The Metropolitan Community College

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

BKD LLP
CPAs & Advisors

The Metropolitan Community College
June 30, 2016 and 2015

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The Metropolitan Community College
June 30, 2016 and 2015

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Board of Trustees
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Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The Junior College District of Metropolitan Kansas City, Missouri (d/b/a The Metropolitan Community College, the "College") as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Metropolitan Community College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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 the business-type activities and the discretely presented component unit of The Metropolitan Community College, as of June 30, 2016, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2016 the College adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which changed its method of accounting for Pell grant revenue. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Audited by Other Auditors

The 2015 financial statements were audited by other auditors and their report thereon, dated November 9, 2015, expressed an unmodified opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and other postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Supplementary Information

The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards,* as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 10, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provision 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 the College's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
November 10, 2016

The Metropolitan Community College
Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

Introduction

This section of The Metropolitan Community College's (the College or MCC) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2016, with comparative data for the fiscal years ended June 30, 2015 and 2014. It should be read in conjunction with the financial statements and notes that follow.

The College prepared the financial statements in accordance with Government Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that the financial statements be presented to focus on the College as a whole.

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the accompanying combined financial statements of the College including the accounts of The Junior College District of Metropolitan Kansas City, Missouri (the District), the Kansas City Metropolitan Community College Building Corporation (the Building Corporation), as well as its discretely presented component unit, The Metropolitan Community College Foundation (the Foundation).

Using This Annual Report

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances. These statements present financial information in a form similar to that used by private corporations. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. In addition to these three basic financial statements, this report contains notes to the financial statements, required supplementary information and other supplementary schedules as appropriate.

Financial Highlights for Fiscal Year Ended June 30, 2016

As of June 30, 2016, the College's financial position improved with total assets and deferred outflows of resources increasing $10.0 million to $241.5 million on June 30, 2016 compared to $231.5 million as of June 30, 2015. Total liabilities and deferred inflows decreased by $3.6 million to $138.9 million at June 30, 2016 from $142.5 million at June 30, 2015.

The College's operations were better than originally budgeted resulting in the College's total net position increasing by $13.6 million, a 15.3% increase. This resulted in an increase of unrestricted net position, from $30.0 million to $41.0 million, an increase of $11.0 million. This is attributable to a pension expense credit, lapsed salaries and a continued decline in spending across the district.

Financial Highlights for Fiscal Year Ended June 30, 2015

In fiscal year 2015, the College's financial position declined, with total assets of $219.6 million versus $227 million in 2014 and $226 million in 2013. Due to the adoption of GASB pronouncements 68 and 71, when deferred outflow of resources are included, the total assets and deferred outflow is $231.5 million in 2015 compared to $227 million in 2014. Net position, which represents the residual interest in the College's assets and deferred outflow of resources after liabilities and deferred inflow of resources are deducted, was $89.0 million at June 30, 2015. This represents a 32.2% decrease from 2014's net position of $131.3 million. The College's unrestricted net position showed a decrease from $65.9 million to $30.0 million.

Financial operations were better than originally budgeted, with an overall increase in net position of $12.9 million. These positive results can be attributed to the bond refunding, a one-time reclassification of Missouri retirement system payments due to the adoption of GASB 68, lapsed salaries and an overall decline in spending across the College.

Financial Highlights for Fiscal Year Ended June 30, 2014

The College's financial position improved at June 30, 2014, with total assets and deferred outflows of resources of $227.0 million compared to liabilities and deferred inflows of resources of $95.7 million compared to $226.0 million and $104.2 million, respectively, at June 30, 2013. Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $131.3 million at June 30, 2014. This represents a 7.8% increase from 2013's net position of $121.8. The College's unrestricted net position showed an increase growing from $56.6 million to $65.9 million or 12.0%.

Financial operations were better than originally budgeted, with an overall increase in net position of $9.5 million. These positive results can be attributed to lapse salaries, open vacant positions, sale of property, reduced spending across the College and additional contributions from the Institute of Workforce Innovation.

Statements of Net Position

The Statements of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. Total assets and deferred outflows of resources less total liabilities and deferred inflows of resources – net position – is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values or historical costs.

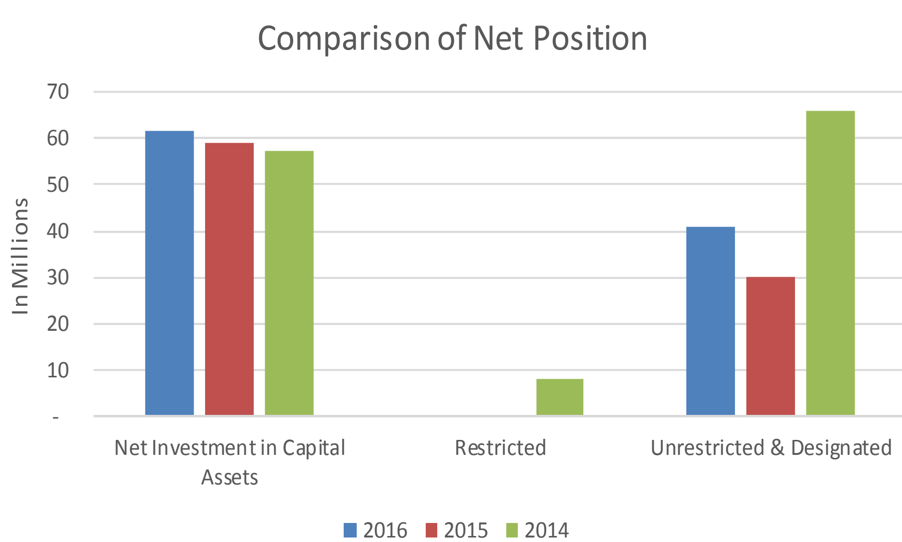
From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statements of Net Position provides a picture of assets available for expenditure by the College.

Assets and liabilities are categorized as current or noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12-month accounting cycle versus noncurrent, which mature or become payable after 12 months. For example, at June 30, 2016, the College's current assets consisted primarily of cash and cash equivalents, short-term investments, net accounts receivable and other assets. Noncurrent assets consist primarily of long-term investments and property and equipment. Property and equipment are the capital assets owned by the College and the Building Corporation.

Net position is presented in three major categories. The first category, net investment in capital assets, provides the College's/Building Corporation's equity in capital assets – the property, plant and equipment owned by the College/Building Corporation. The second category is restricted net position, which is restricted for debt retirement. The third category is titled unrestricted net position, which includes amounts designated by board direction for specific purposes.

Condensed Statements of Net Position
June 30, 2016, 2015 and 2014
(Dollars in Millions)

	2016	Change from Prior Year	2015	Change from Prior Year	2014
Assets					
Current	$ 86.5	$ 13.2	$ 73.3	$ (5.5)	$ 78.8
Capital	120.5	(3.8)	124.3	(5.8)	130.1
Other	18.9	(3.1)	22.0	3.9	18.1
Total assets	225.9	6.3	219.6	(7.4)	227.0
Deferred outflows of resrouces	15.6	3.7	11.9	11.9	-
Total assets and deferred outflows of resources	$ 241.5	$ 10.0	$ 231.5	$ 4.5	$ 227.0
Liabilities					
Current	$ 21.8	$ 0.8	$ 21.0	$ (2.2)	$ 23.2
Noncurrent	107.3	9.7	97.6	25.1	72.5
Total liabilities	129.1	10.5	118.6	22.9	95.7
Deferred inflows of resources	9.8	(14.1)	23.9	23.9	-
Total liabilities and deferred inflows of resources	$ 138.9	$ (3.6)	$ 142.5	$ 46.8	$ 95.7
Net Position					
Invested in capital, net of related debt	$ 61.6	$ 2.6	$ 59.0	$ 1.7	$ 57.3
Restricted for debt retirement	-	-	-	(8.1)	8.1
Unrestricted	41.0	11.0	30.0	(35.9)	65.9
Total net position	$ 102.6	$ 13.6	$ 89.0	$ (42.3)	$ 131.3



Significant assets consist of cash and cash equivalents, short-term and long-term investments, accounts receivable and capital assets. Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, net pension liability, compensated absences and deferred revenue.

Fiscal Year 2016 compared to Fiscal Year 2015

As of June 30, 2016, total assets and deferred outflow of resources increased $10.0 million. The increase in assets is due to an increase of $16.7 million in short-term investments offset by a decrease of $3.1 million in long-term investments. The GASB 68 actuarial evaluation of the College's portion of the unfunded pension liability resulted in an increase of $3.7 million in deferred outflows. The College also outsourced its bookstore functions to Follett which decreased inventories by $1.7 million. The remaining changes were decreases in cash and cash equivalents and capital assets.

Total liabilities and deferred outflows decreased $3.6 million in fiscal year 2016. The GASB 68 actuarial evaluation of the College's portion of the unfunded pension liability resulted in an increase of $14.6 million in the pension liability offset by a decrease of $14.1 million in the deferred inflows of resources. The annual bond payments for the series 2014 bond decreased the bonds payable by $3.7 million.

Net investment in capital assets, which represents 60.0% of total net position at June 30, 2016, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net position is subject to externally imposed restrictions governing their use. This category of net position represents the debt service reserve funds as mandated by the trust indentures. The College is not required to maintain a debt service reserve with the Series 2014 bonds.

Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position. Rather, the Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology.

Unrestricted net position is not subject to externally imposed stipulations and is available to the College for any legal purpose.

Fiscal Year 2015 compared to Fiscal Year 2014

Total assets and deferred outflows of resources increased $4.5 million; total liabilities and deferred inflows of resources increased $46.8 million; for a total net position of decrease of $42.3 million in 2015.

The deferred outflows of resources increase is primarily due to the implementation of GASB 68 and 71 with payments to the retirement system reclassified as a deferred outflow and the bond refunding loss also classified as a deferred outflow.

The asset decrease is due to the restricted short-term investments. In 2015, the Board approved a bond refinancing which released $8.2 million of short-term investments restricted for debt retirement.

The total liabilities increase is a result of Implementation of GASB 68 and 71 resulting in the need to record MCC's share of the Missouri retirement system net pension liability plus deferred inflows of resources of $56.8 million. The refinancing of the 2006 and 2008 bonds resulted in lower bonds payable balance of $7.5 million, both short-term and long-term. Accounts payable and other accruals decreased $2 million.

Net investment in capital assets, which represents 66.3% of total net position at June 30, 2015, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net position is subject to externally imposed restrictions governing their use. This category of net position represents the debt service reserve funds as mandated by the trust indentures. There were no additional debt issuances in the current year. The Series 2006 and 2008 were refinanced and the respective reserve was released and applied towards the escrow during the refinancing.

Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position. Rather, the Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology.

Unrestricted net position is not subject to externally imposed stipulations and is available to the College for any legal purpose.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position disclose the College's financial results for each of the fiscal years presented. The purpose of the statements are to present the revenues earned by the College, both operating and nonoperating and the expenses incurred by the College, operating and nonoperating and any other revenues, expenses, gains and losses earned or incurred by the college. Under the accrual basis of accounting, all of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the students and various constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry on the mission of the College. Nonoperating revenues are revenues earned for which goods and services are not provided. For example, the state appropriations, Pell grant revenue and county property tax collections are nonoperating because they represent revenue provided to the College for which no direct goods or services were provided directly by the College to the state legislature or the local taxpayers.

One of the College's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the College's operating activities for the years ended June 30, 2016, 2015 and 2014.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

	2016	Change from Prior Year	2015	Change from Prior Year	2014
			(Restated)		*(Restated)*
Operating revenues	$ 48.8	$ 3.6	$ 45.2	$ (4.3)	$ 49.5
Operating expenses	123.6	2.7	120.9	(8.5)	129.4
Operating loss	(74.8)	0.9	(75.7)	4.2	(79.9)
Non-operating revenues, net	88.4	(0.2)	88.6	(0.9)	89.5
Increase in net assets	13.6	0.7	12.9	3.3	9.6
Net assets, beginning of year	89.0	(42.4)	131.4	9.6	121.8
Change in accounting principle	-	55.3	(55.3)	(55.3)	-
Net assets, end of year	$ 102.6	$ 13.6	$ 89.0	$ (42.4)	$ 131.4
Total revenues	$ 139.2	$ 2.5	$ 136.7	$ (5.5)	$ 142.2
Total expenses	$ 125.6	$ 1.8	$ 123.8	$ (8.8)	$ 132.6

The following table of revenues by source (both operating and nonoperating) shows revenues used to fund the College's operating activities for the years ended June 30, 2016, 2015 and 2014.

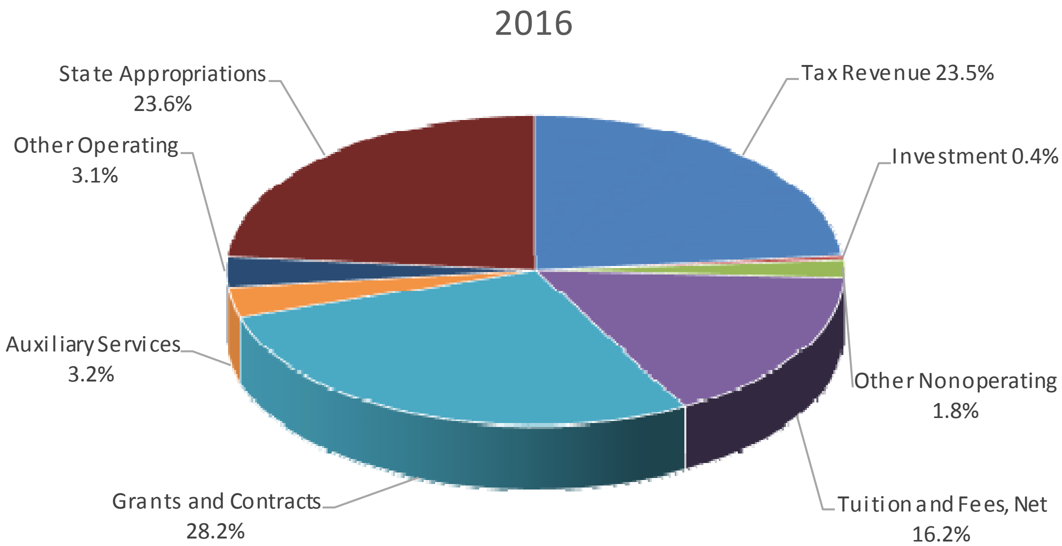
Revenues by Source
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

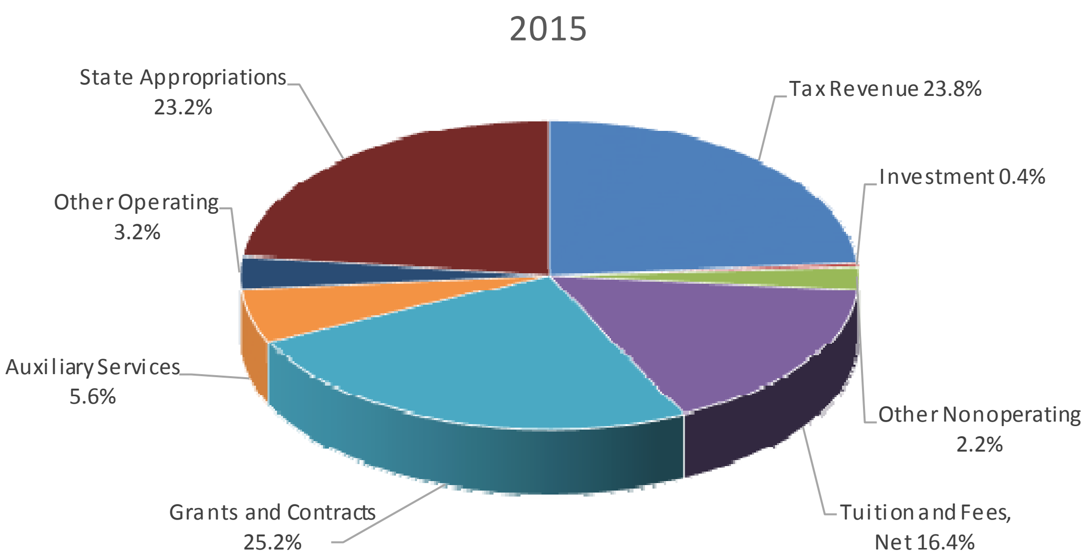
	2016	Change from Prior Year	2015	Change from Prior Year	2014
Operating revenues			*(Restated)*		*(Restated)*
Student tuition and fees	$ 22.5	$ 0.1	$ 22.4	$ 0.7	$ 21.7
Contract and grants	17.6	6.9	10.7	(2.9)	13.6
Auxiliary services	4.4	(3.3)	7.7	(1.0)	8.7
Other	4.3	(0.1)	4.4	(1.1)	5.5
Total operating revenues	48.8	3.6	45.2	(4.3)	49.5
Non-operating revenues					
Federal Pell Grant	21.7	(2.0)	23.7	(4.1)	27.8
State appropriations	32.9	1.2	31.7	2.3	29.4
County property tax revenues	32.7	0.2	32.5	0.9	31.6
Investment income	0.6	0.1	0.5	(0.3)	0.8
Other non-operating revenue	2.5	(0.6)	3.1	-	3.1
Total non-operating revenues, net	90.4	(1.1)	91.5	(1.2)	92.7
Total revenue	$ 139.2	$ 2.5	$ 136.7	$ (5.5)	$ 142.2

Fiscal Year 2016 compared to Fiscal Year 2015

Total revenues increased by $ 2.5 million from prior year. Contracts and grants (including Federal Pell Grants) comprise 28.2% and 25.2% of total revenue, respectively. State appropriations increased $1.2 million or 3.8% from prior year. All tuition rates remained unchanged from prior year. Enrollment has begun to stabilize, with this fiscal year enrollment in line with budget projections. Auxiliary services revenue declined by $3.3 million which is mostly related to bookstore revenue as a result of declining book sales. In fiscal year 2016, management of the bookstores was outsourced to Follett.

