278,320 |
| Net Position | |
| Net investment in capital assets | (1,337,262) |
| Unrestricted | (753,048) |
| Total Net Position | $ (2,090,310) |

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

| | 2015 |
|---|---|
| Operating Revenues (Expenses) | |
| Operating revenues | $ 487,801 |
| Operating expenses | (280,465) |
| Depreciation and amortization expense | (173,229) |
| Operating Income | 34,107 |
| Non-Operating Revenues (Expenses) | |
| Interest income | 631 |
| Interest expense | (134,732) |
| Changes in Net Position | (99,994) |
| Beginning Net Position | (1,990,316) |
| Ending Net Position | $ (2,090,310) |

**Condensed Statements of Cash Flows**

| | 2015 |
|---|---|
| Net Cash Provided By/(Used In): | |
| Operating activities | $ 350,697 |
| Capital and related financing activities | (310,593) |
| Investing activities | 631 |
| Net Change | 40,735 |
| Cash and Cash Equivalents, Beginning | 111,618 |
| Cash and Cash Equivalents, Ending | $ 152,353 |

8. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The College has effectively managed risk through its insurance and various educational and prevention programs.

The College is a member of the Missouri United School Insurance Council (MUSIC), a protected self-insurance program of approximately 400 Missouri Public School Districts. The College does not pay premiums to purchase insurance policies but pays an assessment to be a member of a self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole.

The College is a part of the SEMO Consortium. This consortium is made up of school districts in Southeast Missouri who have joined together for the purpose of purchasing employee benefits as a larger group to increase buying power and stabilize renewals. These are fully insured plans which means that the carriers assume the risk of the claims in return for the premiums that the College pays on a monthly basis.

9. CONTINGENCIES AND CLAIMS

The College, from time to time, receives information regarding potential claims against the College, including from students or employees. Management has represented that its insurance company is responsible for handling any and all such claims and believes the insurance coverage is adequate to protect the College in the event of a successful claim. An estimate of possible damage, if any, which the College would be liable for, cannot be made at this time.

10. POST EMPLOYMENT BENEFITS

The College maintained an early retirement incentive program for qualified employees. This policy was repealed as of June 30, 2010. The College will continue to pay out benefits on previous retirees over the next five years. As of June 30, 2015 the College has recognized a current liability of $6,496, and a non-current liability of $0 for the payment of the retirement incentive payouts.

11. OTHER POST EMPLOYMENT BENEFITS

The College allows retirees of the College to participate in the group health insurance plan with current employees. The College pays premiums applicable to the group as a whole. Retirees pay 100% of their premiums at the same rate as current employees without a specific contribution from the College. The premiums paid by the retirees may be lower than they would have been if the retirees were insured separately. This benefit is called an "implicit rate subsidy." To comply with the applicable provisions of GASB Code Section P50, the College records a liability, as calculated by an actuary, to recognize the additional cost to the College of the participating retirees who benefit from the lower group health insurance plan premium rates and, because of their age, are most likely not paying 100% of the true cost of the medical benefits they receive. The Three Rivers Community College Other Post-Employment Benefits Program is a single-employer plan and does not issue a stand-alone financial report.

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Entry Age Actuarial Accrued Liability | (b-a) Unfunded Accrued Liability (UAL) | (a/b) Funded Ratio |
|---|---|---|---|---|
| 06/30/09 | $ - | 2,582,000 | 2,582,000 | 0% |
| 06/30/11 | - | 3,050,000 | 3,050,000 | 0% |
| 06/30/13 | - | 2,754,000 | 2,754,000 | 0% |
| 06/30/15 | - | 2,288,000 | 2,288,000 | 0% |

The results shown above are based on the baseline assumptions with respect to the medical inflation rate of 7.90% for the year ending June 30, 2015, and the discount rate of 3.75% per annum. The baseline discount rate assumes that the College will not prefund its retiree medical program. The discount rate is based on the expected earnings of the College's general fund.

