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**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**EAST MISSISSIPPI COMMUNITY COLLEGE  
INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

To Dr. Rick Young, President  
and Board of Trustees  
East Mississippi Community College  
Scooba, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of East Mississippi Community College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise East Mississippi Community College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of East Mississippi Community College, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of East Mississippi Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 East Mississippi Community College's internal control over financial reporting and compliance.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

**EAST MISSISSIPPI COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2014

This section of East Mississippi Community College's annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2014. This discussion, along with the financial statements and related footnote disclosures, have been prepared by management and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. Two years of financial data are presented. The financial statements, footnotes, and this discussion are the responsibility of management.

**Using the Annual Report**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements differ significantly, in both form and the accounting principles used, from financial statements presented prior to fiscal year 2003. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. The College's net position (the difference between assets and liabilities) is one indicator of the College's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies State appropriations and gifts as non-operating revenues. The College's dependency on State aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

## Management's Discussion and Analysis (continued)

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

### Condensed Statements of Net Position

	June 30, 2014		June 30, 2013	
	Amount	Percent	Amount	Percent
<b>ASSETS</b>				
Current Assets	\$21,968,148	28.64%	\$23,628,240	37.27%
Noncurrent Assets:				
Capital, net	40,275,463	52.51%	39,568,596	62.41%
Other	14,462,172	18.85%	203,413	0.32%
<b>Total assets</b>	<b>\$76,705,783</b>	<b>100.00%</b>	<b>\$63,400,249</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
Current Liabilities	\$ 3,484,740	20.03%	\$ 3,754,271	98.99%
Noncurrent Liabilities	13,917,036	79.97%	38,185	1.01%
<b>Total liabilities</b>	<b>\$17,401,776</b>	<b>100.00%</b>	<b>\$ 3,792,456</b>	<b>100.00%</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$40,275,463	67.91%	\$39,568,596	66.38%
Restricted:				
Nonexpendable	234,313	0.40%	214,293	0.36%
Expendable	5,631,514	9.50%	5,358,694	8.99%
Unrestricted	13,162,717	22.19%	14,466,210	24.27%
<b>Total net position</b>	<b>\$59,304,007</b>	<b>100.00%</b>	<b>\$59,607,793</b>	<b>100.00%</b>

## **Management's Discussion and Analysis (continued)**

### **ASSETS**

#### Current Assets

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$17,926,809 at June 30, 2014, and \$18,555,876 at June 30, 2013.

##### Accounts Receivable

Accounts receivable relates to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenue. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$2,902,756 at June 30, 2014, and \$3,919,163 at June 30, 2013.

##### Prepaid Expense

The College had prepaid expense in the amount of \$271,099 for June 30, 2014, and \$-0- for June 30, 2013.

##### Inventories

The College maintains inventories of merchandise for resale to students and the public. This inventory is made up of books, student supplies, institutional memorabilia, golf apparel, supplies and food. Inventories totaled \$867,484 at June 30, 2014, and \$1,153,201 at June 30, 2013.

#### Non-current Assets

##### Cash and Cash Equivalents

Cash and cash equivalents are those funds that are on deposit in the College's bank accounts. The cash and cash equivalents that are considered noncurrent are cash in endowment funds and cash from bond issue for capital projects. The amount of cash and cash equivalents considered noncurrent totaled \$14,374,396 which includes \$143,182 in endowment funds and \$14,231,214 for capital projects at June 30, 2014, and \$117,847 which includes \$117,847 in endowment funds and \$-0- for capital projects at June 30, 2013.

##### Other Investments

Other long-term investments include certificates of deposit and marketable securities. These investments are recorded at fair market value. The fair market value was \$87,776 at June 30, 2014, and \$85,566 at June 30, 2013.

## **Management's Discussion and Analysis (continued)**

### Capital Assets, Net

Capital assets, net, consists of land, infrastructure, buildings, equipment, and library holdings. The amount reported is net of accumulated depreciation. Capital assets, net, totaled \$40,275,463 at June 30, 2014, and \$39,568,596 at June 30, 2013.