The following graphic illustrates the College's total revenues for the years ended June 30, 2016 and 2015.

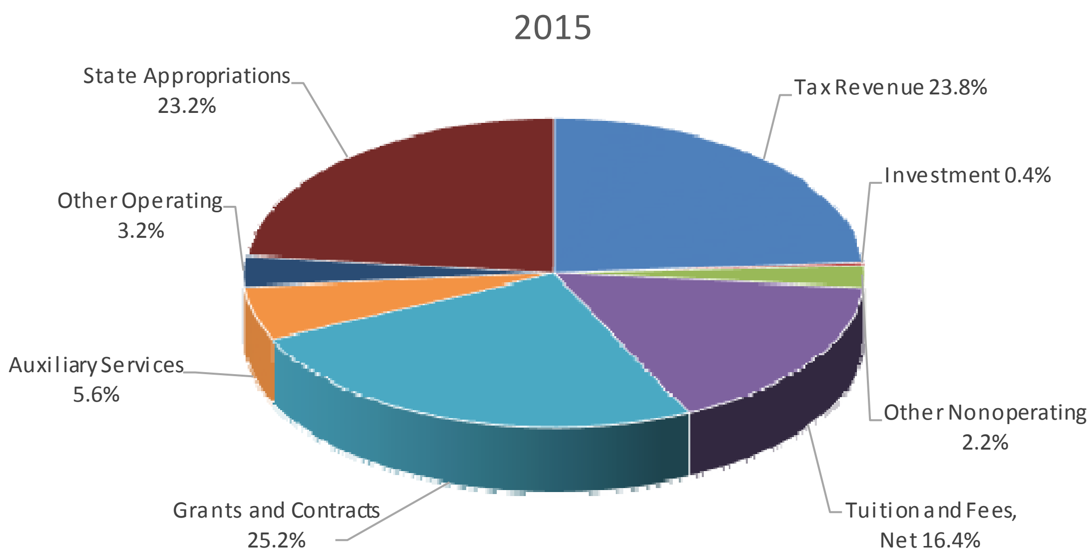


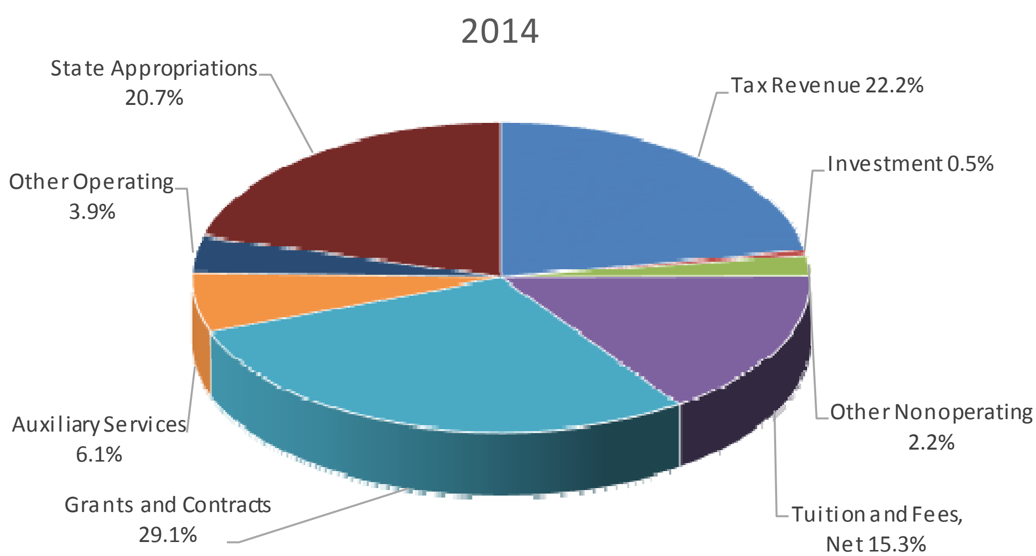


Fiscal Year 2015 compared to Fiscal Year 2014

Total revenues decreased $5.5 million from prior year. Contracts and grants (including Federal Pell Grants) comprise 25.2% and 29.1% of total revenue, respectively. State appropriations increased $2.3 million or 7.8% from prior year. While this was an increase from prior year, state appropriations revenue remain at levels last seen in 1998. All tuition rates remained unchanged from prior year; however, enrollment dropped 8% in 2015 from 2014. The decline in enrollment and an increase in textbook purchasing alternatives available to students had a direct negative impact on auxiliary services as bookstore revenue dropped $1 million from last year.

The following graphic illustrates the College's total revenues for the years ended June 30, 2015 and 2014.





Expenses

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are presented in the following tables for the years ended June 30, 2016, 2015 and 2014.

Operating Expenses by Natural Classification
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

	2016	Change from Prior Year	2015	Change from Prior Year	2014
Operating expenses					
Salaries and benefit	$ 80.1	$ 1.9	$ 78.2	$ (5.4)	$ 83.6
Supplies and services	32.2	1.6	30.6	(2.2)	32.8
Depreciation and amortization	6.4	(0.5)	6.9	(0.1)	7.0
Scholarships and fellowships	4.9	(0.3)	5.2	(0.8)	6.0
Total operating expenses	$ 123.6	$ 2.7	$ 120.9	$ (8.5)	$ 129.4

Operating Expenses by Functional Classification
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

	2016	Change from Prior Year	2015	Change from Prior Year	2014
Operating expenses					
Instructional	$ 43.4	$ 1.0	$ 42.4	$ (2.1)	$ 44.5
Academic support	15.2	1.0	14.2	0.1	14.1
Student services	14.2	0.2	14.0	0.6	13.4
Plant ops and maintenance	10.7	(0.4)	11.1	0.7	10.4
Institutional support	19.0	1.3	17.7	(5.2)	22.9
Scholarships and fellowships	4.9	(0.3)	5.2	(0.7)	5.9
Public service	5.7	3.3	2.4	(1.0)	3.4
Depreciation	6.4	(0.5)	6.9	(0.1)	7.0
Auxiliary enterprise	4.1	(2.9)	7.0	(0.8)	7.8
Total operating expenses	$ 123.6	$ 2.7	$ 120.9	$ (8.5)	$ 129.4

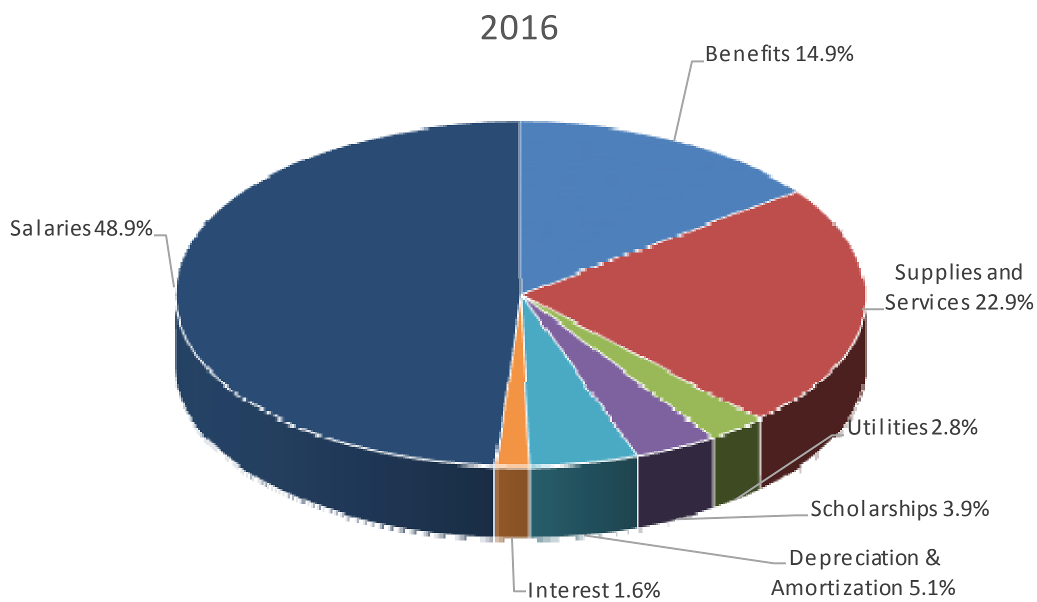
Nonoperating Expenses
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

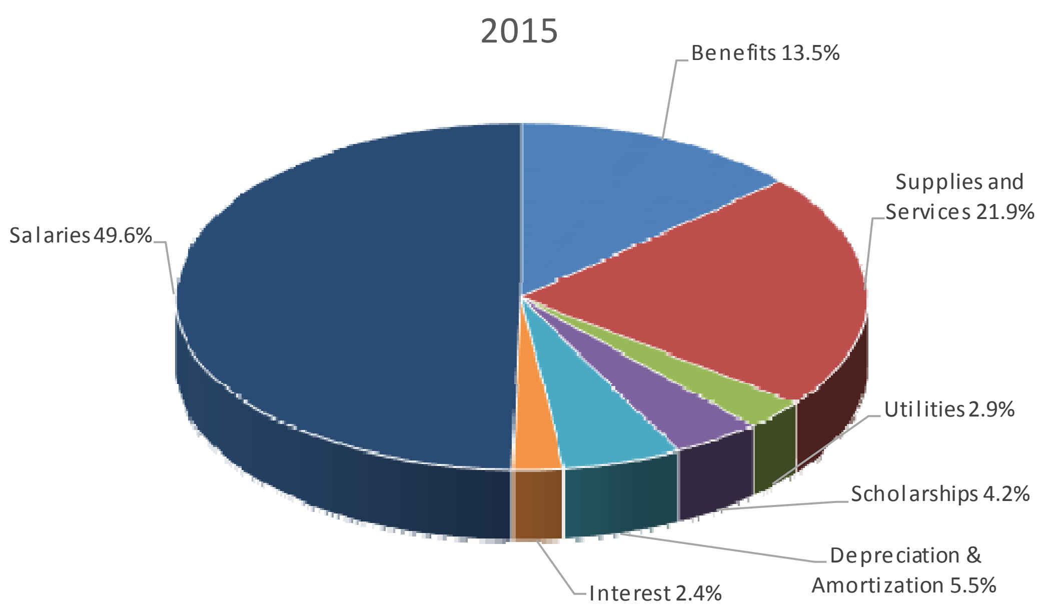
	2016	Change from Prior Year	2015	Change from Prior Year	2014
Interest on debt relating to capital assets	$ 2.0	$ (0.9)	$ 2.9	$ (0.3)	$ 3.2
Total expenses	$ 125.6	$ 1.8	$ 123.8	$ (8.8)	$ 132.6

Fiscal Year 2016 compared to Fiscal Year 2015

In fiscal year 2016, total operating and nonoperating expenses decreased by $1.8 million or 1.4% from prior year. The salaries and benefits comprise 63.8% and 63.1% of total expenses for years ended June 30, 2016 and 2015, respectively. Supplies and services increased $1.6 million or 5.2% from prior year primarily due to an increase in contracted services.

The following graphic illustrates expenses by natural (object) classification for the years ended June 30, 2016 and 2015.

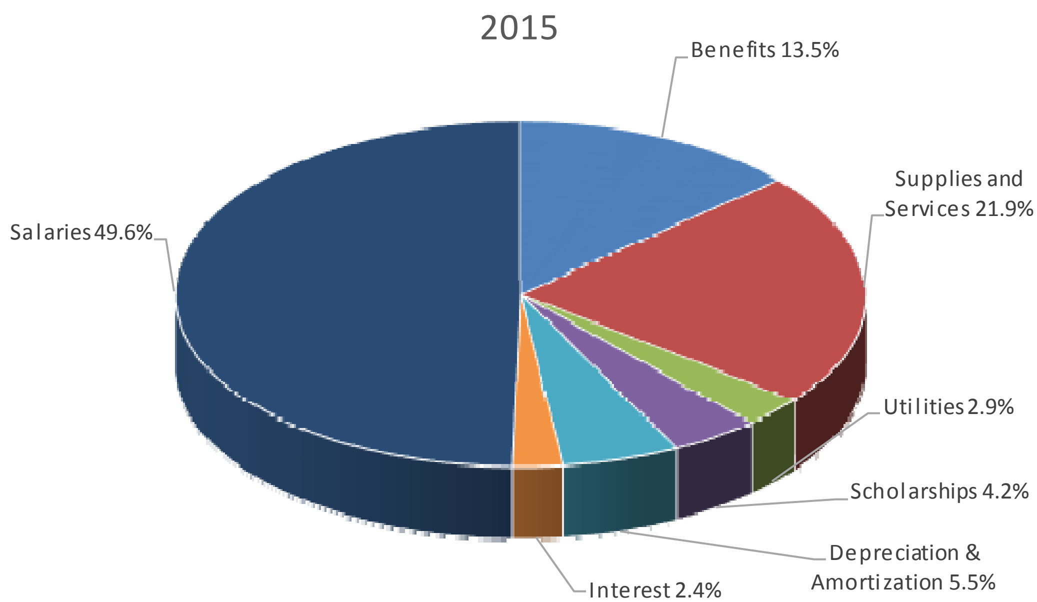


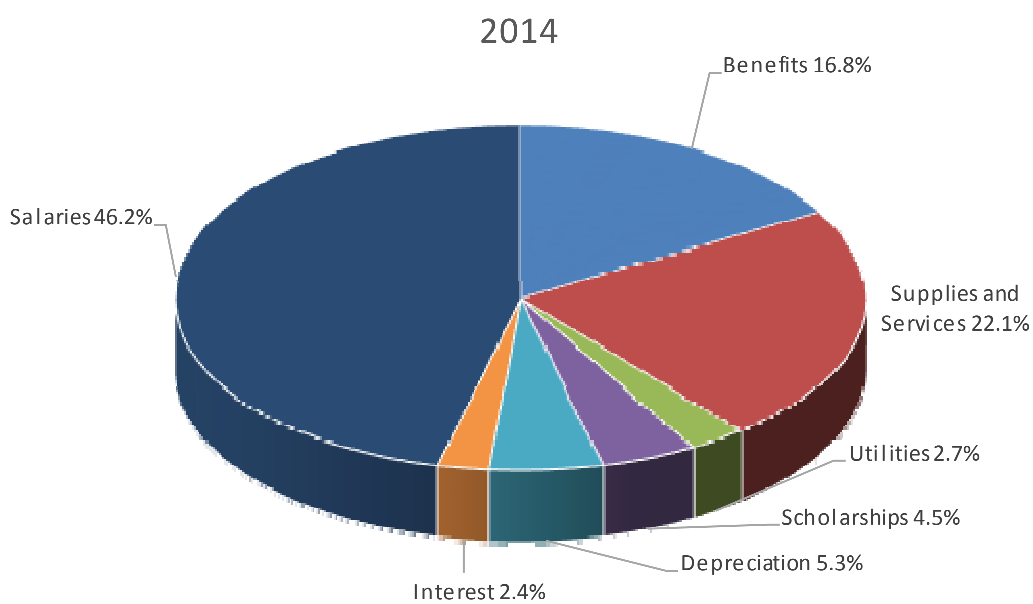


<u>Fiscal Year 2015 compared to Fiscal Year 2014</u>

In 2015, total operating and nonoperating expenses decreased by $8.8 million or 6.6% from prior year. 2015 included a one-time reclassification of $6.4 million of retirement system expenses to deferred outflow asset. Omitting the one-time reclassification, total operating and non-operating expenses are down $2.4 million or 1.8% over the prior year. The salaries and benefits comprise 63.1% and 63.0% of total expenses for years ended June 30, 2015 and 2014, respectively. Supplies and services decreased $2.2 million or 1.7% from prior year primarily due to a decrease in the bond payment as a result of the refinancing.