| Year Ended | Annual Required Contribution | Interest on Net OPEB Obligation | Adjustment to the ARC | Net OPEB Cost | Actual Contribution | Net OPEB Obligation |
|---|---|---|---|---|---|---|
| 06/30/12 | $210,200 | 13,400 | 11,100 | 212,500 | 92,000 | 454,800 |
| 06/30/13 | 243,300 | 17,100 | 15,200 | 245,200 | 56,100 | 643,900 |
| 06/30/14 | 243,300 | 24,100 | 21,500 | 245,900 | 64,800 | 825,000 |
| 06/30/15 | 236,100 | 30,900 | 30,500 | 236,500 | 59,600 | 1,001,900 |

The Actuarial Accrued Liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on services to date) of the projected benefit payable at death, disability, retirement, or termination.

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

To recognize the cost of benefits earned each year by retirees and to amortize the Unfunded Actuarial Accrued Liability over 30 years the College has recognized a liability in the amount of $1,001,900.

12. OFF-SITE COLLEGE LOCATIONS

The College has several off-site locations throughout Southern Missouri for freshman and sophomore college courses and career training. The leases for these off-site locations provide for minimum monthly rental payments. Future minimum lease payments under the agreements are as follows:

| Year Ending June 30, | |
|---|---|
| 2016 | $ 95,895 |
| 2017 | 98,070 |
| 2018 | 98,070 |
| 2019 | 98,070 |
| 2020 | 98,070 |
| | $ 488,175 |

## 13. FAIR VALUE MEASUREMENTS

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology are unadjusted quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the College's investments at fair values as of June 30, 2015.

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Proprietary Funds: | | | | |
| Certificates of deposit | $ 3,257,044 | | 3,257,044 | |
| Equities | 40,236 | 40,236 | | |
| Total | $ 3,297,280 | 40,236 | 3,257,044 | |
| Fiduciary Funds: | | | | |
| Money market accounts | $ 15,444 | 15,444 | | |
| Federal government obligations | 35,907 | 35,907 | | |
| Corporate bonds | 444,472 | | 444,472 | |
| Mutual Funds | 857,038 | 692,766 | 164,272 | |
| Equities | 1,836,339 | 1,836,339 | | |
| Total | $ 3,189,200 | 2,580,456 | 608,744 | |

The following table sets forth by level, within the fair value hierarchy, the Endowment Trust's investments at fair values as of June 30, 2015.

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Component Unit: | | | | |
| Mutual funds | $ 1,123,675 | 753,714 | 97,551 | 272,410 |
| Total | $ 1,123,675 | 753,714 | 97,551 | 272,410 |

## 14. ENDOWMENTS

The endowments of the College consist of individual donor-restricted funds established for scholarships. In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Permanently restricted endowment balances include the original value at the date of the gift. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until awarded to an eligible student.

If a donor has not provided specific restrictions, state law permits the College to appropriate an amount of the endowment funds' net appreciation, realized and unrealized, as the College considers to be prudent. Barring specific donor restrictions otherwise, the College invests endowment funds in certificates of deposits.

At June 30, 2015, net appreciation of endowments was $146,067. Of which, $23,964 is classified as restricted nonexpendable and $122,103 as restricted expendable for scholarships.

## 15. RESTATEMENT

In 2015, the College implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-(An Amendment of GASB Statement No. 27).* This Statement improves accounting and financial reporting by state and local governments for pensions. With this implementation, the College has recognized deferred inflows and outlfows related to the pensions. This restatement has been reported on the Statement of Revenues, Expenses, and Changes in Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position. The changes to the beginning net position is as follows:

| | Current Fund | Plant Fund | Endowment and Similar Funds | Total |
|---|---|---|---|---|
| Net Position, June 30, 2014, originally reported | $ 21,643 | 25,948,227 | 576,221 | 26,546,091 |
| GASB 68 Implementation | (11,260,114) | | | (11,260,114) |
| Net Position, June 30, 2014, restated | $(11,238,471) | 25,948,227 | 576,221 | 15,285,977 |

**Three Rivers Community College**

Disclosures Required By Lease Participation Certificates (Unaudited)

Year Ended June 30, 2015

Enrollment

The following table shows the enrollment of the College for the Fall semester for the last five years. This table includes only students taking courses for college credit, and does not include business and industry enrollments and other adult continuing education students.