## **LIABILITIES**

### Current Liabilities

#### Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2014 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,064,487 at June 30, 2014, and \$2,764,583 at June 30, 2013.

#### Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year, but not earned until the next fiscal year. The unearned revenue totaled \$930,253 at June 30, 2014, and \$989,688 at June 30, 2013.

#### Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of bonds payable due within the next fiscal year. The amount of the current portion was \$490,000 at June 30, 2014, and \$-0- at June 30, 2013.

#### Noncurrent Liabilities

##### Deposits refundable

This liability consists of refundable housing deposits. The refundable deposits were \$48,245 at June 30, 2014, and \$38,185 at June 30, 2013.

##### Long-term Liabilities

Long-term liabilities consist of bonds payable that are due beyond the next fiscal year. The long-term liabilities were \$13,715,000 at June 30, 2014, and \$-0- at June 30, 2013.

##### Bond premium

The bond premium associated with the bonds payable has been capitalized and the amount will be amortized over 20 years. The bond premium was \$153,791 at June 30, 2014, and \$-0- at June 30, 2013.

## Management's Discussion and Analysis (continued)

### NET POSITION

Net position represents the difference between the College's assets and liabilities. Total net position was \$59,304,007 at June 30, 2014, and \$59,607,793 at June 30, 2013.

#### Analysis of Net Position

Restricted non-expendable net position consists of endowment gifts with restrictions on spending the principal given and an unemployment fund reserve.

Restricted expendable net position consists of a debt service fund, balances in the Enlargement and Improvement tax fund, and balances dedicated for the Center for Manufacturing Technology Excellence.

The following is a breakdown of the restricted net position:

	June 30, 2014 Amount	June 30, 2013 Amount
Endowment funds	\$ 162,776	\$ 143,222
Unemployment reserve	71,537	71,071
Restricted for capital projects	1,382,696	1,326,927
Debt service funds	1,412,066	706,546
Other	180,495	51,226
Center for manufacturing technology	<u>2,656,257</u>	<u>3,273,995</u>
Total restricted net position	<u>\$ 5,865,827</u>	<u>\$ 5,572,987</u>

Unrestricted Net Position represents those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities.

The following is a breakdown of the unrestricted net position:

	June 30, 2014 Amount	June 30, 2013 Amount
Unrestricted general fund	\$ 4,638,386	\$ 6,653,499
Unrestricted auxiliary fund	8,276,550	7,570,379
Other unrestricted funds	<u>247,781</u>	<u>242,332</u>
Total unrestricted net position	<u>\$ 13,162,717</u>	<u>\$ 14,466,210</u>

**Management's Discussion and Analysis (continued)**

**Condensed Statement of Revenues, Expenses and Changes in Net Position**  
For the Year Ended June 30, 2014

	June 30, 2014	June 30, 2013
	<u>Amount</u>	<u>Amount</u>
<b>Operating revenues:</b>		
Tuition and fees	\$ 9,025,907	\$ 9,794,645
Grants and contracts	18,129,813	19,873,556
Auxiliary enterprises	5,664,243	5,149,308
Other operating revenues	<u>522,640</u>	<u>437,945</u>
Total operating revenues	<u>\$ 33,342,603</u>	<u>\$ 35,255,454</u>
Operating expenses	<u>\$ 52,245,126</u>	<u>\$ 53,498,400</u>
Operating loss	<u>\$(18,902,523)</u>	<u>\$(18,242,946)</u>
<b>Non-operating revenues (expenses):</b>		
State appropriations	\$ 14,018,424	\$ 13,430,653
County appropriations	3,511,827	2,840,825
Investment income, net	103,518	85,297
Other non-operating expenses	<u>(164,279)</u>	<u>(2,944)</u>
Net non-operating revenues	<u>\$ 17,469,490</u>	<u>\$ 16,353,831</u>
Loss before other items	<u>\$ (1,433,033)</u>	<u>\$ (1,889,115)</u>
Capital appropriations	\$ 1,111,747	\$ 631,716
Capital grants	<u>17,500</u>	<u>137,056</u>
Total other revenues	<u>\$ 1,129,247</u>	<u>\$ 768,772</u>
Total decrease in net position	<u>\$ (303,786)</u>	<u>\$ (1,120,343)</u>
Net position		
Net position at beginning of year	<u>\$ 59,607,793</u>	<u>\$ 60,728,136</u>
Net position at end of year	<u>\$ 59,304,007</u>	<u>\$ 59,607,793</u>