The following graphic illustrates expenses by natural (object) classification for the years ended June 30, 2015 and 2014.





Statements of Cash Flows

The Statements of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external financing.

The Statements of Cash Flows is divided into five parts, each examining a different source of and use for cash. The first part, "Operating activities," examines the source and use of cash from ordinary operating activities. The second part, "Noncapital financing activities," reflects cash flows received and spent for nonoperating, noninvesting and noncapital financing activities. An example of this would be cash received from state appropriations and county property tax. The third section, "Capital and related financing activities," deals with cash flows from capital and related financing activities. The section reflects the cash used in the acquisition, construction and financing of capital and related items. The fourth section, "Investing activities," reveals the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth and last section reconciles the net cash used in operating activities to the operating gain or (loss) reflected on the Statements of Revenues, Expenses and Changes in Net Position.

Condensed Statements of Cash Flows
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

	2016	Change from Prior Year	2015	Change from Prior Year	2014
Cash provided (used) by			*(Restated)*		*(Restated)*
Operating activities	$ (69.8)	$ 5.2	$ (75.0)	$ (0.6)	$ (74.4)
Noncapital financing activities	89.4	(0.6)	90.0	(1.0)	91.0
Capital financing activities	(8.4)	8.3	(16.7)	(5.2)	(11.5)
Investing activities	(13.0)	(16.5)	3.5	9.4	(5.9)
Net change in cash	(1.8)	(3.6)	1.8	2.6	(0.8)
Cash, beginning of year	40.8	1.8	39.0	(0.8)	39.8
Cash, end of year	$ 39.0	$ (1.8)	$ 40.8	$ 1.8	$ 39.0

The major sources of cash included state aid, county property tax revenues, student tuition, federal contracts and grants and proceeds from maturities of investments. Significant uses of cash included payments to employees including benefits, payments to vendors and suppliers, payments for scholarships and financial aid, capital assets and purchases of investments.

Fiscal Year 2016 compared to Fiscal Year 2015

The cash position of the College decreased by $1.8 million for the fiscal year ended June 30, 2016. Cash used for operating activities decreased $5.2 million which was attributable to an increase in contracts and grants, most notably are the Board of Public Buildings Bond and the MoSTEM grant. Noncapital financing activities were down $.6 million due to a continued decline in Federal Pell grants related to lower enrollment. Capital financing activities decreased by $8.3 million which is attributable to the one-time bond refinancing that occurred in 2015. However, MCC did purchase an additional $2 million in capital assets which are described in the next section. Investing activities used an additional $16.5 million over 2015. In fiscal year 2015, the College increased long-term investments which resulted in fewer maturities in fiscal year 2016. In 2016, the College also purchased additional short-term investments due to economic conditions and low interest rates.

Fiscal Year 2015 compared to Fiscal Year 2014

The cash position of the College increased by $1.8 million for the fiscal year ended June 30, 2015. Cash used for operating activities increased by $.6 million. Noncapital financing activities were down $1 million due to the increased state aid and decrease in Federal Pell grants related to lower enrollment. Capital financing activities used an additional $5.2 million due to the bond refinancing. Investing activities provided $3.5 million, an increase of $9.4 million over 2014. The College increased long-term investments from 21% in 2014 to 25.7% in 2015 as part of our investment strategy.

Capital Assets

Net Capital Assets
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

Capital Assets - Net of Accumulated Depreciation	2016	Change from Prior Year	2015	Change from Prior Year	2014
Land	$ 8.4	$ 0.0	$ 8.4	$ -	$ 8.4
Buildings and improvements	109.2	(3.0)	112.2	(4.5)	116.7
Equipment/Construction in progress	0.1	0.1	-	(0.3)	0.3
Equipment	2.8	(0.6)	3.4	(0.8)	4.2
Textbook rental	-	(0.3)	0.3	(0.1)	0.4
Software	-	-	-	(0.1)	0.1
Total capital assets	$ 120.5	$ (3.8)	$ 124.3	$ (5.8)	$ 130.1

Additional information concerning capital assets is provided in Note 3 to the financial statements.

Fiscal Year 2016 compared to Fiscal Year 2015

As of June 30, 2016, the College had recorded $120.5 million in net capital assets, a decrease of $3.8 million from the prior year. Additions to capital assets consisted of improvements in the HVAC systems across the College and the Administrative Center parking garage. In fiscal year 2016, the Missouri legislature passed the 2015 Board of Public Buildings bonds resulting in the availability of over $4 million in capital improvement funds. These were partially used in fiscal year 2016 and will continue to be used in fiscal year 2017. No additional debt was issued to finance these projects.

Fiscal Year 2015 compared to Fiscal Year 2014

As of June 30, 2015, the College had recorded $124.3 million in net capital assets, a decrease of $5.8 million from the prior year. In 2015, the Longview enrollment center was completed and $0.7 million in equipment was purchased. No additional debt was issued to finance these projects.

Long-term Debt

Long-term Debt
Years Ended June 30, 2016, 2015 and 2014
(Dollars in Millions)

Outstanding Debt	2016	Change from Prior Year	2015	Change from Prior Year	2014
Capital lease purchase	$ 1.3	$ (0.3)	$ 1.6	$ (0.1)	$ 1.7
Leasehold revenue bonds	61.6	(3.8)	65.4	(7.5)	72.9
Total long-term debt	$ 62.9	$ (4.1)	$ 67.0	$ (7.6)	$ 74.6

Additional information concerning long term debt is provided in Note 4 to the financial statements.

Economic Outlook

Based on the Missouri Economic Research & Information Center (MERIC), non-farm employment in the Missouri economy grew 1.9% from September 2015 to September 2016. There was a modest rate of growth across most industries. Over this same period, the Missouri unemployment rate fell from 5.8% to 4.3% as of May 2016, the lowest in 11 years. Missouri personal income increased by 2% over the calendar year 2015. The final FY 2016 revenue report for the Office of Administration for the State of Missouri indicated that net general revenue collections increased 0.9%, from $8.71 billion to $8.79 billion.

In FY 2017, MCC is estimating that approximately 28.8% of all operational fund revenue will come from MCC's state aid appropriation to Missouri Community Colleges. For this reason, MCC monitors statewide economic and political activity closely. MCC state aid funding increased 3.9% in FY 2016 and is estimated to grow 4.3% in FY 2017 to $34.4 million. MCC is projecting a small appropriation increase in FY 2018 and FY 2019.

FY 2016 was steady in local tax revenue collections for MCC, showing an increase of approximately $560,000 or a 1.7% increase. The local levy rate for FY 2016 was $0.2343 cents per $100 of assessed valuation, a decrease from $0.2374 in FY 2015. The decrease in the local levy rate was due largely in part to an increase in assessed valuations, which resulted in an increase to the tax base. New construction has also seen an increase over the last several years. The last four years included new construction of $156.0 million, $94.5 million, $98.7 million and $46.0 million. In FY 2008, new construction added $340.0 million to the tax base of MCC in one year alone.

Enrollment has been trending downward for the last six years. In terms of relative decline, FY 2016 was in line with our enrollment projections of a 3% decline resulting in approximately 362,864 total credit hours for the year. Enrollment is projected to decline 1.5% in FY 2017 and then stabilize in FY 2018. A slight growth of 1% is projected in FY 2019. The significance of enrollment growth and its relationship to tuition and fees is that tuition and fee revenue is the only major source of revenue driven by enrollment and as such, must support the growth in both teaching and other enrollment driven support costs, especially during periods of significant student enrollment growth. MCC did not increase its tuition and fee structure in FY 2017. The tuition and fee revenue for FY 2017 is estimated at approximately $38.4 million, a reduction of 1.5% from FY 2016.

Requests for Information

These financial statements and discussions are designed to provide a general overview of the College's finances for all those with an interest in the entity's finances. Questions concerning any information provided in this report should be addressed to Financial Services Department, 3200 Broadway, Kansas City, Missouri 64111.

The Metropolitan Community College

Statements of Net Position

June 30, June 30, 2016

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 38,949,882	$ 40,761,337
Short-term investments	39,278,658	22,536,849
Accounts receivable, net of allowance; 2016 – $321,685, 2015 – $241,910	6,766,198	6,931,958
Inventories	82,479	1,767,460
Other assets	1,453,122	1,270,945
Total current assets	86,530,339	73,268,549
Noncurrent Assets		
Long-term investments	18,884,974	21,999,165
Capital assets		
Nondepreciable	8,529,510	8,484,205
Depreciable, net	111,969,176	115,843,813
Total noncurrent assets	139,383,660	146,327,183
Total assets	225,913,999	219,595,732
Deferred Outflows of Resources	15,621,163	11,913,943

The Metropolitan Community College

Statements of Net Position (Continued)

June 30, June 30, 2016

	2016	2015
Liabilities		
Current Liabilities		
Accounts payable, accrued and other liabilities	$ 10,802,301	$ 9,791,456
Compensated absences	2,224,597	2,437,274
Current portion of long-term debt	4,065,000	3,725,000
Unearned revenue	3,469,744	3,858,832
Unearned revenue - contracts	946,973	896,973
Capital lease purchase	332,287	332,287
Total current liabilities	21,840,902	21,041,822
Noncurrent Liabilities		
Bond payable	57,555,000	61,620,000
Compensated absences	616,550	519,835
Net pension liability	47,489,279	32,881,806
Capital lease purchase	996,862	1,329,149
Unearned revenue - contracts	698,990	1,195,963
Total noncurrent liabilities	107,356,681	97,546,753
Total liabilities	129,197,583	118,588,575
Deferred Inflows of Resources	9,766,432	23,938,784
Net Position		
Net investment in capital assets	61,591,955	58,983,018
Unrestricted	40,979,192	29,999,298
Total net position	$ 102,571,147	$ 88,982,316

The Metropolitan Community College

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

	2016	2015 *(Restated)*
Operating Revenues		
Tuition and fees	$ 43,035,676	$ 44,450,706
Less sholarship allowance	20,540,279	22,024,626
Student tuition and fees, net	22,495,397	22,426,080
Federal grants and contracts	12,498,865	8,181,751
State and local grants and contracts	5,106,392	2,628,510
Auxiliary services revenues	4,434,440	7,651,941
Other	4,246,856	4,356,928
Total operating revenues	48,781,950	45,245,210
Operating Expenses		
Salaries and wages	61,403,303	61,429,970
Fringe benefits	18,729,391	16,757,191
Supplies and other services	28,723,353	27,064,903
Utilities	3,463,183	3,561,500
Scholarships and fellowships	4,897,540	5,184,499
Depreciation	6,425,809	6,865,121
Total operating expenses	123,642,579	120,863,184
Operating Loss	(74,860,629)	(75,617,974)
Nonoperating Revenues (Expenses)		
Federal Pell Grant revenue	21,741,800	23,655,436
State appropriations	32,910,977	31,678,098
County property tax revenue	32,723,095	32,527,980
Investment income	598,262	534,887
Other nonoperating revenues	2,480,748	3,069,919
Interest on debt related to capital assets	(2,005,422)	(2,934,670)
Net nonoperating revenues	88,449,460	88,531,650
Change in net position	13,588,831	12,913,676
Net position, beginning of year	88,982,316	131,352,980
Change in accounting principle	-	(55,284,340)
Net position, beginning of year, as restated	88,982,316	76,068,640
Net position, end of year	$ 102,571,147	$ 88,982,316

The Metropolitan Community College
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015 *(Restated)*
Operating Activities		
Student tuitions and fees	$ 21,981,055	$ 22,872,727
Payments to suppliers	(25,563,787)	(26,763,694)
Payments to utilities	(3,463,183)	(3,561,500)
Payments to employees	(65,478,871)	(61,291,431)
Payments for benefits	(17,805,180)	(24,454,508)
Payments for financial aid and scholarships	(4,897,540)	(5,184,499)
Auxiliary enterprise charges, bookstore and vending	4,434,440	7,651,941
Contracts and grants	16,646,651	11,401,965
Other operating receipts	4,358,588	4,295,152
Net cash used in operating activities	(69,787,827)	(75,033,847)
Noncapital Financing Activities		
Federal Pell Grant revenue	21,741,800	23,655,436
State aid and grants appropriations	32,910,977	31,678,098
County property tax	32,723,095	32,527,980
Other nonoperating revenue	2,030,468	2,172,571
Net cash provided by noncapital financing activities	89,406,340	90,034,085
Capital and Related Financing Activities		
Purchases of capital assets	(3,011,125)	(1,046,266)
Loss on disposal of capital assets	3,122	-
Proceeds from disposal of capital assets	411,526	-
Bond proceeds	-	65,345,000
Escrow payments	-	(73,635,521)
Cost of issuance and other payments	-	(511,887)
Debt payments	(4,057,287)	(4,690,000)
Interest paid on debt related to capital assets	(1,736,457)	(2,136,327)
Net cash used in capital and related financing activities	(8,390,221)	(16,675,001)
Investing Activities		
Proceeds from sales and maturities of investments	16,034,613	25,415,000
Interest on investments	638,033	530,192
Purchases of investments	(29,712,393)	(22,481,000)
Net cash provided by (used in) investing activities	(13,039,747)	3,464,192
Increase (Decrease) in Cash and Cash Equivalents	(1,811,455)	1,789,429
Cash and Cash Equivalents, Beginning of Year	40,761,337	38,971,908
Cash and Cash Equivalents, End of Year	$ 38,949,882	$ 40,761,337

The Metropolitan Community College
Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash		*(Restated)*
Used in Operating Activities		
Operating loss	$ (74,860,629)	$ (75,617,974)
Depreciation	6,425,809	6,865,121
Changes in operating assets and liabilities		
Accounts receivable	179,458	693,737
Inventories	1,684,981	366,293
Other assets	(182,177)	(513,783)
Accounts payable, accrued and other liabilities	936,873	(954,901)
Unearned revenue	(389,088)	151,979
Net pension liabilitly	(3,583,054)	(6,024,319)
Net Cash Used in Operating Activities	$ (69,787,827)	$ (75,033,847)
Supplemental Cash Flows Information		
Change in fair value of investments	$ 50,162	$ 24,390

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 1,245,659	$ 765,630
Marketable securities	10,386,432	11,006,074
Contributions receivable, net of allowance; 2016 - $9,455, 2015 - $6,067	452,064	289,957
Accrued interest receivable	3,731	19,003
Total assets	$ 12,087,886	$ 12,080,664
Liabilities and Net Assets		
Liabilities		
Due to The Metropolitan Community College	$ 70,223	$ 181,955
Accrued liabilities	1,274	3,815
Total liabilities	71,497	185,770
Net Assets		
Unrestricted	3,134,166	3,248,909
Temporarily restricted	3,788,653	3,584,637
Permanently restricted	5,093,570	5,061,348
Total net assets	12,016,389	11,894,894
Total liabilities and net assets	$ 12,087,886	$ 12,080,664