| Fall | Freshmen | Sophomores | Other | Total |
|---|---|---|---|---|
| 2010 | 2,026 | 1,318 | 388 | 3,732 |
| 2011 | 2,319 | 1,406 | 510 | 4,235 |
| 2012 | 2,587 | 1,531 | 534 | 4,652 |
| 2013 | 2,354 | 1,500 | 546 | 4,400 |
| 2014 | 2,200 | 1,488 | 513 | 4,201 |

The following table shows the number of full-time equivalent students and the total annual student credit hours for the last five years.

| Fall | FTE Students | Credit Hours |
|---|---|---|
| 2010 | 2,694 | 40,413 |
| 2011 | 2,950 | 44,248 |
| 2012 | 3,234 | 48,503 |
| 2013 | 3,140 | 47,102 |
| 2014 | 2,991 | 44,869 |

Sources of Revenue

For the fiscal year ended June 30, 2015, the portion of the College's revenue from various sources were as follows:

| Source | Amount | Percentage |
|---|---|---|
| Operating Revenue | | |
| Tuition and fees | $ 11,139,236 | 40.9% |
| Auxiliary enterprises | 2,636,791 | 9.7 |
| Student housing revenue | 487,801 | 1.8 |
| Other operating revenue | 284,038 | 1.0 |
| Non Operating Revenue | | |
| Property taxes | 2,063,051 | 7.6 |
| State aid and grants | 5,668,845 | 20.8 |
| Federal grants and contracts | 4,862,911 | 17.8 |
| Investment gain | 54,223 | 0.2 |
| Contributions | 58,126 | 0.2 |
| Total | $ 27,255,022 | 100% |

# Three Rivers Community College

Disclosures Required By Lease Participation Certificates (Unaudited)

Year Ended June 30, 2015

## Tax Rates

The following table sets forth the College's tax rates per $100 of equalized assessed valuation for the following years:

| Year | Tax Levy |
|---|---|
| 2010 | 0.2334 |
| 2011 | 0.2355 |
| 2012 | 0.2413 |
| 2013 | 0.2413 |
| 2014 | 0.2352 |

## Tax Levies and Collections

The following table sets forth information regarding property tax collections for the College for the last five years:

| Year Ended | Total Adjusted Levy (per $100 of A.V.) | Assessed Valuation | Total Taxes Levied | Total Taxes Collected | Percentage of Total Assessment Collected |
|---|---|---|---|---|---|
| 2010 | 0.2334 | 764,127,995 | 1,780,633 | 1,700,774 | 95.5 |
| 2011 | 0.2355 | 767,881,370 | 1,805,720 | 1,759,655 | 97.4 |
| 2012 | 0.2413 | 782,155,889 | 1,885,542 | 1,831,596 | 97.1 |
| 2013 | 0.2413 | 802,784,547 | 1,886,666 | 1,718,715 | 91.1 |
| 2014 | 0.2352 | 823,274,640 | 1,923,275 | 1,865,397 | 97.0 |

# Three Rivers Community College

Combining Statement of Net Position

For the Year Ended June 30, 2015

| | Current Fund | Plant Fund | Endowment and Similar Funds | Total |
|---|---|---|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ 3,047,435 | 4,399,058 | 63,147 | 7,509,640 |
| Investments | | | 40,236 | 40,236 |
| Tuition and fees receivable, net of allowance for uncollectible accounts of $1,738,903 | 7,335,212 | | | 7,335,212 |
| Rent receivable | 120,216 | | | 120,216 |
| Other receivables | 518,803 | 8,695 | | 527,498 |
| Property taxes receivable, net of allowance for uncollectible taxes of $31,584 | 128,329 | | | 128,329 |
| Inventories | 238,144 | | | 238,144 |
| Prepaid expenses | 190,953 | | | 190,953 |
| Total current assets | 11,579,092 | 4,407,753 | 103,383 | 16,090,228 |
| Noncurrent Assets: | | | | |
| Restricted cash and cash equivalents | | 1,906,909 | 510,064 | 2,416,973 |
| Capital assets, net | | 33,344,918 | | 33,344,918 |
| Housing capital assets, net | 2,911,803 | | | 2,911,803 |
| Due from other funds | | 383,287 | | 383,287 |
| Total noncurrent assets | 2,911,803 | 35,635,114 | 510,064 | 39,056,981 |
| Total Assets | 14,490,895 | 40,042,867 | 613,447 | 55,147,209 |
| Deferred Outflows of Resources | | | | |
| Pension deferrals | 2,304,348 | | | 2,304,348 |
| Total Deferred Outflows of Resources | 2,304,348 | | | 2,304,348 |
| Total Assets and Deferred Outflows of Resources | $16,795,243 | 40,042,867 | 613,447 | 57,451,557 |