Total operating loss was \$18,902,523 for fiscal year 2014 and \$18,242,946 for fiscal year 2013. Since neither the State of Mississippi appropriation nor the appropriations from within the college district are included within operating revenue per GASB No. 35, the College shows an operating loss each year.

## Management's Discussion and Analysis (continued)

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2014 were \$33,342,603 and \$35,255,454 for 2013. Tuition and fees were \$9,025,907 for 2014 and \$9,794,645 for 2013. This is net of the tuition discount, which was \$3,433,811 in 2014 and \$2,947,159 in 2013. Operating expenses, including depreciation of \$1,848,626, totaled \$52,245,126 for year 2014. Of the 2014 total, \$15,565,921 or 30% was for instruction. Operating expenses, including depreciation of \$1,795,675 totaled \$53,498,400 for 2013. Of the 2013 total \$15,688,992 or 29% was for instruction.

### REVENUES

#### Operating Revenues

##### Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was \$9,025,907 for 2014. The tuition discount for the 2014 fiscal year was \$3,433,811. The net total was \$9,794,645 for 2013. The tuition discount for the 2013 fiscal year was \$2,947,159.

##### Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when eligibility criteria have been met.

The following table contains details of the College's grant and contract awards for the fiscal years ended June 30, 2014 and June 30, 2013:

	<u>June 30, 2014</u> Amount	<u>June 30, 2013</u> Amount
Federal sources:		
Department of Education	\$ 15,524,835	\$ 17,111,608
State sources:		
State Board for Community & Junior Colleges	2,373,340	2,396,237
Other sources	<u>231,638</u>	<u>365,711</u>
Total all sources	<u>\$ 18,129,813</u>	<u>\$ 19,873,556</u>

## Management's Discussion and Analysis (continued)

### Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$118,937 for the 2014 fiscal year and \$106,479 for the 2013 fiscal year.

### Sales and Services from Auxiliary Services, Net

Sales and services from Auxiliary Services, net, consists of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting.

Auxiliary enterprises at June 30, 2014, include the College's bookstore in the amount of \$2,816,350, student housing in the amount of \$1,635,321, and the golf course and club in the amount of \$1,212,572. Auxiliary enterprises at June 30, 2013 include the College's bookstore in the amount of \$3,108,211, student housing in the amount of \$1,617,647 and the golf course and club in the amount of \$423,450.

### Operating Expenses

Operating expenses for fiscal year 2014, totaling \$52,245,126, include salaries and benefits of \$23,936,995, scholarships and fellowships of \$12,184,595, utilities of \$1,547,538, services of \$5,545,743, supplies of \$6,803,787, travel of \$377,842, and depreciation of \$1,848,626. Operating expenses for fiscal year 2013, totaling \$53,498,400 included salaries and benefits of \$22,757,699, scholarships and fellowships of \$14,012,897, utilities of \$1,429,534, services of \$5,959,604, supplies of \$7,275,314, travel of \$267,677, and depreciation of \$1,795,675.