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 139,570	$ 746,772	$ 25,737	$ 912,079
Contributed services	429,248	-	-	429,248
Investment return	(90,732)	(73,534)	-	(164,266)
Other income	7,231	27,472	6,485	41,188
Net assets released from restrictions	496,694	(496,694)	-	-
Total revenues, gains and other support	982,011	204,016	32,222	1,218,249
Expenses				
Scholarships and grants	356,319	-	-	356,319
Foundation projects	311,187	-	-	311,187
Fundraising	257,549	-	-	257,549
Management and general	171,699	-	-	171,699
Total expenses	1,096,754	-	-	1,096,754
Change in Net Assets	(114,743)	204,016	32,222	121,495
Net Assets, Beginning of Year	3,248,909	3,584,637	5,061,348	11,894,894
Net Assets, End of Year	$ 3,134,166	$ 3,788,653	$ 5,093,570	$ 12,016,389

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 388,228	$ 781,938	$ 45,906	$ 1,216,072
Contributed services	572,913	-	-	572,913
Investment return	113,695	100,582	(6,803)	207,474
Other income	5,042	23,091	300	28,433
Special event revenue	241,675	-	-	241,675
Net assets released from restrictions	654,163	(654,163)	-	-
Total revenues, gains and other support	1,975,716	251,448	39,403	2,266,567
Expenses				
Scholarships and grants	280,315	-	-	280,315
Foundation projects	829,462	-	-	829,462
Special event costs of direct benefit to donors	64,591	-	-	64,591
Fundraising	343,748	-	-	343,748
Management and general	229,165	-	-	229,165
Total expenses	1,747,281	-	-	1,747,281
Change in Net Assets	228,435	251,448	39,403	519,286
Net Assets, Beginning of Year	3,020,474	3,333,189	5,021,945	11,375,608
Net Assets, End of Year	$ 3,248,909	$ 3,584,637	$ 5,061,348	$ 11,894,894

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	$ 121,495	$ 519,286
Items not requiring (providing) operating activities cash flows		
Contributions restricted for long-term investments	(25,737)	(45,906)
Net realized and unrealized gains on investments	387,441	18,019
Changes in		
Contributions receivable	(162,107)	(146,596)
Accrued interest receivable	15,272	(2,851)
Prepaid expenses	-	675
Due to The Metropolitan Community College	(111,732)	61,775
Accrued liabilities	(2,541)	3,479
Net cash provided by operating activities	222,091	407,881
Investing Activities		
Purchase of marketable securities	(2,058,632)	(6,343,652)
Sale of marketable securities	2,290,833	5,845,287
Net cash provided by (used in) investing activities	232,201	(498,365)
Financing Activities		
Contributions restricted for long-term investments	25,737	45,906
Net cash provided by financing activities	25,737	45,906
Increase (Decrease) in Cash and Cash Equivalents	480,029	(44,578)
Cash and Cash Equivalents, Beginning of Year	765,630	810,208
Cash and Cash Equivalents, End of Year	$ 1,245,659	$ 765,630

Note 1: Summary of Significant Accounting Policies

Organization

The Junior College District of Metropolitan Kansas City, Missouri (the District) was created in May 1964 by the voters of seven suburban school districts and the Kansas City School District to provide comprehensive higher educational programs through its area colleges. The District also offers courses which meet the needs of persons who desire enrichment or retraining in the areas of liberal arts, occupational education, continuing education and community services. The District is now comprised of twelve school districts: Belton, Center, Grandview, Hickman Mills, Lee's Summit, North Kansas City, Raytown, Kansas City, Blue Springs, Independence, Fort Osage and Park Hill. Five primary colleges have been established to serve the patrons of the District: Blue River, Longview, Maple Woods, Penn Valley and the Business & Technology College.

The financial statements of The Metropolitan Community College (the College) for the years presented, include the combined accounts and operations of the District and the Kansas City Metropolitan Community Colleges Building Corporation (the Building Corporation), which is a blended component unit. This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States as applicable to governmental colleges and universities and have been consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity

The College is governed by a six-member Board of Trustees. As required by accounting principles generally accepted in the United States, the College's financial statements present the District (the primary government), its blended component unit (the Building Corporation) and its discretely presented component unit, The Metropolitan Community College Foundation (the Foundation). The component units are included in the College's reporting entity because of the significance of their operations and financial relationships with the College.

Blended Component Unit

The Building Corporation is a not-for-profit corporation formed in 1984 which is governed by a four-member board. Although it is legally separate from the District, the Building Corporation is reported as if it were part of the primary government because its sole purpose is to provide for the construction and financing of educational facilities used by the College. The Building Corporation has the authority to issue Leasehold Development Bonds for the purposes of refunding previous bond issues or constructing new facilities. The buildings are owned by the Building Corporation, which, in turn, leases the buildings to the District under annually renewable lease agreements. The lease payments are equal to the principal and interest debt service payments required to service the related bond issuances. As the Building Corporation is a blended component unit, all balances and transactions between the District and Building Corporation have been eliminated. The Building Corporation has a June 30 fiscal year end.

Discretely Presented Component Unit

The Foundation is a non-profit corporation and is considered to be a related organization to the District. The District's Board of Trustees approves nominations to the Foundation's Board of Directors, but the District's accountability does not extend beyond approval of board members. The District is not financially accountable for the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, which the Foundation holds and invests, is restricted to the activities of the District by the donors. As these restricted resources can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. During the years ended June 30, 2016 and 2015, the District received direct contributions from the Foundation of $116,027 and $250,134, respectively. The Foundation has a June 30 fiscal year end.

Separate financial statements for the Foundation can be obtained at The Metropolitan Community College, 3200 Broadway, Kansas City, Missouri, 64111. The Foundation is presented on the accrual basis of accounting.

Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government engaged only 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 the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant inter-company transactions have been eliminated.

Cash Equivalents

Cash includes deposits held at banks and all highly liquid instruments purchased with an original maturity of three months or less. Cash equivalents represent excess operating cash swept into an overnight repurchase agreement account, which are readily converted back to cash, on a daily basis, as operating funds are needed.

Investments

It is the College's policy to invest in obligations of the U.S. Treasury, repurchase agreements, bank certificates of deposit and agencies of the federal government and instrumentalities and top-rated commercial paper, which are permissible under Missouri statutes. The Building Corporation is allowed to invest in "permitted investments" as defined by applicable bond indentures. Investments are reported at fair value, except for investments in nonnegotiable certificates of deposit which are carried at amortized cost.

In addition to the investment tools available to the College, the Foundation's marketable securities consist of equity securities, mutual fund shares, corporate bonds and government notes reported at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts. Accounts receivable also includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Capital Assets

Land, construction in progress, buildings and improvements, software and equipment are recorded at cost for assets purchased and at appraised value at date of grant for items acquired by donation.

Capital assets are defined by the College as assets with an initial, individual cost in excess of $5,000 and estimated useful lives in excess of one year. Interest costs on construction in progress are capitalized when amounts are significant.

Buildings and improvements and equipment are being depreciated on the straight-line basis over their estimated useful lives as follows: buildings-40 years, improvements-15 years, software-3 years and equipment, 3 to 10 years and rental textbooks are capitalized at cost and depreciated over 3 years. The College's investment in infrastructure assets, which is not material to the total of capital assets, is recorded at cost and included in the costs of the related property.

Inventories

Inventories are carried at the lower of cost or market on either the first in, first out basis or the average cost basis.

Deferred Outflows of Resources

The College reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

Deferred Inflows of Resources

The College reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Loss on Refunding of Bonds

Losses incurred on the refunding of bond issues have been deferred and are being amortized over the life of the bonds and are included in deferred outflows of resources. The net amount as of June 30, 2016 and 2015 was $4,042,418 and $4,353,374, respectively.

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Earned, but unused vacation is paid to the employee upon termination, or retirement. Earned, but unused sick leave is paid to an active employee's beneficiary upon death if occurring during active employment.

Unearned Revenue

Half of the summer school tuition revenue and all tuition for school sessions starting after June 30 have been deferred to the next fiscal year.

Unearned Revenue - Contracts

Unearned revenue – contracts includes the difference between rent on a straight-line basis, as required by generally accepted accounting principles, and the actual scheduled payments for the lease as well as unearned revenue on a bookstore vending contract.

Classification of Revenues

The College has classified revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) federal, state and local grants and contracts.

Non-operating revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, investment income and county property taxes.

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

County Property Tax Revenues

The four counties in which the District lies bill the residents for real and personal property taxes due the District. Bills are sent in November and are delinquent after December 31. The taxes are collected by the counties primarily from November through the end of January. Substantially all amounts are received by the end of March. Taxes are remitted to the District throughout the collection period net of a 1.5% charge for assessment and collection services on an as-collected basis and no accrual is made for delinquent property taxes.

State Appropriations

State appropriations earned for general operating purposes are determined on a fiscal year basis ending June 30 based upon the state aid funding formula. Using this formula, fiscal year 1991–92 is a base year and following years are adjusted for inflation or any major state-approved additions to programs.

Income Tax Status

The College is exempt from income tax as a local governmental unit. The Building Corporation and the Foundation have qualified for exemption from income tax under Section 501(c)3 of the Internal Revenue Code. However, the College is subject to federal income tax on any unrelated business taxable income.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is presented in three major categories. The first is net investment in capital assets, which represents the College's equity in property, plant and equipment. The second is restricted. The third is unrestricted, including amounts designated by the Board.

Net investment in capital consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The College first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Pensions

The College participates in two cost-sharing multiple employer defined benefit pension plans: the Public Education Employee Retirement System of Missouri ("PEERS") and Public School Retirement System of Missouri ("PSRS).

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PEERS and PSRS have been determined on the same basis as they are reported by PEERS and 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

Federal Pell Grant revenue, has been retrospectively adjusted as follows for the implementation of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

	As Previously Reported 2015	Adjustment	As Adjusted 2015
Statement of Revenues, Expenses and Changes in Net Position Items Affected			
Operating Revenues			
Federal grants and contracts	$ 31,837,187	$(23,655,436)	$ 8,181,751
Total operating revenues	68,900,646	(23,655,436)	45,245,210
Operating Loss	(51,962,538)	(23,655,436)	(75,617,974)
Nonoperating Revenues (Expenses)			
Federal Pell Grant revenue	-	23,655,436	23,655,436
Net nonoperating revenues	64,876,214	23,655,436	88,531,650
Statement of Cash Flows Items Affected			
Operating Activities			
Contracts and grants	$ 35,057,401	$(23,655,436)	$ 11,401,965
Operating loss	(51,962,538)	(23,655,436)	(75,617,974)
Net cash used in operating activities	(51,378,411)	(23,655,436)	(75,033,847)
Noncapital Financing Activities			
Federal Pell Grant revenue	-	23,655,436	23,655,436
Net cash provided by noncapital financing activities	66,378,649	23,655,436	90,034,085

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits and Investments

Missouri statutes require depository banks to pledge securities as collateral for public funds on deposit, except funds covered by federal depository insurance. Missouri statutes do not extend to the Building Corporation regarding collateralization of funds not covered by federal depository insurance. The College deposits were not exposed to custodial credit risk as of June 30, 2016 and 2015. The College has the following deposits and investments:

Deposits

	2016	2015
Carrying value		
Cash	$ 137,988	$ 22,246
Certificates of deposits	32,283,000	23,071,769
	$ 32,420,988	$ 23,094,015

Investments Maturities in Years

	Fair Value	Less Than 1	1 - 5
Year Ended June 30, 2016			
District			
Repurchase agreement	$ 34,624,000	$ 34,624,000	$ -
Less outstanding checks			
and deposits/withdrawals in transit	(727,341)	(727,341)	-
Federal Home Loan Bank	9,845,792	9,845,792	-
Federal National Mortgage Association	16,037,840	7,002,470	9,035,370
Total District	59,780,291	50,744,921	9,035,370
Building Corporation			
Money market mutual funds	4,912,235	4,912,235	-
Total Building Corporation	4,912,235	4,912,235	-
Total investments	$ 64,692,526	$ 55,657,156	$ 9,035,370

	Fair Value	Less Than 1	1 - 5
Year Ended June 30, 2015			
District			
Repurchase agreement	$ 36,634,000	$ 36,634,000	$ -
Less outstanding checks			
and deposits/withdrawals in transit	(509,133)	(509,133)	-
Federal Home Loan Bank	1,267,452	399,256	868,196
Federal National Mortgage Association	18,196,093	9,182,893	9,013,200
Federal Home Loan Mortgage Corporation	2,000,700	2,000,700	-
Total District	57,589,112	47,707,716	9,881,396
Building Corporation			
Money market mutual funds	4,614,224	4,614,224	-
Total Building Corporation	4,614,224	4,614,224	-
Total investments	$ 62,203,336	$ 52,321,940	$ 9,881,396

A summary of carrying values of investments and deposits at June 30 were as follows:

	2016	2015
Deposits	$ 32,420,988	$ 23,094,015
Investments	64,692,526	62,203,336
	$ 97,113,514	$ 85,297,351

The investments and deposits at June 30 are shown on the statements of net position as follows:

	2016	2015
Cash and cash equivalents	$ 38,949,882	$ 40,761,337
Short-term investments	39,278,658	22,536,849
Long-term investments	18,884,974	21,999,165
Total	$ 97,113,514	$ 85,297,351

State law limits investments in government and municipal bonds and top rated commercial paper as recognized by national rating organizations. The College has no investment policy that would further limit its investment choices. As of June 30, 2016, the College's repurchase agreement is invested in government agencies that are all rated Aaa, AA+ and AAA by Moody's Investors Services, Standards & Poor's & Fitch's ratings, respectively. The District's and Building Corporation's investments in money market mutual funds are invested in Treasury Obligations which is rated Aaa, AA+ and AAA by Moody's Investors Services, Standard & Poor's and Fitch's ratings, respectively. All other investments held by the District and the Building Corporation are rated Aaa, AA+ and AAA by Moody's Investors Service, Standard & Poor's and Fitch's ratings, respectively.

The College places no limit on the amount the College may invest in any one issuer. In fiscal year 2016, more than five percent of the College's investments were invested in government agencies, Federal Home Loan Bank (FHLB) and Federal National Mortgage Association (FNMA). The investments were 44%.

In fiscal year 2015, more than five percent of the College's investments were invested in one government agency, Federal National Mortgage Association (FNMA). The investments were 29.3%.