See independent auditors' report

**Three Rivers Community College**
Combining Statement of Net Position
For the Year Ended June 30, 2015

| | Current Fund | Plant Fund | Endowment and Similar Funds | Total |
|---|---|---|---|---|
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 1,407,810 | | 1,480 | 1,409,290 |
| Accrued vacation, salaries, and retirement | 556,069 | | | 556,069 |
| Student deposits | 44,282 | | | 44,282 |
| Unearned tuition and fees | 5,359,430 | | | 5,359,430 |
| Endowments and scholarships | | | 1,343 | 1,343 |
| Incentive retirement payable | 6,497 | | | 6,497 |
| Bonds, notes and lease payable | 175,000 | 525,000 | | 700,000 |
| Liabilities payable from restricted assets: | | | | |
| Accrued interest | 32,482 | 112,930 | | 145,412 |
| Total current liabilities | 7,581,570 | 637,930 | 2,823 | 8,222,323 |
| Noncurrent Liabilities: | | | | |
| Net pension liability | 8,465,951 | | | 8,465,951 |
| Other post employment benefits | 1,001,900 | | | 1,001,900 |
| Bonds, notes and leases payable | 4,041,583 | 13,313,826 | | 17,355,409 |
| Due to other funds | 348,214 | | 35,073 | 383,287 |
| Total noncurrent liabilities | 13,857,648 | 13,313,826 | 35,073 | 27,206,547 |
| Total Liabilities | 21,439,218 | 13,951,756 | 37,896 | 35,428,870 |
| Deferred Inflows of Resources | | | | |
| Pension deferrals | 4,136,452 | | | 4,136,452 |
| Total Deferred Inflows of Resources | 4,136,452 | | | 4,136,452 |
| Net Position | | | | |
| Net investment in capital assets | | 21,300,071 | | 21,300,071 |
| Net investment in housing capital assets | (1,337,262) | | | (1,337,262) |
| Restricted for nonexpendable: | | | | |
| Scholarships and fellowships | | | 550,300 | 550,300 |
| Restricted for expendable: | | | | |
| Scholarships and fellowships | 163,267 | | | 163,267 |
| Unrestricted | (7,606,432) | 4,791,040 | 25,251 | (2,790,141) |
| Total Net Position | (8,780,427) | 26,091,111 | 575,551 | 17,886,235 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | $16,795,243 | 40,042,867 | 613,447 | 57,451,557 |