	June 30, 2014 Amount	June 30, 2013 Amount
Expenses by functions:		
Instruction	\$ 15,565,921	\$ 15,688,992
Academic support	396,790	425,096
Student services	4,965,006	4,574,935
Institutional support	5,951,446	5,873,788
Operations and maintenance of plant	4,991,714	5,257,190
Student financial aid	12,184,595	14,012,897
Auxiliary enterprises	6,341,028	5,869,827
Depreciation	1,848,626	1,795,675
Total operating expenses by function	<u>\$ 52,245,126</u>	<u>\$ 53,498,400</u>

## **Management's Discussion and Analysis (continued)**

### Non-operating Revenues (Expenses)

#### State Aid

The College received \$14,018,424 for 2013-2014 fiscal year, of which \$13,868,424 was used for operations, and \$150,000 was earmarked for the Center for Manufacturing Technology Excellence. The College received \$13,430,653 for 2012-2013 fiscal year, of which \$13,280,653 was used for operations, and \$150,000 was earmarked for the Center for Manufacturing Technology Excellence. The College's largest source of non-operating revenue is the State of Mississippi appropriation.

#### County Appropriations

The College also receives revenue from the six counties that comprise the college district. The College uses the maintenance levy for operational purposes, including salaries and benefits. The enlargement and improvement levy is accounted for in the College's plant fund. Also, the College receives a special levy dedicated for debt service. The appropriation is received monthly, beginning in July of each year, since the fiscal year begins July 1. The College received \$1,830,448 for maintenance funds and \$1,681,379 for plant funds and debt service for the 2014 fiscal year from the counties. The College received \$1,679,968 for maintenance funds and \$1,160,857 for plant funds and debt service for the 2013 fiscal year from the counties. This appropriation was fully recorded by the College during the fiscal year.

#### Investment Income, Net

This includes the interest income from the cash in the College's bank accounts, and the unrealized gains and losses on the investment held with an outside agency. The investment income for the year ended June 30, 2014 was \$103,518. The investment income for the year ended June 30, 2013 was \$85,297.

#### Other Non-Operating Expenses

This consists of a loss on the sale of fixed assets of \$8,024 and bond issuance costs of \$156,255 for the year ended June 30, 2014 and a loss on the sale of fixed assets of \$2,944 for the year ended June 30, 2013.

#### Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The Statement of Cash Flows also helps users assess:

- The ability to generate future net cash flows,
- The ability to meet obligations as they come due, and
- A need for external financing.

**Management's Discussion and Analysis** (continued)

**Condensed Statement of Cash Flows (Direct Method)**

For the Fiscal Year Ended June 30, 2014

	June 30, 2014	June 30, 2013
	<u>Amount</u>	<u>Amount</u>
Cash and cash equivalents provided by (used in):		
Operating activities	\$ (16,565,102)	\$ (14,120,333)
Non-capital financing activities	17,266,814	15,817,676
Capital and related financing activities	12,824,459	(2,506,188)
Investing activities	<u>101,311</u>	<u>84,029</u>
Net decrease in cash and cash equivalents	\$ 13,627,482	\$ (724,816)
Cash and cash equivalents - beginning of the year	<u>18,673,723</u>	<u>19,398,539</u>
Cash and cash equivalents - end of the year	<u>\$ 32,301,205</u>	<u>\$ 18,673,723</u>

In fiscal year 2014, the major sources of funds included in operating activities were: student tuition and fees, \$8,891,256; auxiliary enterprises, \$5,952,217; and grants and contracts, \$18,783,886. The major uses of funds were payments made to employees of \$23,845,723, scholarships and fellowships of \$12,184,595, and payments to suppliers of \$13,171,969.

In fiscal year 2013, the major sources of funds included in operating activities were: student tuition and fees, \$10,039,297; auxiliary enterprises, \$5,106,682; and grants and contracts, \$21,043,331. The major uses of funds were payments made to employees of \$22,434,552, scholarships and fellowships of \$14,012,897 and payments to suppliers of \$12,870,528.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was \$14,207,760 in fiscal year 2014 and \$13,387,645 in fiscal year 2013.