The College's deposit and investment balances were not exposed to custodial credit risk as of June 30, 2016 and 2015.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2016 and 2015

Note 3: Capital Assets

Capital assets consist of the following categories:

	2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	$ 8,414,239	$ -	$ -	$ 8,414,239
Art	56,000	-	-	56,000
Equipment in progress	13,966	207,169	(161,864)	59,271
Total assets not being depreciated	8,484,205	207,169	(161,864)	8,529,510
Capital assets being depreciated				
Building and improvements	215,392,110	1,920,065	-	217,312,175
Infrastructure	6,714,403	108,806	-	6,823,209
Equipment	20,730,700	813,695	(1,317,613)	20,226,782
Text book rental	1,280,697	123,255	(1,403,952)	-
Software	683,689	-	-	683,689
Total assets being depreciated	244,801,599	2,965,821	(2,721,565)	245,045,855
Less accumulated depreciation				
Building and improvements	107,406,014	4,630,204	-	112,036,218
Infrastructure	2,568,130	337,919	-	2,906,049
Equipment	17,309,372	1,391,084	(1,249,733)	17,450,723
Text book rental	1,004,006	53,177	(1,057,183)	-
Software	670,264	13,425	-	683,689
	128,957,786	6,425,809	(2,306,916)	133,076,679
Net capital assets	$124,328,018	$(3,252,819)	$ (576,513)	$ 120,498,686

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Notes to Financial Statements

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	2015			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	$ 8,414,239	$ -	$ -	$ 8,414,239
Art	56,000	-	-	56,000
Construction in progress	251,843	67,972	(319,815)	-
Equipment in progress	31,318	721,283	(738,635)	13,966
Total assets not being depreciated	8,753,400	789,255	(1,058,450)	8,484,205
Capital assets being depreciated				
Building and improvements	215,072,295	319,815	-	215,392,110
Infrastructure	6,714,403	-	-	6,714,403
Equipment	19,992,063	738,637	-	20,730,700
Text book rental	2,052,257	261,909	(1,033,469)	1,280,697
Software	683,689	-	-	683,689
Total assets being depreciated	244,514,707	1,320,361	(1,033,469)	244,801,599
Less accumulated depreciation				
Building and improvements	102,814,517	4,591,497	-	107,406,014
Infrastructure	2,232,410	335,720	-	2,568,130
Equipment	15,832,577	1,476,795	-	17,309,372
Text book rental	1,612,228	425,247	(1,033,469)	1,004,006
Software	634,402	35,862	-	670,264
	123,126,134	6,865,121	(1,033,469)	128,957,786
Net capital assets	$130,141,973	$(4,755,505)	$(1,058,450)	$ 124,328,018

The College elected not to capitalize their collection of library books. This collection adheres to the College's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

Note 4: Long-term Liabilities

Long-term liability activity for the District and the Building Corporation were as follows:

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
District					
Compensated absences	$ 2,957,109	$ 1,968,894	$ 2,084,856	$ 2,841,147	$ 2,224,597
Net pension liability	32,881,806	20,890,175	6,282,702	47,489,279	-
Capital lease purchase	1,661,436	-	332,287	1,329,149	332,287
Unearned revenue - contracts	2,092,936	500,000	946,973	1,645,963	946,973
Building Corporation					
Bonds payable					
Leasehold revenue bonds, Series 2014A					
Principal	37,895,000	-	-	37,895,000	-
Leasehold revenue bonds, Series 2014B					
Principal	27,450,000	-	3,725,000	23,725,000	4,065,000
Total long-term liabilities	$104,938,287	$23,359,069	$ 13,371,818	$114,925,538	$ 7,568,857

	2015				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
District					
Compensated absences	$ 2,743,559	$ 2,537,612	$ 2,324,062	$ 2,957,109	$ 2,437,274
Net pension liability	-	32,881,806	-	32,881,806	-
Capital lease purchase	1,662,159	-	723	1,661,436	332,287
Unearned revenue - contracts	2,989,909	-	896,973	2,092,936	896,973
Building Corporation					
Bonds payable					
Leasehold revenue bonds, Series 2006					
Principal	47,550,000	-	47,550,000	-	-
Premium	880,271	-	880,271	-	-
Leasehold revenue bonds, Series 2008					
Principal	24,645,000	-	24,645,000	-	-
Discount	(194,418)	-	(194,418)	-	-
Leasehold revenue bonds, Series 2014A					
Principal	-	37,895,000	-	37,895,000	-
Leasehold revenue bonds, Series 2014B					
Principal	-	27,450,000	-	27,450,000	3,725,000
Total long-term liabilities	$ 80,276,480	$100,764,418	$ 76,102,611	$104,938,287	$ 7,391,534

Insurance replacement cost for buildings subject to lien under the Building Corporation's and the District's debt agreements are $51,073,334. The Building Corporation constructs the educational facilities for the College and leases them to the College on annually renewable leases. The College has agreed to appropriate the amount required by the individual bond principal and interest requirements. This is subject to annual appropriation from the College's budget. The Building Corporation's Series 2014A and Series 2014B fall under this arrangement. Total principal and interest remaining on this debt was $74,037,115 and $79,498,572 as of June 30, 2016 and 2015, respectively, with final payment in fiscal 2029. Interest paid during the years ended June 30, 2016 and 2015 was $1,736,457 and $449,552, respectively.

The College was required to maintain a Debt Service Reserve Fund for each of its outstanding bond series. However, with the refinancing of the outstanding 2006 and 2008 bonds during 2015, the College is no longer required to maintain the Debt Service Reserve Fund.

Building Corporation Series 2014

On September 25, 2014, the Building Corporation issued Leasehold Revenue Refunding Bonds Series 2014A, $37,895,000 non-taxable and Series 2014B, $27,450,000 taxable bond issuance, with a weighted average interest rate of 3.06% for Series 2014A and 2.2545% for Series 2014B. The bonds were issued for the purpose of the advance refunding and legal defeasance of the balances of the Leasehold Revenue and Improvement Bonds Series 2006 of $58,460,000 and Lease Certificates of Participation Bonds Series 2008 of $29,535,000.

At June 30, 2016 and 2015, the current outstanding balance of these defeased bonds was $62,590,000 and $67,505,000, respectively. In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds Series 2006 and Series 2008 bonds are not reflected on the statements of net position of Building Corporation.

As provided in the bond indenture and the certificates, the Series 2014A and Series 2014B shall be subject to the redemption and payment prior to the stated maturity, upon instructions from the District, due to certain conditions or events affecting title, as a whole or in part on any date, at par (100 percent), plus accrued interest (if any) to the redemption date. During the years ended June 30, 2016 and 2015, none of the Series 2014A and Series 2014B were retired.

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Series 2014A

Year Ending	Total to be Paid	Principal Maturities	Interest Expense	Interest Rate
2017	$ 1,159,587	$ -	$ 1,159,587	3.06%
2018	1,159,587	-	1,159,587	3.06%
2019	1,159,587	-	1,159,587	3.06%
2020	1,159,587	-	1,159,587	3.06%
2021	1,159,587	-	1,159,587	3.06%
2022-2026	25,957,397	21,620,000	4,337,397	3.06%
2027-2029	17,032,121	16,275,000	757,121	3.06%
	$48,787,453	$37,895,000	$10,892,453	

Series 2014B

Year Ending	Total to be Paid	Principal Maturities	Interest Expense	Interest Rate
2017	$ 4,554,057	$ 4,065,000	$ 489,057	2.2545%
2018	4,556,341	4,160,000	396,341	2.2545%
2019	4,551,539	4,250,000	301,539	2.2545%
2020	4,554,596	4,350,000	204,596	2.2545%
2021	4,550,454	4,445,000	105,454	2.2545%
2022-2026	2,482,675	2,455,000	27,675	2.2545%
2027-2029	-	-	-	2.2545%
	$25,249,662	$23,725,000	$ 1,524,662	

Capital Lease

On March 27, 2014, the College entered into a capital lease agreement with Dell Financial Services. The lease includes an interest-free $1,976,942 agreement. The lease included wiring, wireless connectivity, security and other technology updates. Future minimum lease payments at June 30, 2016 were:

Year Ending	Principal Maturities
2017	$ 332,287
2018	332,287
2019	332,287
2020	332,288
	$ 1,329,149

Unearned Revenue - Contracts

Unearned revenue – contracts can be summarized as follows:

	2016	2015
Sprint lease unearned revenue (A)	$ 1,195,963	$ 2,092,936
Follett agreement unearned revenue (B)	450,000	-
	1,645,963	2,092,936
Less current maturities	(946,973)	(896,973)
	$ 698,990	$ 1,195,963

(A) The College entered into a lease agreement with Sprint (Nextel Spectrum Acquisition Corporation) for Sprint to lease educational broadband lines (EBS) from the College. The lease agreement provides for Sprint to make accelerated rental payments over the term of the lease. The lease required a payment of $3,793,945 in fiscal year 2008 and annual payments of $1,293,945 through June 30, 2013. The lease period is November 2007 through October 2017. The difference between the lease income on a straight-line basis and the actual scheduled lease payments reported as unearned revenue – contracts was $1,195,963 and $2,092,936 as of June 30, 2016 and 2015, respectively. Total rental income earned for both years ended June 30, 2016 and 2015 was $896,973.

(B) On July 1, 2015, the College entered into a 10-year agreement with Follett Higher Education Group, Inc. ("Follett") to outsource bookstores for the College on five campuses terminating in 2025. The agreement required Follett to provide a one-time payment of $500,000, which was received by the College during 2016. If the agreement is terminated before expiration, the College is to return the unamortized value of the one-time payment. As of June 30, 2016, the unamortized value of the payment was $450,000.

Note 5: Other Post-Employment Benefits

During fiscal year 2009, the College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This standard establishes the following measurement and recognition disclosures:

Plan Description

The College sponsors a single-employer other post-employment benefit plan that provides life insurance, medical, vision and dental benefits to all qualifying retirees and their dependents. Under the College's plan, an employee who meets the retirement criteria must have opted to retire before July 1, 2013 to receive these benefits. The criteria for retirement is the active employee must either be at least age 55 with 10 years of consecutive full-time service, or have 30 years of full-time service. Eligible retirees and their dependents receive coverage through a fully-insured plan, the same plans that are available for active employees.

Benefits Provide

The life insurance benefit is two times final salary at retirement. The retiree pays no premiums on this coverage until age 65. If the retiree elects to continue this coverage from age 65 to age 70, they must pay the full premium. After age 70, this benefit is no longer available.

The retiree is eligible to continue coverage of other benefits upon retirement by paying no premium until age 65 and the COBRA premium from age 65 onward. The employee can choose which benefits, medical, vision and/or dental they will continue to receive.

Funding Policy

The College establishes and amends contribution requirements. A retiree's coverage shall be no greater than the insurance coverage afforded College employees.

The current funding policy of the College is to fund benefits on a pay-as-you-go basis. Retirees who retire prior to July 1, 2013 upon retirement pays the same premium amount as the active employees until they attain age 65. Otherwise, retirees and dependents must pay COBRA rates to maintain medical coverage with the College.

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation (asset), included in other assets at June 30, 2016 and 2015:

	2016	2015
Annual required contribution	$ 2,234,027	$ 2,234,027
Interest on net OPEB obligation	(20,664)	(1,562)
Adjustment to annual required contribution	62,995	4,763
Annual OPEB cost/expense	2,276,358	2,237,228
Less contributions and payments made	2,703,000	2,783,000
Decrease in net OPEB obilgation	(426,642)	(545,772)
Net OPEB asset, beginning of year	(590,413)	(44,641)
Net OPEB asset, end of year	$ (1,017,055)	$ (590,413)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016 and the two preceding years is as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2016	$ 2,276,358	118.7%	$ (1,017,055)
2015	2,237,228	124.4%	(590,413)
2014	2,649,522	109.0%	(44,611)

<u>Funded Status and Funding Progress</u>

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The College's actuarial accrued liability for benefits was $17,584,735 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of $17,584,735. The estimated covered payroll (annual payroll of active employees covered by the plan) was $44,468,000 and the ratio of the UAAL to the covered payroll was 40%.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the project unit credit method was used. The actuarial assumptions included a 3.5% discount rate, an annual health care cost trend rate of 7.5% reduced annually to an ultimate rate of 5%. The UAAL is being amortized as a level of percentage of pay on an open basis over 10 years.

Note 6: Retirement Plan and Net Pension Liability

General Information about the Pension Plan

All full-time and certain part-time employees of the College participate either in the Public School Retirement System (PSRS) or the Public Education Employee Retirement System (PEERS), both of which are cost sharing multiple-employer public employee retirement systems, as required by the retirement law set forth in Chapter 169, *Revised Statutes of Missouri*.

PEERS 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 of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600-169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

PSRS Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of 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.

PEERS 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 five years of service, (b) have 30 years of service or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump-sum (PLSO) payment at retirement equal to 12, 24 or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org.

PSRS Benefits Provided. PSRS is a defined benefit plan providing retirement, disability and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 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 lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time 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.

PEERS 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 fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

PSRS 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.

PEERS Contributions. PEERS members were required to contribute 6.86% of their annual covered salary and employer cost of medical, dental and vision premiums during fiscal years 2016 and 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 0.5% of pay.

PSRS Contributions. PSRS members were required to contribute 14.5% of their annual covered salary and employer cost of medical, dental and vision premiums during fiscal years 2016 and 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.

Contributions. The College's contributions to PEERS were $2,123,413 and $2,214,010 and to PSRS were $4,159,289 and $4,158,868 for the years ended June 30, 2016 and 2015, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016 and 2015, the College recorded a liability of $10,918,210 and $7,388,403 for PEERS and $36,571,069 and $25,493,403, respectively, for PSRS for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015 and 2014 and determined by an actuarial valuation as of that date. At June 30, 2015 and 2014, the College's proportionate share was 0.6335% and 0.6214%, respectively, for PSRS and 2.0643% and 2.0233%, respectively, for PEERS.

For the years ended June 30, 2016 and 2015, the College recognized a pension expense of $1,018,464 and $602,924 for PEERS and $1,141,133 and ($254,260) for PSRS, respectively, its proportionate share of the total pension expense.

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS and 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 - PEERS	$ 707,717	$ 153,027
Differences between expected and actual experience - PSRS	4,195,369	-
Net difference between projected and actual earnings on pension plan investments - PEERS	-	1,003,497
Net difference between projected and actual earnings on pension plan investments - PSRS	-	2,968,058
Changes in proportion and differences between employer contributions and proportionate share of contributions - PEERS	113,193	550,843
Changes in proportion and differences between employer contributions and proportionate share of contributions - PSRS	420,395	5,091,007
Employer contributions subsequent to the measurement date - PEERS	1,950,181	-
Employer contributions subsequent to the measurement date - PSRS	4,191,891	-
Total	$ 11,578,746	$ 9,766,432

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS and 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 - PEERS	$ -	$ 219,750
Differences between expected and actual experience - PSRS	1,187,691	-
Net difference between projected and actual earnings on pension plan investments - PEERS	-	4,400,784
Net difference between projected and actual earnings on pension plan investments - PSRS	-	12,260,511
Changes in proportion and differences between employer contributions and proportionate share of contributions - PEERS	-	807,050
Changes in proportion and differences between employer contributions and proportionate share of contributions - PSRS	-	6,250,689
Employer contributions subsequent to the measurement date - PEERS	2,214,010	-
Employer contributions subsequent to the measurement date - PSRS	4,158,868	-
Total	$ 7,560,569	$ 23,938,784

Contributions subsequent to the measurement date of June 30, 2015 and 2014 of $6,142,072 and $6,572,878, respectively, were reported as deferred outflows of resources related to pensions and will be recognized as a reduction to the net pension liability in the years ending June 30, 2017 and 2016, respectively. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

Year ending June 30	
2017	$ (2,397,167)
2018	(2,397,167)
2019	(2,118,893)
2020	1,939,188
2021	290,494
Thereafter	353,787
	$ (4,329,758)

Actuarial Assumptions. Actuarial valuations of PEERS and 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 total pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of an actuarial experience study for the period 2005-2010 for both PEERS and PSRS dated June 13, 2011.

The total pension liability as of June 30, 2016 and 2015 was determined based on an actuarial valuation prepared as of June 30, 2015 and 2014, respectively rolled forward one year, using the following actuarial assumptions:

Expected Return on Investments	8.00%, net of investment expenses and including 2.50% inflation
Inflation	2.50%
Total Payroll Growth	PEERS: 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. PSRS: 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	PEERS: 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%. PSRS: 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.25% 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	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
Mortality Assumption	RP 2000 Mortaility Table set back on year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors	RP 2000 Mortaility Table set back on 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, 2015 valuation.
Fiduciary Net Position	PEERS and PSRS issue a publicly available financial report that can be obtained at www.psrs-peers.org.
Long-term Expected Rate of Return	The long-term expected rate of return on PEERS' and PSRS' investments were determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' and PSRS' target allocations as of June 30, 2016 and 2015 are summarized below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. public equity	27.0%	5.85%
Public credit	12.0%	2.44%
Hedged assets	6.0%	5.22%
Non-U.S public equity	15.0%	6.64%
U.S. Treasuries	16.0%	1.01%
U.S. TIPS	4.0%	1.12%
Private credit	2.0%	7.61%
Private equity	10.5%	8.61%
Private real estate	7.5%	4.30%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and 2014. 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, that pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate is presented below. The College's net pension liability calculated using the discount rate of 8.00% is presented as well as the net pension liability using a discount rate that is 1.00% lower (7.00%) or 1.00% higher (9.00%) than the current rate as of June 30, 2016:

Proportionate Share of the Net Pension Liability	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
PEERS	$ 22,042,067	$ 10,918,210	$ 1,513,951
PSRS	67,260,848	36,571,069	10,795,075

The plans are multiemployer defined benefit plans. Both systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to either system at: P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

Note 7: Missouri United School Insurance Council

The Missouri United School Insurance Council (MUSIC) is a not-for-profit self-insurance association which is designed to provide uniform property and casualty coverage under one comprehensive plan for participating school districts in Missouri. The College purchases insurance coverage for property, general liability, workers' compensation and medical malpractice (for allied health students).