See independent auditors' report

# Three Rivers Community College

## Combining Statement of Revenues, Expenses and Changes in Net Position

### For the Year Ended June 30, 2015

| | Current Fund | Plant Fund | Endowment and Similar Funds | Total |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Student tuition and fees (net of scholarship allowances of $10,100,689) | $ 11,139,236 | | | 11,139,236 |
| Auxiliary enterprises | | | | |
| Housing | 487,801 | | | 487,801 |
| Bookstore | 2,359,087 | | | 2,359,087 |
| Student activities | 277,704 | | | 277,704 |
| Other operating revenues | 284,036 | | | 284,036 |
| Total Operating Revenues | 14,547,864 | | | 14,547,864 |
| Operating Expenses: | | | | |
| Instruction | 8,050,854 | | | 8,050,854 |
| Student services | 3,456,769 | | | 3,456,769 |
| Academic support | 2,098,052 | | | 2,098,052 |
| Institutional support | 3,396,112 | | | 3,396,112 |
| Operation and maintenance of plant | 2,372,348 | | | 2,372,348 |
| Financial aid and scholarships | 671,228 | | | 671,228 |
| Auxiliary enterprises | | | | |
| Housing | 280,465 | | | 280,465 |
| Bookstore | 1,682,654 | | | 1,682,654 |
| Student activities | 386,943 | | | 386,943 |
| Depreciation and amortization | 173,232 | 1,351,160 | | 1,524,392 |
| Total Operating Expenses | 22,568,657 | 1,351,160 | | 23,919,817 |
| Operating Income (Loss) | (8,020,793) | (1,351,160) | | (9,371,953) |
| Nonoperating Revenues (Expenses): | | | | |
| Property taxes | 2,063,051 | | | 2,063,051 |
| State aid and grants | 5,668,845 | | | 5,668,845 |
| Federal grants and contracts | 4,862,911 | | | 4,862,911 |
| Investment gain (loss) | 21,599 | 27,950 | 4,679 | 54,228 |
| Contributions | 58,126 | | | 58,126 |
| Gift returns | (34,851) | | (25,496) | (60,347) |
| Gain (loss) on sale of asset | | (83,249) | | (83,249) |
| Interest expense | (134,733) | (456,621) | | (591,354) |
| Total Nonoperating Revenues/(Expenses) | 12,504,948 | (511,920) | (20,817) | 11,972,211 |
| Income before Transfers | 4,484,155 | (1,863,080) | (20,817) | 2,600,258 |
| Transfers | (2,026,111) | 2,005,964 | 20,147 | |
| Changes in Net Position | 2,458,044 | 142,884 | (670) | 2,600,258 |
| Net Position, June 30, 2014, restated (Note 15) | (11,238,471) | 25,948,227 | 576,221 | 15,285,977 |
| Net Position, June 30, 2015 | $ (8,780,427) | 26,091,111 | 575,551 | 17,886,235 |

See independent auditors' report

KMT

**KRAFT, MILES & TATUM, LLC**
CERTIFIED PUBLIC ACCOUNTANTS

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# 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
Three Rivers Community College
Poplar Bluff, Missouri 63901

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Three Rivers Community College and Three Rivers Endowment Trust, a discretely presented component unit of Three Rivers Community College, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise Three Rivers Community College's basic financial statements and have issued our report thereon dated November 9, 2015. The financial statements of the Three Rivers Endowment Trust were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting of instances of reportable noncompliance associated with the Three Rivers Endowment Trust.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Krafts, Miles & Tatum, LLC

Certified Public Accountants

November 9, 2015

KMT

**KRAFT, MILES & TATUM, LLC**
CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Three Rivers Community College
Poplar Bluff, Missouri

**Report on Compliance for Each Major Federal Program**

We have audited Three Rivers Community College's compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2015. Three Rivers Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Three Rivers Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Three Rivers Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion of Each Major Federal Program**

In our opinion, Three Rivers Community College complied, in all material respects, with the 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, 2015.

**Report on Internal Control Over Compliance**

Management of Three Rivers Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kraft, Miles & Tatum, LLC