Significant Capital Asset Transactions

East Mississippi Community College is committed to a long-range capital projects program. The renovations to the Davis Building and the Band Hall on the Scooba Campus and the renovations to the Classroom Building and the Irrigation System at Lion Hills were all completed in 2014. The Coliseum addition on the Scooba Campus was also completed in 2014. These were all funded with unrestricted net position. The Warren Hall renovation on the Scooba Campus was completed soon after the 2014 year end. The Warren Hall renovation was funded with state bond funds, Bureau of Building discretionary funds and Capital Expense Funds. Also completed from State Funds is roofing projects on the Scooba Campus to the Hawkins Vo-Tech Building. Ground breaking for the construction of the Student Union Building on the Golden Triangle Campus was June 2014. The Student Union project is being funded by local bond issue funds of \$14,200,000 and state funds in the amount of \$2,404,567.

## **Management's Discussion and Analysis (continued)**

### Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2014 financial situation. The level of State support, utility cost increases, and supply cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The college did increase full time tuition cost by 7% (or \$75 per semester) in 2014. State appropriations contribute approximately twenty-eight percent of general operations' revenue. The level of State support is, therefore, one of the key factors influencing the College's financial condition.

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the College in the years to come.

Various committees and individuals are assessing the College's performance toward identified goals and ways to achieve greater efficiencies and control expenditures in an effort to assist in meeting the future challenges.

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**BASIC FINANCIAL STATEMENTS**

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF NET POSITION**

June 30, 2014

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

**Current Assets:**

Cash and cash equivalents	\$ 17,926,809
Accounts receivables, net	2,902,756
Prepaid expense	271,099
Inventories	<u>867,484</u>

**Total current assets** \$ 21,968,148

**Noncurrent Assets:**

Restricted cash and cash equivalents	\$ 14,374,396
Other long-term investments	87,776
Capital assets, net of accumulated depreciation	<u>40,275,463</u>

**Total noncurrent assets** \$ 54,737,635

**Total assets** \$ 76,705,783

## LIABILITIES

### Current Liabilities:

Accounts payable and accrued liabilities	\$ 2,064,487
Unearned revenues	930,253
Current portion of long-term liabilities	<u>490,000</u>

**Total current liabilities** \$ 3,484,740

### Noncurrent Liabilities:

Deposits refundable (housing)	\$ 48,245
Long-term liabilities	13,715,000
Bond premium, net of amortization	<u>153,791</u>

**Total noncurrent liabilities** \$ 13,917,036

**Total liabilities** \$ 17,401,776

## NET POSITION

Net Investment in Capital Assets \$ 40,275,463

### Restricted for:

#### Nonexpendable:

Endowment funds	\$ 162,776
Unemployment fund	71,537

#### Expendable:

Capital projects	1,382,696
Debt service	1,412,066
Other	180,495
CMTE funds	2,656,257

Unrestricted \$ 13,162,717

**Total net position** \$ 59,304,007

**Total liabilities and net position** \$ 76,705,783

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2014

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2014

**Operating Revenues**

Tuition and fees (net of scholarship allowances of \$3,433,811)	\$ 9,025,907
Federal grants and contracts	15,524,835
State grants and contracts	2,373,340
Nongovernmental grants and contracts	231,638
Sales and services of educational departments	118,937
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of \$622,140)	1,635,321
Bookstore (net of scholarship allowances of \$1,071,452)	2,816,350
Golf course and club	1,212,572
Other operating revenues	<u>403,703</u>
Total operating revenues	<u>\$ 33,342,603</u>

**Operating Expenses**

Salaries and wages	\$ 18,498,062
Fringe benefits	5,438,933
Travel	377,842
Contractual services	5,545,743
Utilities	1,547,538
Scholarships and fellowships	12,184,595
Commodities	6,803,787
Depreciation expense	<u>1,848,626</u>
Total operating expenses	<u>\$ 52,245,126</u>
Operating loss	<u>\$ (18,902,523)</u>