Members pay annual premiums which are retained to pay losses, fund an administrative budget, buy risk management services and purchase reinsurance for excessive losses.

Because MUSIC is a pooling arrangement comprised of member districts, the members are owners of the loss fund. In the event that the loss fund and related reserves are unable to cover claims, the members would be assessed additional premiums by MUSIC to cover the deficit. The College is not aware of any deficit situation in the MUSIC loss fund which would require the accrual of a liability as of June 30, 2016 and 2015.

Effective January 1, 1999, the terms of insurance coverage provided by MUSIC were revised, with the College increasing the level of its self-insurance for losses occurring below the amount of the MUSIC coverage stop-loss, which was $307,124 and $433,723 for calendar years 2016 and 2015, respectively. As of June 30, 2016 and 2015, an accrual of $333,543 and $336,906, respectively, has been made to cover the estimated exposure to claims the College would have to pay under its self-insurance agreement, including an estimate for claims incurred but not reported. This claims liability is based on estimates of the ultimate cost of claims including inflation factors and historical trend data. Other non-incremental costs are not included in the basis of estimating the liability.

Note 8: Designations of Unrestricted Net Positions

Unrestricted net position is designated for specific purposes by action of the Board or management. Designations for the use of unrestricted net position as of June 30, 2016 and 2015 are as follows:

	2016	2015
Designated for deferred maintenance	$ 4,028,191	$ 3,483,064
Designated for information technology	1,002,857	502,857
Unrestricted	35,948,144	26,013,377
Total	$ 40,979,192	$ 29,999,298

Note 9: Federal Assistance

The College has received significant financial assistance from various federal agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority, or by independent public accountants under the *Single Audit Act*, the purpose of which is to ensure compliance with terms and conditions specified in these agreements. The College does not believe that liabilities for reimbursement, if any, will have a materially adverse effect upon the financial condition of the College.

Note 10: Contingencies

The College is named as a defendant in various legal actions arising in the normal course of operations. The College's management believes the resolution of those actions will not have a material effect on the College's financial statements.

Note 11: Governmental Accounting Standards Board (GASB) Statements

The College adopted the following statements during the year ended June 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the College beginning with its year ending June 30, 2016. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefits pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, is effective for the fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013, will be effective upon the implementation of GASB Statement No. 68 beginning with the year ending June 30, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The adoption of these Statements had a significant effect on the College in 2015.

The College adopted the following statements during the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application,* issued February 2015, is effective for the fiscal year ended June 30, 2016. This Statement sets forth guidance for determining fair value of assets and liabilities reported in the financial statements. Adoption did not have a significant impact on amounts reported or disclosed.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* reduces the existing GAAP hierarchy to two categories of authoritative literature.

* Category A is GASB Statements and any GASB Interpretations issued prior to GASB 76.

* Category B is GASB Technical Bulletins, GASB Implementation Guides and AICPA literature specifically cleared by the GASB.

GASB 76 also provides guidance for applying the hierarchy and the use of nonauthoritative literature (including GASB Concepts Statements, FASB pronouncements, AICPA literature not cleared by the GASB and prevalent practice). The new hierarchy, particularly the elevation of GASB Implementation Guides to authoritative status, prompted a change from how the College had been recognizing Pell Grant revenue in the past.

The adoption of these Statements had a significant effect on the College in 2016.

As of June 30, 2016, the Governmental Accounting Standards Board (GASB) has issued statements that will require consideration and implementation by the College as follows:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, applies to OPEB plans that administer benefits on behalf of governments through trusts that meet the GASB's specified criteria. It replaces GASB Statement No. 43 and requires more extensive note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution OPEB plans. The provisions of Statement No. 74 are effective for plan fiscal years beginning after June 15, 2016 (College's June 30, 2017 fiscal year). The effect of this Statement to the College has not yet been determined.

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions,* issued June 2015, applies to governments that provide OPEB to their employees or finance OPEB for employees of other governments. It replaces GASB Statement No. 45 and requires governments to report a liability on the face of their financial statements for the OPEB provided. In addition, it requires governments in all types of OPEB plans to provide more extensive note disclosures and RSI about OPEB liabilities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017

(College's June 30, 2018 fiscal year). The effect of this Statement to the College has not yet been determined.

In August 2015, GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*, which intends to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The College has determined adoption of this Statement will have no effect on its financial statements.

In December 2015, GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-employer Defined Benefit Pension Plans*, which amends the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The scope was amended to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan. The College has determined adoption of this Statement will have no effect on its financial statements.

In January 2016, GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which intends to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The College has not yet determined the effect that implementing GASB Statement No. 80 will have on its financial statements.

In March 2016, GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which intends to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for beneficiaries of these type of agreements. The College has not yet determined the effect that implementing GASB Statement No. 81 will have on its financial statements.

In March 2016, GASB issued GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*, which addresses certain issues with regard to current GASB standards on pensions. The College has not yet determined the effect that implementing GASB Statement No. 82 will have on its financial statements.

Note 12: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

Description	Total	Level 1	Level 2	Level 3
2016				
Federal Home Loan Bank	$ 9,845,792	$ -	$ 9,845,792	$ -
Federal National Mortgage Association	16,037,840	-	16,037,840	-
Total investments measured at fair value	$ 25,883,632	$ -	$ 25,883,632	$ -
2015				
Federal Home Loan Bank	$ 1,267,452	$ -	$ 1,267,452	$ -
Federal National Mortgage Association	18,196,093	-	18,196,093	-
Federal Home Loan Mortgage Corporation	2,000,700	-	2,000,700	-
Total investments measured at fair value	$ 21,464,245	$ -	$ 21,464,245	$ -

Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities classified as Level 2 of the fair value hierarchy are valued using third-party pricing services based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates and prepayment assumptions.

Note 13: Foundation

The following disclosures pertain to the discretely presented component unit.

Significant Accounting Policies

<u>Use of Estimates</u>

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted primarily of cash on hand, bank deposits and investments in money market mutual funds. At June 30, 2016, the Foundation's cash accounts exceeded federally insured limits by $484,431.

Marketable Securities and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments, including mutual fund shares, corporate bonds and government notes, are valued at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment income and net investment gains (losses) are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state tax law requires that they be added to the principal of the permanent endowment fund.
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.
- As increases (decreases) in unrestricted net assets in all other cases.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Investment return includes interest income, which is accrued as earned, and dividend income, which is recorded when notified of the dividend. Realized gains and losses are recorded when notified of the sale. The change in unrealized appreciation or depreciation, which occurs during the year, is recorded as a component of investment return in the statements of activities.

Net Assets

The accounting and reporting of the Foundation classifies resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into three classes of net assets:

Unrestricted net assets – Consist of funds free of any donor-imposed restrictions.

Temporarily restricted net assets – Consist of contributions and other inflows of funds temporarily subject to donor imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Foundation that fulfill donor stipulations.

Permanently restricted net assets – Consist of contributions and other inflows of funds subject to donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions

A contribution, in the form of an unconditional promise to give, is recognized as revenue by the Foundation in the period in which the promise is received. Conditional promises to give made by donors are not recognized until the conditions are met. Assets received subject to conditions are accounted for as refundable advances until the conditions are met.

Contributions are recorded at their fair value. Unconditional promises to give are reported at net realizable value by establishing an allowance for uncollectible promises. Unconditional promises to give cash over a period of time in excess of one year are recorded at the present value of amounts to be received, using an appropriate discount rate, if the amounts of such discounts are material.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 net assets unless their use is restricted by explicit donor stipulation or by law. Gains and losses on temporarily restricted assets are reported as restricted until appropriated by the Board of Directors. Expirations of temporary restrictions on net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributed Services

The College provides the Foundation with office space and furniture and equipment without charge. The Executive Director and staff of the Foundation are employed by the College without compensation from the Foundation and the Financial Services Department of the College also provides an accounting processing service to the Foundation. In connection with the personnel and services provided by the College, the Foundation recognized contributed services revenue and related offsetting expense in the amount of $429,248 and $572,913 for the years ended June 30, 2016 and 2015, respectively. Included in these amounts are payments to outside vendors/contractors for advisory services and other expenses supporting the Foundation.

No amounts have been reflected in the financial statements for donated services, which do not create or enhance nonfinancial assets or which do not require specialized skills; however, time and resources have been contributed by volunteers in furtherance of the Foundation's objectives.

Substantially all program expenses included in the statements of activities are reimbursed to the College as the result of College payments on behalf of the Foundation. Accordingly, the balance "Due to The Metropolitan Community College" on the statements of financial position of $70,223 and $181,955 at June 30, 2016 and 2015, respectively, represents amounts due to the College not yet reimbursed at year end.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Marketable Securities and Investment Return

Investments at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Equity securities	$ 376,857	$ 2,115,832
Equity mutual funds	2,090,724	2,986,419
U.S. Treasury notes	128,128	284,334
Corporate bonds	25,220	133,192
Fixed income mutual funds		
DoubleLine Total Return Bond Fund	883,539	878,689
Other fixed income mutual funds	857,804	432,583
Hedge fund/REIT	571,787	670,779
Exchange traded funds (ETF)		
Vanguard Growth ETF	1,093,440	-
Vanguard S&P 500 ETF	672,700	660,940
Vanguard Small-Cap ETF	601,536	704,526
Vanguard FTSE Developed Markets ETF	562,224	-
iShares 1-3 Year Credit Bond ETF	690,646	505,584
Other ETFs	1,795,861	1,595,987
Municipal bonds	35,966	37,209
	$ 10,386,432	$ 11,006,074

The Foundation's temporarily and permanently restricted net assets include various endowment funds established by donors. At June 30, 2016 and 2015, the fair value of the assets were not less than the level required by donor stipulation or law.

Total investment return is comprised of the following:

	2016	2015
Interest and dividend income	$ 223,175	$ 225,493
Net realized and unrealized losses	(387,441)	(18,019)
	$ (164,266)	$ 207,474

Investment return is net of investment fees reported in the statements of activities were $40,102 and $51,689 for the years ended June 30, 2016 and 2015, respectively.

Contributions Receivable

Contribution receivable as of June 30, 2016 and 2015 consisted of the following unconditional promised to give discounted using the discount rate for the year the receivable was originally pledged at 2.70%:

	2016	2015
Due within one year	$ 404,233	$ 304,750
Due in one to five years	75,000	-
	479,233	304,750
Less		
Allowance for uncollectible contributions	9,455	6,067
Unamortized discount	17,714	8,726
	$ 452,064	$ 289,957

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 were available for the following purposes:

	2016	2015
Investment earnings payout stabilization fund	$ 968,856	$ 1,333,636
Scholarships	984,579	909,327
Student Success Center	952,106	501,655
Other	257,291	495,989
Neeland J & A Student Assistance	194,008	-
Block Academic Coaching	110,397	99,516
Hall Young Dev Curriculum	75,676	-
Kite Festival	58,710	61,290
Polsky Business Development Fund	46,159	48,892
Book & Student Emergency Fund	43,811	46,883
James Neeland Award Fund	43,924	34,510
Brooks Center at PV	25,557	27,038
Baseball Program	6,569	6,474
Health Science Institute Program	5,515	6,155
Longview Cultural Arts Center	5,527	4,812
Friends of the Carter Arts Center	5,550	4,273
Nursing Loan Program	4,418	4,187
	$ 3,788,653	$ 3,584,637

Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2016 and 2015 are restricted to:

	2016	2015
Scholarships	$ 3,300,104	$ 3,220,074
Other	1,793,466	1,841,274
	$ 5,093,570	$ 5,061,348

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2016	2015
Scholarships and grants	$ 350,849	$ 288,527
Health Science Institute	2,879	164,650
FI-Hall-Youth Dev Curric	23,540	79,727
Other Foundation Projects	62,951	60,084
Storytelling	36,970	32,478
Neeland Jeanne M. Award Fund	-	11,492
Brooks Center at PV	1,481	9,493
Longview Automotive Program	7,144	-
Kite Festival	10,880	7,712
	$ 496,694	$ 654,163

Endowment

The Foundation’s endowment consists of numerous individual funds established or a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board–designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation’s governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of Missouri as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and the appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment at June 30, 2016 and 2015 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2016				
Donor-restricted	$ -	$ 1,863,208	$ 5,093,570	$6,956,778
Board-designated	241,269	-	-	241,269
Total endowment funds	$ 241,269	$ 1,863,208	$ 5,093,570	$7,198,047
June 30, 2015				
Donor-restricted	$ -	$ 2,152,243	$ 5,061,348	$7,213,591
Board-designated	248,304	-	-	248,304
Total endowment funds	$ 248,304	$ 2,152,243	$ 5,061,348	$7,461,895

Changes in endowment net assets for the years ended June 30, 2016 and 2015 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 229,988	$ 2,211,804	$ 5,021,945	$7,463,737
Investment return				
Investment income	5,097	109,864	-	114,961
Net appreciation (depreciation)	2,689	(9,316)	(6,803)	(13,430)
Total investment return	7,786	100,548	(6,803)	101,531
Contributions	92	23,812	45,906	69,810
Other income	13,488	-	300	13,788
Appropriation of endowment assets for expenditures	(3,050)	(183,921)	-	(186,971)
Endowment net assets, June 30, 2015	248,304	2,152,243	5,061,348	7,461,895
Investment return				
Investment income	9,665	78,494	-	88,159
Net depreciation	(5,068)	(172,785)	-	(177,853)
Total investment return	4,597	(94,291)	-	(89,694)
Contributions	-	14,777	25,737	40,514
Other income	-	203	6,485	6,688
Appropriation of endowment assets for expenditures	(11,632)	(209,724)	-	(221,356)
Endowment net assets, June 30, 2016	$ 241,269	$ 1,863,208	$ 5,093,570	$7,198,047

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, there were no deficiencies of this nature reported at June 30, 2016 and 2015.

The Foundation has adopted investment and spending policies for its endowment fund. The objective of these policies is to provide the Foundation a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. In accordance with the Foundation's investment policy, the endowment fund shall be invested to provide for total return. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies the endowment fund shall be invested in a diversified portfolio, consisting of common stock, bonds, cash equivalents and other investments, which may reflect varying rates of returns. The overall rate of return objective of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Endowment and Investment Committee of the Board of Directors.