Certified Public Accountants
November 9, 2015

**Three Rivers Community College**

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

| Federal Grantor<br>Pass-Through Grantor<br>Program Title | Federal<br>CFDA<br>Number | Agency or<br>Pass-Through<br>Number | Federal<br>Disbursements/<br>Expenditures |
|---|---|---|---|
| U.S. Department of Education | | | |
| Direct Program | | | |
| Student Financial Aid Cluster | | | |
| Federal Pell Grant Program | 84.063 | | $ 10,678,666 |
| Federal Work Study Program | 84.033 | | 165,460 |
| Federal Supplemental Education Opportunity Grant | 84.007 | | 81,400 |
| Federal Direct Student Loans | 84.268 | | 7,725,477 |
| TRIO Cluster | | | |
| TRIO-Student Support Services | 84.042 | | 320,248 |
| TRIO-Talent Search | 84.044 | | 364,097 |
| Higher Education Institution Aid (Title III) | 84.031A | P031A100089 | 409,886 |
| Pass through: Missouri Department of | | | |
| Elementary and Secondary Education | | | |
| Career & Technical Education-Basic Grants to States | 84.048 | | 454,027 |
| Pass through: State of Missouri | | | |
| Rehabilitation Training-State Vocational Rehabilitation | 84.265 | | 26,155 |
| Total U.S. Department of Education | | | 20,225,416 |
| U.S. Department of Labor | | | |
| Direct Program | | | |
| Trade Adj Assistance Community College & Career Grants | 17.282 | TC-22499-11-60-A-29 | 96,596 |
| Trade Adj Assistance Community College & Career Grants | 17.282 | TC-25129-13-60-A-29 | 502,092 |
| Trade Adj Assistance Community College & Career Grants | 17.282 | TC-26470-14-60-A-29 | 532 |
| Pass through: Missouri Division of | | | |
| Workforce Development | | | |
| Trade Adjustment Assistance | 17.245 | | 284,658 |
| WIA Dislocated Worker Formula Grant | 17.278 | | 39,221 |
| Total U.S. Department of Labor | | | 923,099 |

The accompanying notes are an integral part of this schedule

Schedule 4

**Three Rivers Community College**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

| Federal Grantor<br>Pass-Through Grantor<br>Program Title | Federal<br>CFDA<br>Number | Agency or<br>Pass-Through<br>Number | Federal<br>Disbursements/<br>Expenditures |
|---|---|---|---|
| U.S. Department of Homeland Security | | | |
| Pass through: State of Missouri | | | |
| Hazard Mitigation Grant Program | 97.039 | FEMA-DR-1822-MO #0019 | 1,623,718 |
| Hazard Mitigation Grant Program | 97.039 | FEMA-DR-1822-MO #0021 | 428,628 |
| Hazard Mitigation Grant Program | 97.039 | FEMA-DR-1934-MO #0066 | 227,093 |
| Total U.S. Department of Homeland Security | | | 2,279,439 |
| U.S. Department of Veterans Affairs | | | |
| Pass through: Missouri Department of Social Services | | | |
| Vocational Rehabilitation for Disabled Veterans | 64.116 | | 109,893 |
| Post-9/11 Veterans Educational Assistance | 64.027 | | 137,565 |
| Total U.S. Department of Veterans Affairs | | | 247,458 |
| Total Federal Financial Assistance | | | $ 23,675,412 |

The accompanying notes are an integral part of this schedule

**Three Rivers Community College**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

1. BASIS OF ACCOUNTING

The accompanying schedule is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of Three Rivers Community College.

**Three Rivers Community College**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

## Part I - Summary of Auditors' Results

An unmodified opinion was issued on the financial statements of Three Rivers Community College, for the year ended June 30, 2015.

No material weaknesses in internal control were disclosed by the audit of the financial statements of Three Rivers Community College.

The audit did not disclose any noncompliance which is material to the financial statements of Three Rivers Community College.

No material weaknesses in internal control over major programs of Three Rivers Community College, were disclosed.

An unmodified opinion was issued on compliance for major programs.

The audit did not disclose any audit findings which are required to be reported by OMB Circular A-133.

The major programs and CFDA numbers tested during the year ended June 30, 2015 were:

| | |
|---|---|
| Federal Pell Grant Program | 84.063 |
| Federal Supplemental Educational Opportunity Grant | 84.007 |
| Federal Work Study Program | 84.033 |
| Federal Direct Student Loans | 84.268 |
| TRIO - Student Support Services | 84.042 |
| TRIO - Talent Search | 84.044 |
| Post-9/11 Veterans Educational Assistance | 64.027 |

The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

Three Rivers Community College was determined to be a low-risk auditee.

## Part II - Findings Related to the Financial Statements

There were no findings for the financial statements for the year ended June 30, 2015.

## Part III - Findings Related to Federal Awards

There were no findings for federal awards for the year ended June 30, 2015.

**Schedule 7**

# Three Rivers Community College

Schedule of Resolution of Prior Year Audit Findings
For the Year Ended June 30, 2015

No unresolved findings or questioned costs remain from the previous year.