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

(continued)

For the Year Ended June 30, 2014

**Nonoperating Revenues (Expenses)**

State appropriations	\$ 14,018,424
Local appropriations	3,511,827
Investment income	103,518
Other nonoperating expenses	<u>(164,279)</u>
Total net nonoperating revenues	<u>\$ 17,469,490</u>
Loss before other revenues, expenses, gains and losses	\$ (1,433,033)
Capital grants and gifts	17,500
State appropriations restricted for capital purposes	<u>1,111,747</u>
Change in net position	<u>\$ (303,786)</u>

**Net Position**

Net position - beginning of year	<u>\$ 59,607,793</u>
Net position - end of year	<u>\$ 59,304,007</u>

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2014

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2014

**Cash Flows from Operating Activities**

Tuition and fees	\$ 8,891,256
Grants and contracts	18,783,886
Sales and services of educational departments	118,937
Payments to suppliers	(13,171,969)
Payments to employees for salaries and benefits	(23,845,723)
Payments for utilities	(1,512,814)
Payments for scholarships and fellowships	(12,184,595)
Auxiliary enterprise charges:	
Student housing and food service	1,645,381
Bookstore	3,093,891
Golf course and club	1,212,945
Other receipts	<u>403,703</u>
Net cash used in operating activities	<u>\$ (16,565,102)</u>

**Cash Flows from Noncapital Financing Activities**

State appropriations	\$ 14,207,760
County appropriations	<u>3,059,054</u>
Net cash provided by noncapital financing activities	<u>\$ 17,266,814</u>

**Cash Flows from Capital and Related Financing Activities**

Cash paid for capital assets	\$ (2,656,759)
Capital appropriations received	1,534,817
Proceeds from bonds payable	14,200,000
Prepaid interest on bonds payable	(271,099)
Capital grants and contracts received	<u>17,500</u>
Net cash provided by capital and related financing activities	<u>\$ 12,824,459</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**

(continued)

For the Year Ended June 30, 2014

**Cash Flows from Investing Activities**

Interest received on investments	\$ 103,521
Purchase of investment	<u>(2,210)</u>

Net cash provided by investing activities	<u>\$ 101,311</u>
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Net increase in cash and cash equivalents	\$ 13,627,482
---	---------------

<b>Cash and cash equivalents - beginning of the year</b>	<u>18,673,723</u>
--	-------------------

<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 32,301,205</u></u>
--	-----------------------------

Reconciliation of operating loss to net cash  
used in operating activities:

Operating loss	\$ (18,902,523)
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Adjustments to reconcile loss to net cash  
used in operating activities:

Depreciation expense	1,848,626
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Changes in assets and liabilities:

Receivables, net	856,771
------------------	---------

Inventories	285,717
-------------	---------

Accounts payables and accrued liabilities	(604,318)
---	-----------

Unearned revenues	(59,435)
-------------------	----------

Deposits refundable	<u>10,060</u>
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Net cash used in operating activities	<u><u>\$ (16,565,102)</u></u>
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See Accompanying Notes to Financial Statements.

## EAST MISSISSIPPI COMMUNITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

#### Note 1. Summary of Significant Accounting Policies

##### Reporting entity

The financial statements presented are for East Mississippi Community College (the College), which is a state and locally supported institution of higher learning. Included within the community college system are the main campus located at Scooba, the Golden Triangle campus located at Mayhew and the centers located at Columbus Air Force Base and Meridian Naval Air Station and West Point.

##### Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and – Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management’s Discussion and Analysis of Public College and Universities, issued in June and November, 1999, respectively. The College now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College’s financial activities.

##### Basis of accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

##### Cash equivalents

For the purpose of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

##### Investments

The College accounts for their investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

**Note 1. Summary of Significant Accounting Policies (continued)**

Accounts receivable, net

Accounts receivable consists of tuition and fee charges to students. Accounts receivable also includes amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts. Accounts receivable is recorded net of an allowance for doubtful accounts.