The Foundation recognized the need for spendable income by the beneficiaries of the endowment and long-term institutional funds under the custodianship. The spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined above while protecting the real value of the endowment fund principal. The Board approved spending percentage, based on the average collected fund balance, was 5% and 6% for the fiscal years ended June 30, 2016 and 2015, respectively.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016				
Equity securities	$ 376,857	$ 376,857	$ -	$ -
Equity mutual funds	2,090,724	2,090,724	-	-
U.S. Treasury notes	128,128	71,293	56,835	-
Corporate bonds	25,220	-	25,220	-
Fixed income mutual funds				
DoubleLine Total Return Bond Fund	883,539	883,539	-	-
Other fixed income mutual funds	857,804	857,804	-	-
Hedge fund/REIT	571,787	571,787	-	-
Exchange traded funds (ETF)				
Vanguard Growth ETF	1,093,440	1,093,440	-	-
Vanguard S&P 500 ETF	672,700	672,700	-	-
Vanguard Small-Cap ETF	601,536	601,536	-	-
Vanguard FTSE Developed Markets ETF	562,224	562,224	-	-
iShares 1-3 Year Credit Bond ETF	690,646	690,646	-	-
Other ETFs	1,795,861	1,795,861	-	-
Municipal bonds	35,966	-	35,966	-
	$10,386,432	$ 10,268,411	$ 118,021	$ -

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value Measurements Using		
June 30, 2015				
Equity securities	$ 2,115,832	$ 2,115,832	$ -	$ -
Equity mutual funds	2,986,419	2,986,419	-	-
U.S. Treasury notes	284,334	164,363	119,971	-
Corporate bonds	133,192	-	133,192	-
Fixed income mutual funds				
DoubleLine Total Return Bond Fund	878,689	878,689	-	-
Other fixed income mutual funds	432,583	432,583	-	-
Hedge fund/REIT	670,779	670,779	-	-
ETFs				
Vanguard S&P 500 ETF	660,940	660,940	-	-
Vanguard Small-Cap ETF	704,526	704,526	-	-
iShares 1-3 Year Credit Bond ETF	505,584	505,584	-	-
Other ETFs	1,595,987	1,595,987	-	-
Municipal bonds	37,209	-	37,209	-
	$11,006,074	$ 10,715,702	$ 290,372	$ -

Note 14: Condensed Combining Information

Condensed combining information for the College as of and for the fiscal year ended June 30 is as follows:

	2016			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 85,633,067	$ 897,272	$ -	$ 86,530,339
Noncurrent assets	51,549,256	87,834,404	-	139,383,660
Total assets	137,182,323	88,731,676	-	225,913,999
Deferred outflows	11,578,745	4,042,418	-	15,621,163
Liabilities				
Current liabilities	16,928,667	4,912,235	-	21,840,902
Noncurrent liabilities	49,801,681	57,555,000	-	107,356,681
Total liabilities	66,730,348	62,467,235	-	129,197,583
Deferred inflows	9,766,432	-	-	9,766,432
Net position				
Net investment in capital assets	31,335,133	26,214,404	-	57,549,537
Unrestricted	40,929,155	50,037	-	40,979,192
Total net position	$ 72,264,288	$ 26,264,441	$ -	$ 98,528,729
Condensed Statements of Revenues, Expenses and Changes in Net Position				
Operating revenues (expenses)				
Operating income	$ 48,781,950	$ -	$ -	$ 48,781,950
Depreciation expense	(2,265,333)	(4,160,476)	-	(6,425,809)
Other operating expenses	(122,976,235)	-	5,759,465	(117,216,770)
Operating loss	(76,459,618)	(4,160,476)	5,759,465	(74,860,629)
Nonoperating revenues (expenses)				
Nonoperating revenues	90,458,649	5,755,698	(5,759,465)	90,454,882
Interest on debt related to capital assets	-	(2,005,422)	-	(2,005,422)
Total nonoperating revenues, net	90,458,649	3,750,276	(5,759,465)	88,449,460
Change in net position	13,999,031	(410,200)	-	13,588,831
Net position, beginning of year	58,265,257	30,717,059	-	88,982,316
Net position, end of year	$ 72,264,288	$ 30,306,859	$ -	$ 102,571,147
Condensed Statements of Cash Flows				
Net cash used in operating activities	$ (69,787,827)	$ -	$ -	$ (69,787,827)
Net cash provided by noncapital financing activities	84,140,877	5,265,463	-	89,406,340
Net cash used in capital and related financing activities	(2,928,767)	(5,461,454)	-	(8,390,221)
Net cash provided by (used in) investing activities	(13,533,749)	494,002	-	(13,039,747)
	(2,109,466)	298,011	-	(1,811,455)
Cash and cash equivalents, beginning of year	36,147,113	4,614,224	-	40,761,337
Cash and cash equivalents, end of year	$ 34,037,647	$ 4,912,235	$ -	$ 38,949,882

The Metropolitan Community College

Notes to Financial Statements

June 30, 2016 and 2015

	2015			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 73,173,303	$ 105,261	$ (10,015)	$ 73,268,549
Noncurrent assets	53,834,535	92,492,648	-	146,327,183
Total assets	127,007,838	92,597,909	(10,015)	219,595,732
Deferred outflows	7,560,569	4,353,374	-	11,913,943
Liabilities				
Current liabilities	16,427,598	4,614,224	-	21,041,822
Noncurrent liabilities	35,936,768	61,620,000	(10,015)	97,546,753
Total liabilities	52,364,366	66,234,224	(10,015)	118,588,575
Deferred inflows	23,938,784	-	-	23,938,784
Net position				
Net investment in capital assets	32,333,139	26,649,879	-	58,983,018
Unrestricted	25,932,118	4,067,180	-	29,999,298
Total net position	$ 58,265,257	$ 30,717,059	$ -	$ 88,982,316
Condensed Statements of Revenues, Expenses and Changes in Net Position	***(Restated)***			
Operating revenues (expenses)				
Operating income	$ 45,245,210	$ -	$ -	$ 45,245,210
Depreciation expense	(2,637,333)	(4,227,788)	-	(6,865,121)
Other operating expenses	(119,047,401)	-	5,049,338	(113,998,063)
Operating loss	(76,439,524)	(4,227,788)	5,049,338	(75,617,974)
Nonoperating revenues (expenses)				
Nonoperating revenues	91,636,197	4,879,461	(5,049,338)	91,466,320
Interest on debt related to capital assets	-	(2,934,670)	-	(2,934,670)
Total nonoperating revenues, net	91,636,197	1,944,791	(5,049,338)	88,531,650
Change in net position	15,196,673	(2,282,997)	-	12,913,676
Net position, beginning of year (restated)	43,068,584	33,000,056	-	76,068,640
Net position, end of year	$ 58,265,257	$ 30,717,059	$ -	$ 88,982,316
	(Restated)			
Condensed Statements of Cash Flows				
Net cash used in operating activities	$ (75,033,847)	$ -	$ -	$ (75,033,847)
Net cash provided by (used in) noncapital financing activities	91,019,608	(985,523)	-	90,034,085
Net cash used in capital and related financing activities	(7,246,294)	(9,428,707)	-	(16,675,001)
Net cash provided by (used in) investing activities	(5,186,522)	8,650,714	-	3,464,192
	3,552,945	(1,763,516)	-	1,789,429
Cash and cash equivalents, beginning of year	32,594,168	6,377,740	-	38,971,908
Cash and cash equivalents, end of year	$ 36,147,113	$ 4,614,224	$ -	$ 40,761,337

Required Supplementary Information

The Metropolitan Community College
Schedule of Funding Progress
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	$ -	$ 17,584,735	$ (17,584,735)	0%	$ 44,468,616	40%
July 1, 2012	-	24,420,508	(24,420,508)	0%	47,757,555	43%
July 1, 2010	-	12,469,000	(12,469,000)	0%	51,416,000	24%
June 30, 2009	-	25,993,000	(25,993,000)	0%	50,218,000	52%

Note:
- Fiscal year 2009 is the transition year for GASB Statement No. 45.
- Fiscal year 2011 the post-employment benefit plan was modified and effective July 1, 2013 eligible retirees and their dependents may continue coverage under the College's plan by paying active COBRA rates.
- The unfunded Actuarial Liability (AAL) is amortized over 10 years.

The Metropolitan Community College

Schedules of the College's Proportionate Share of the Net Pension Liability and College Contributions

June 30, 2016

Schedule of the College's Proportionate Share of Net Pension Liability

Year Ended *	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2016 PEERS	2.0643%	$ 10,918,210	$ 30,953,507	35.27%	88.28%
6/30/2016 PSRS	0.6335%	36,571,069	29,482,161	124.04%	85.78%
6/30/2015 PEERS	2.0233%	7,388,403	29,505,189	25.04%	91.33%
6/30/2015 PSRS	0.6214%	25,493,403	28,345,963	89.94%	89.34%

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' and PEERS'net pension liability, which is as of the beginning of the College's fiscal year.

Schedule of College's Contributions

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013 PEERS	$ 2,107,749	$ 2,107,749	$ -	$ 30,744,954	6.86%
6/30/2013 PSRS	4,633,378	4,633,378	-	32,831,174	14.11%
6/30/2014 PEERS	2,024,056	2,024,056	-	29,505,189	6.86%
6/30/2014 PSRS	4,001,458	4,001,458	-	28,345,963	14.12%
6/30/2015 PEERS	2,123,411	2,214,010	(90,599)	30,953,507	7.15%
6/30/2015 PSRS	3,927,796	4,158,868	(231,072)	29,482,161	14.11%
6/30/2016 PEERS	2,123,413	2,123,413	-	29,741,780	7.14%
6/30/2016 PSRS	4,159,289	4,159,289	-	27,807,649	14.96%

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

Notes to Schedules of the College's Proportionate Share of the Net Pension Liability and College Contributions

There are no factors that affect trends in the amounts reported, such as change in benefit terms of assumptions. Contribution rates for PEERS and PSRS remained the same for the College for years ended June 30, 2016, 2015 and 2014.

Other Supplementary Information

The Metropolitan Community College

Combining Schedule of Net Position

June 30, 2016

	District	Building Corporation	Eliminations	Total
Assets				
Current				
Cash and cash equivalents	$ 34,037,647	$ 4,912,235	$ -	$ 38,949,882
Short-term investments	39,278,658	-	-	39,278,658
Accounts receivable, net of allowance; $321,685	10,781,161	(4,014,963)	-	6,766,198
Inventories	82,479	-	-	82,479
Other assets	1,453,122	-	-	1,453,122
Total current assets	85,633,067	897,272	-	86,530,339
Noncurrent Assets				
Long-term investments	18,884,974	-	-	18,884,974
Capital assets				
Nondepreciable	7,723,415	806,095	-	8,529,510
Depreciable, net	24,940,867	87,028,309	-	111,969,176
Total noncurrent assets	51,549,256	87,834,404	-	139,383,660
Total assets	137,182,323	88,731,676	-	225,913,999
Deferred Outflows of Resources	11,578,745	4,042,418	-	15,621,163
Total assets and deferred outflows of resources	$ 148,761,068	$ 92,774,094	$ -	$ 241,535,162
Liabilities				
Current Liabilities				
Accounts payable, accrued and other liabilities	$ 9,955,066	$ 847,235	$ -	$ 10,802,301
Compensated absences	2,224,597	-	-	2,224,597
Current portion of long-term debt	-	4,065,000	-	4,065,000
Unearned revenue - tuition	3,469,744	-	-	3,469,744
Unearned revenue - contracts	946,973	-	-	946,973
Capital lease purchase	332,287	-	-	332,287
Total current liabilities	16,928,667	4,912,235	-	21,840,902
Noncurrent Liabilities				
Bond payable	-	57,555,000	-	57,555,000
Compensated absences	616,550	-	-	616,550
Net pension liability	47,489,279	-	-	47,489,279
Capital lease purchase	996,862	-	-	996,862
Unearned revenue - contracts	698,990	-	-	698,990
Total noncurrent liabilities	49,801,681	57,555,000	-	107,356,681
Total liabilities	66,730,348	62,467,235	-	129,197,583
Deferred Inflows of Resources	9,766,432	-	-	9,766,432
Total liabilities and deferred inflows of resources	76,496,780	62,467,235	-	138,964,015
Net Position				
Net investment in capital assets	31,335,133	30,256,822	-	61,591,955
Unrestricted	40,929,155	50,037	-	40,979,192
Total net position	$ 72,264,288	$ 30,306,859	$ -	$ 102,571,147

The Metropolitan Community College

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

	District	Building Corporation	Eliminations	Total
Operating Revenues				
Student tuition and fees	$ 43,035,676	$ -	$ -	$ 43,035,676
Less sholarship allowance	20,540,279	-	-	20,540,279
Student tuition and fees, net	22,495,397	-	-	22,495,397
Federal grants and contracts	12,498,865	-	-	12,498,865
State and local grants and contracts	5,106,392	-	-	5,106,392
Auxiliary services revenues	4,434,440	-	-	4,434,440
Other operating revenues	4,246,856	-	-	4,246,856
Total operating revenues	48,781,950	-	-	48,781,950
Operating Expenses				
Salaries and wages	61,403,303	-	-	61,403,303
Fringe benefits	18,729,391	-	-	18,729,391
Supplies and other services	34,482,818	-	(5,759,465)	28,723,353
Utilities	3,463,183	-	-	3,463,183
Scholarships and fellowships	4,897,540	-	-	4,897,540
Depreciation	2,265,333	4,160,476	-	6,425,809
Total operating expenses	125,241,568	4,160,476	(5,759,465)	123,642,579
Operating loss	(76,459,618)	(4,160,476)	5,759,465	(74,860,629)
Non-operating Revenues (Expenses)				
Federal Pell Grant revenue	21,741,800	-	-	21,741,800
State appropriation	32,910,977	-	-	32,910,977
County property tax revenue	32,723,095	-	-	32,723,095
Investment income	602,029	(3,767)	-	598,262
Other non-operating revenue	2,480,748	5,759,465	(5,759,465)	2,480,748
Interest on debt related to capital assets	-	(2,005,422)	-	(2,005,422)
Total non-operating revenues, net	90,458,649	3,750,276	(5,759,465)	88,449,460
Change in Net Position	13,999,031	(410,200)	-	13,588,831
Net Position, Beginning of Year	58,265,257	30,717,059	-	88,982,316
Net Position, End of Year	$ 72,264,288	$ 30,306,859	$ -	$ 102,571,147

The Metropolitan Community College

Schedule of Revenues, Expenses and Changes in Fund Balances

Year Ended June 30, 2016

	Agency Fund	General Fund	Special Projects Fund	Business & Continuing Education Fund	Auxiliary Enterprises Fund	Student Aid Fund	Restricted Fund	Unexpended Plant Fund	Invested in Plant Fund	Total
Revenues										
Student tuition and fees, net	$ 240,756	$ 17,348,458	$ 2,175,346	$ 2,730,837	$ -	$ -	$ -	$ -	$ -	$ 22,495,397
State aid	-	32,910,977	-	-	-	-	-	-	-	32,910,977
Government grants and contracts	21,175	3,365,948	455,563	1,809,215	6,504	23,726,369	9,962,283	-	-	39,347,057
State and county taxes	-	32,723,095	-	-	-	-	-	-	-	32,723,095
Investment income	-	602,029	-	-	-	-	-	-	-	602,029
Other income	139,910	3,081,953	360,934	653,060	5,779,501	1,500	316,095	896,971	(67,880)	11,162,044
Total revenues	401,841	90,032,460	2,991,843	5,193,112	5,786,005	23,727,869	10,278,378	896,971	(67,880)	139,240,599
Expenses										
Instructional	634	38,044,776	1,261,063	3,164,369	-	-	932,705	-	-	43,403,547
Academic support	-	10,708,666	563,352	773,374	-	-	3,168,898	-	-	15,214,290
Student services	392,057	13,327,986	(5,171)	1,259	-	5,668	508,261	-	-	14,230,060
Plant operation and maintenance	-	11,756,418	115	-	852,974	-	-	6,695,106	-	19,304,613
Depreciation	-	-	-	-	53,177	-	-	-	2,212,156	2,265,333
Institutional support	-	18,408,821	-	558,572	-	-	-	3,180	-	18,970,573
Scholarships and fellowships	6,181	1,500,072	2,042	16,103	-	3,373,142	-	-	-	4,897,540
Public service	-	64	50,907	-	-	-	5,670,512	-	-	5,721,483
Interest expense	-	-	-	-	-	-	-	-	-	-
Auxiliary epenses	-	-	-	-	4,121,999	-	-	-	-	4,121,999
Total expenses	398,872	93,746,803	1,872,308	4,513,677	5,028,150	3,378,810	10,280,376	6,698,286	2,212,156	128,129,438
Revenues Over (Under) Expenses	2,969	(3,714,343)	1,119,535	679,435	757,855	20,349,059	(1,998)	(5,801,315)	(2,280,036)	11,111,161
Add: Capitalized expenses	-	1,916,113	-	-	-	-	25,044	946,713	-	2,887,870
Total before fund transfers	2,969	(1,798,230)	1,119,535	679,435	757,855	20,349,059	23,046	(4,854,602)	(2,280,036)	13,999,031
Total fund transfers	-	(18,652,989)	(1,119,534)	(679,434)	(1,207,855)	-	(23,045)	18,794,987	2,887,870	-
Increase (Decrease) in Fund Balance	2,969	(20,451,219)	1	1	(450,000)	20,349,059	1	13,940,385	607,834	13,999,031
Fund Balance, Beginning of Year	757,846	(1,965,884)	-	-	-	22,024,626	-	1,879,603	35,569,066	58,265,257
Fund Balance, End of Year	$ 760,815	$ (22,417,103)	$ 1	$ 1	$ (450,000)	$ 42,373,685	$ 1	$ 15,819,988	$ 36,176,900	$ 72,264,288

The Metropolitan Community College

Schedule of Revenues, Expenses and Changes in Fund Balances (Continued)

Year Ended June 30, 2016

	District	Building Corporation	Eliminations	Total
Revenues				
Student tuition and fees	$ 43,035,676	$ -	$ -	$ 43,035,676
Less sholarship allowance	20,540,279	-	-	20,540,279
Student tuition and fees, net	22,495,397	-	-	22,495,397
State aid	32,910,977	-	-	32,910,977
Government grants and contracts	39,347,057	-	-	39,347,057
State and county taxes	32,723,095	-	-	32,723,095
Investment income	602,029	(3,767)	-	598,262
Other income	11,162,044	5,759,465	(5,759,465)	11,162,044
Total revenues	139,240,599	5,755,698	(5,759,465)	139,236,832
Operating Expenses				
Instructional	43,403,547	-	-	43,403,547
Academic support	15,214,290	-	-	15,214,290
Student services	14,230,060	-	-	14,230,060
Plant operation and maintenance	19,304,613	-	(5,759,465)	13,545,148
Depreciation	2,265,333	4,160,476	-	6,425,809
Institutional support	18,970,573	-	-	18,970,573
Scholarships and fellowships	4,897,540	-	-	4,897,540
Public service	5,721,483	-	-	5,721,483
Interest expense	-	2,005,422	-	2,005,422
Auxiliary expense	4,121,999	-	-	4,121,999
Total operating expenses	128,129,438	6,165,898	(5,759,465)	128,535,871
Revenues (over) under expenditures	11,111,161	(410,200)	-	10,700,961
Add: Capitalized expenses	2,887,870	-	-	2,887,870
Net Increase (Decrease) in Fund Balance	13,999,031	(410,200)	-	13,588,831
Fund Balance, Beginning of Year	58,265,257	30,717,059	-	88,982,316
Fund Balance, End of Year	$ 72,264,288	$ 30,306,859	$ -	$ 102,571,147

The Metropolitan Community College

Schedule of Expenses by Functional and Natural Classification

Year Ended June 30, 2016

Functional Expense Classification

	Natural Expense Classification							
	Salaries and wages	Fringe benefits	Supplies and other services	Utilities	Scholarships and fellowships	Depreciation	Interest Expense	Total Expenses by Functional Classification (Fund Report)
Type of expense								
Instructional	$ 29,450,598	$ 8,301,151	$ 5,651,148	$ 651	$ -	$ -	$ -	$ 43,403,548
Academic support	8,149,540	2,824,292	4,172,967	67,491	-	-	-	15,214,290
Student services	9,171,651	3,408,146	1,650,264	-	-	-	-	14,230,061
Plant operation and maintenance	3,069,856	1,369,317	6,188,863	2,917,110	-	-	-	13,545,146
Institutional support	9,982,727	2,395,159	6,114,756	477,931	-	-	-	18,970,573
Public service	457,820	125,701	5,137,962	-	-	-	-	5,721,483
Auxiliary expense	1,121,111	305,625	2,695,263	-	-	-	-	4,121,999
Scholarships and fellowships		-	-	-	4,897,540	-	-	4,897,540
Depreciation	-	-	-	-	-	6,425,809	-	6,425,809
Interest expense	-	-	-	-	-	-	2,005,422	2,005,422
Total expenses	61,403,303	18,729,391	31,611,223	3,463,183	4,897,540	6,425,809	2,005,422	128,535,871
Less: Capitalized expenses	-	-	(2,887,870)	-	-	-	-	(2,887,870)
Total expenses by natural classification (GASB Report)	$ 61,403,303	$ 18,729,391	$ 28,723,353	$ 3,463,183	$ 4,897,540	$ 6,425,809	$ 2,005,422	$ 125,648,001

The Metropolitan Community College

Schedule of Fund Transfers From/(To)

Year Ended June 30, 2016

	Operational				Restricted Funds		Plant Funds		
	General	Special Projects	IWI	Auxiliary	Student Aid	Restricted	Unexpended Plant	Invested in Plant	Total
Fund Transfers									
Transfer for capitalized equipment	$ 1,916,113	$ -	$ -	$ -	$ -	$ 25,044	$ 946,713	$ (2,887,870)	$ -
Transfer to cover net bond payment	5,759,465	-	-	-	-	-	(5,759,465)	-	-
Transfer for annual loan payment on Baseball Facility	56,015	-	-	-	-	-	(56,015)	-	-
Transfer for designated maintenance projects	1,500,000	-	-	-	-	-	(1,500,000)	-	-
Transfer for designated IT projects	500,000	-	-	-	-	-	(500,000)	-	-
Transfer annual fund close-out	(3,004,824)	1,119,534	679,434	1,207,855	-	(1,999)	-	-	-
Transfer to match financial plan	11,926,220	-	-	-	-	-	(11,926,220)	-	-
Net fund transfers	$ 18,652,989	$ 1,119,534	$ 679,434	$ 1,207,855	$ -	$ 23,045	$ (18,794,987)	$ (2,887,870)	$ -

Funds statements are still used to manage the colleges and for external reporting to various agencies and have been included in the "Other Supplementary Information" section of the accompanying report for informational purposes. The main difference between the Colleges' primary audited financial statements and the funds statement presentations is the treatment of scholarship aid used for tuition and fees. The primary statements per GASB 35 require such aid to be offset against tuition and fees, whereas the funds statements reflect gross tuition and fees and scholarship aid.

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

The assets, liabilities and fund balances of the Colleges are reported in two self-balancing fund groups as follows:

Current Funds include two separate fund groups, unrestricted and restricted, both of which are currently expendable for purposes of meeting the primary objectives of the Colleges, *i.e.*, instruction, public service and related supporting services. The unrestricted funds group, over which the College's governing board retains full control to use in achieving any of its institutional purposes, includes the operational (general, business/continuing education and special projects), auxiliary enterprise and agency funds. The general fund is used for all operational-type charges that are not covered by the following two categories. The business/continuing education fund is utilized to account for contracted instructional activities with the business community and most other noncredit instruction. The special projects fund is used to account for programs which have been internally designated by the College's governing board as pilot projects or require special accountability. Resources restricted by donors or other outside agencies for specific current operating purposes are accounted for in the restricted funds group, which includes the restricted and student aid funds.

Plant Funds include resources available for future plant acquisitions, renewals and replacements, resources restricted for the retirement of indebtedness and funds which have been invested in the plant. These funds are broken into two separate sections: **Plant Funds** and **Building Corporation** plant funds.

Compliance

The Metropolitan Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education/Federal Supplemental Education Opportunity Grants	84.007	N/A	$ -	$ 515,679
U.S. Department of Education/Federal Direct Loans	84.268	N/A	-	11,284,928
U.S. Department of Education/Federal Work Study Program	84.033	N/A	-	365,108
U.S. Department of Education/Federal Pell Grant	84.063	N/A	-	21,778,410
U.S. Department of Health and Human Services/Health Resources & Services Administration/ Scholarships for Disadvantaged Students	93.925	N/A	-	613,627
Total Student Financial Aid Cluster			-	34,557,752
U.S. Department of Education/Education Opportunity Center	84.066	N/A	-	461,151
U.S. Department of Education/Student Support Services	84.042	N/A	-	311,328
U.S. Department of Education/Upward Bound	84.047	N/A	-	234,198
Total Trio Cluster			-	1,006,677
U.S. Department of Education/Title III - Higher Education - Institutional Aid	84.031	N/A	-	934,780
U.S. Department of Education/Title III - Higher Education - Institutional Aid	84.031	N/A	-	1,866,329
Total Title III - Higher Education - Institutional Aid Grant			-	2,801,109
U.S. Department of Education/Missouri Department of Elementary & Secondary Education/Carl D. Perkins Vocational Programs	84.048	N/A	-	816,788
U.S. Department of Labor/Trade Adjustment Assistance Community College & Career Training Missouri Manufacturing	17.282	N/A	-	402,311
U.S. Department of Labor/Trade Adjustment Assistance Community College & Career Training Missouri STEM	17.282	N/A	3,646,679	4,834,345
Total Trade Adjustment Assistance Community College & Career Training Grants			3,646,679	5,236,656
U.S. Department of Labor/H-1B Technical Skills Training Grants	17.268	N/A	790,442	805,528
U.S. Department of Health and Human Services/Behavorial Health Workforce Education & Training for Professionals & Paraprofessionals	93.243	N/A	-	225,150
U.S. Department of Health and Human Services/Missouri Department of Elementary & Secondary Education/CDA Enhancement	93.575	N/A	-	13,852
U.S. Department of Health and Human Services/Missouri Department of Health & Senior Services/Community Health Worker Diabetes	93.945	AOC16380055	-	27,702
U.S. Department of Health and Human Services/University of Missouri- Kansas City/Kansas City Health Tracks	93.137	0000066198-00050918	-	28,712
Total			$ 4,437,121	$ 45,519,926

The Metropolitan Community College

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Metropolitan Community College under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Metropolitan Community College, it is not intended to and does not present the financial position, changes in net position or cash flows of The Metropolitan Community College.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Cost Circular A-110 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Metropolitan Community College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

BKD LLP
CPAs & Advisors

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of The Junior College District of Metropolitan Kansas City, Missouri's (d/b/a The Metropolitan Community College the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 10, 2016, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principles. The financial statements of The Metropolitan Community College Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College'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 the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Kansas City, Missouri
November 10, 2016

BKD LLP
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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

Report on Compliance for Each Major Federal Program

We have audited The Junior College District of Metropolitan Kansas City, Missouri's (d/b/a The Metropolitan Community College the "College") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we 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 the College's compliance.

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in item 2016-001 in the accompanying schedule of findings and questioned costs, the College did not comply with the requirements regarding special tests and provision related to enrollment reporting for its Student Financial Assistance Cluster. Compliance with such requirements is necessary, in our opinion, for the College to comply with requirements applicable to that cluster.

Qualified Opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Student Financial Assistance Cluster for the year ended June 30, 2016.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

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

Report on Internal Control Over Compliance

Management of the 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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

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

BKD, LLP

Kansas City, Missouri
November 10, 2016

The Metropolitan Community College

Schedule of Findings and Questions Costs

Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☒ Yes ☐ No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:

   Student Financial Assistance Cluster

   ☐ Unmodified ☒ Qualified ☐ Adverse ☐ Disclaimer

   Trade Adjustment Assistance Community College and Career Training Grants

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

The Metropolitan Community College

Schedule of Findings and Questions Costs (Continued)

Year Ended June 30, 2016

7. The College's major programs were:

Name of Federal Program	CFDA Number
Student Finanical Assistance Cluster	
U.S. Department of Education/Federal Supplemental Educations Opportunity Grants	84.007
U.S. Department of Education/Federal Direct Loans	84.268
U.S. Department of Education/Federal Work Study Program	84.033
U.S. Department of Education/Federal Pell Grant	84.063
U.S. Department of Health and Human Services/Health Resources & Services Administration/ Scholarships for Disadvantaged Students	93.925
U.S. Department of Labor/Trade Adjustment Assistance Community College & Career Training Grants	17.282

8. The threshold used to distinguish between Type A and Type B programs was $1,365,598.

9. The College qualified as a low-risk auditee? ☒ Yes ☐ No

The Metropolitan Community College

Schedule of Findings and Questions Costs (Continued)

Year Ended June 30, 2016

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

The Metropolitan Community College
Schedule of Findings and Questions Costs (Continued)
Year Ended June 30, 2016

Findings Required to be Reported by Uniform Guidance

Reference Number	Findings
2016-001	**Student Financial Aid Cluster**

Student Financial Aid Cluster
U.S. Department of Education
Federal Direct Loan Program (FDL) (CFDA No. 84.268)
Federal Supplemental Educations Opportunity Grants (CFDA No. 84.007)
Federal Work Study Program (CFDA No. 84.033)
Federal Pell Grant (CFDA No. 84.063)
U.S. Department of Health and Human Services
Scholarships for Disadvantaged Students (CFDA No. 93.925)

Criteria or Specific Requirement - Special Tests and Provisions, 34 CFR 685.309 and 34 CFR 690.83(b)(2)

Condition - The College did not ensure accurate notification to the National Student Loan Data System (NSLDS) of student status changes.

Questioned Costs - None

Context - Out of a population of 6,485 student enrollment status changes requiring notification, a sample of 28 students were selected for testing. Out of the 28 students selected for testing, four changes in status were not reported accurately to the NSLDS. In each of these instances, effective date of the change in student status did not agree between the College's records and what was reported to the NSLDS. The sample was not a statistically valid sample.

Effect - NSLDS was not notified accurately of student enrollment status changes.

Cause - During the 2015-2016 academic award year, the College discovered an error in the program code used to generate the electronic submission of enrollment status change data to the National Student Clearinghouse (NSC) which then submits data to the NSLDS. This error was the result of an unintentional change to the programming code which resulted in the four student status change dates being incorrectly captured.

Identification as a Repeat Finding - Not applicable

Recommendation - The College should implement procedures to ensure all student status changes are reported to the NSLDS in a timely and accurate manner.

Views of Responsible Officials and Planned Corrective Actions - Upon discovery of the program code error, steps were taken to change the process of using an in-house program to generate the elctronic submission of the enrollment status data to send to NSC. Beginning wi the Summer 2016 semester, The Metropolitan Community College began using PeopleSoft delive functionality to generate the enrollment status report. Utilizing delivered functionality will eliminate the need to make programming code changes in-house. The enrollment services team generates the report and submits it to NSC. As an internal control, they have implemented a data validation process to verify accuracy of enrollment information for studetns prior to report generation and submission.

The Metropolitan Community College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
2015-001	**Student Financial Aid Cluster - Refunds of Federal Awards**	Resolved

Condition - During testing, the NSLDS "SCHER1" report was reviewed as part of NSLDS special testing. It was noted that errors were not being re-submitted within the 10-day time period.

Criteria - Per the NSLDS Enrollment Reporting Guide (July 2014) Section 6.1.1 Reporting Schedules, if the response is provided by a batch response file, NSLDS will process the file and return an Error/Acknowledgement file. Any error must be corrected and submitted within 10 days of receiving the file Clearinghouse submissions finding related to failure to comply with the requirement to have error responses filed and accepted within the 10-day time frame. The Clearinghouse was audited and received a finding for not properly submitting the error reports to NSLDS, thus anyone utilizing the Clearinghouse will have the error report finding.

Questioned Costs - Not applicable

Effect - The status of certain students with loans may not be properly updated in the NSLDS system. Per 34 CFR 685.309 (Administrative and fiscal control requirements for participating schools regulations), the College is responsible for providing accurate and timely enrollment data as this data determines whether a student with a loan should enter the grace period and when eventual repayment begins.

The Metropolitan Community College
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
2015-002	**Student Financial Aid Cluster - Refunds of Federal Awards**	Resolved

Condition - During testing, inquiry was made of the College and it was determined that the College did not accurately complete the Return of Title IV calculation for students that withdrew before the Census date.

Criteria - According to 34 CFR 668.22, institutions are required to complete accurate return to Title IV calculations as defined in the regulations. A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a return calculation using the number of days the student attended.

Questioned Costs - Unknown

Effect - The return of Title IV calculation determines the amount of federal financial assistance that the student is entitled is based on the number of days they completed in the period. Due to no procedure in place to certify if the student attended classes, there may be errors in the Return of Title IV calculations.

The Metropolitan Community College
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
2015-003	**Student Financial Aid Cluster - Refunds of Federal Awards**	Resolved

Condition - Of the 40 students tested, there were seven students that did not have their credits returned timely, within the 14 days after the first day of class or a payment period if the credit balance occurred on or before the first day of class of that payment period.

Criteria - According to 34 CFR 668.164, whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Questioned Costs - Not applicable

Effect - Students are not receiving their credit balances within the regulatory required 14 days.