Inventories

Inventories consist of books and supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (FIFO) basis.

Non-current cash and investments

Cash and investments that are restricted for endowment fund purposes and for the unemployment reserve are classified as non-current assets in the statement of net position.

Capital assets

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense incurred. Depreciation is computed using the straight line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred.

Unearned revenues

Unearned revenues include amounts received for tuition, fees and memberships prior to the end of the fiscal year but relate to the subsequent accounting period.

Accrued leave

Full-time staff employees and certain faculty and administrators earn twelve days vacation per year. The College does not provide for the accumulation or payment of sick leave or vacation beyond one fiscal year; therefore, no liability has been accrued in the financial statements.

**Note 1. Summary of Significant Accounting Policies (continued)**

Classification of Revenues

The College has classified its 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, net of scholarship discounts and allowances (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) federal, state and local grants and contracts and federal appropriations.

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

Scholarship discounts and allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, is accounted for as a third party payment (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 revenues. 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. Under the alternative method, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Net Position

GASB Statement No. 63 reports equity as "Net Position" rather than "Fund Balance." Net Position is classified according to external donor restrictions or availability of assets for satisfaction of obligations. Non-expendable restricted net position are gifts that have been received for endowment purposes, the corpus of which cannot be expended and unemployment reserve investment. Expendable restricted net position represents funds for capital projects, debt service and the Center for Manufacturing Technology Excellence.

The unrestricted net position balance of \$13,162,717 at June 30, 2014, includes \$8,276,550 for auxiliary operations, \$247,781 designated for student groups, and a remaining amount of \$4,638,386.

## **Note 2. Cash and Investments**

The College's policy on cash and short-term investments are set forth by the Board of Trustees which authorizes the investment in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements as permitted by state law.

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the College's endowments are included in non-current investments.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the College's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**Custodial Credit Risk – Deposits –** Custodial risk is the risk that in the event of a depository failure, the District's deposits may be returned to it. The District does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. By signed agreement, the Mississippi State Treasurer's office is acting on behalf of the District.

**Interest Rate Risk –** The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Note 3. Investments**

The District had the following investments at June 30, 2014:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	N/A	Less than 1 year	\$ 86,661
Mutual Funds	AAA	Less than 1 year	<u>1,115</u>
			<u>\$ 87,776</u>

The following table summarizes the classification of the District's investments reported on the statement of net position at June 30, 2014:

Other investments	<u>\$ 87,776</u>
Total	<u>\$ 87,776</u>

**Note 4. Accounts Receivable**

Accounts receivable consists of the following at June 30, 2014:

Student tuition	\$ 1,414,005
Auxiliary enterprises and other operating activities	500,217
Federal, state and private grants and contracts	911,737
State and county appropriations	507,230
Accrued interest	<u>133</u>
Total accounts receivable	\$3,333,322
Less allowance for doubtful accounts	<u>430,566</u>
Net accounts receivable	<u>\$2,902,756</u>

**Note 5. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2014, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2014	06/30/13 Year-end Balance	Increases	Decreases	06/30/14 Year-end Balance
<b>Capital assets, non-depreciable:</b>				
Land	\$ 1,865,890	\$ 12,000	\$ -	\$ 1,877,890
Construction in progress	883,345	1,918,767	1,396,477	1,405,635
Total capital assets, non-depreciable	<u>\$ 2,749,235</u>	<u>\$ 1,930,767</u>	<u>\$ 1,396,477</u>	<u>\$ 3,283,525</u>
<b>Capital assets, depreciable:</b>				
Buildings	\$39,559,691	\$ 1,140,974	\$ -	\$40,700,665
General infrastructure	8,555,220	303,956	-	8,859,176
Furniture, fixtures and equipment	7,160,784	480,751	279,166	7,362,369
Vehicles	927,964	94,000	38,300	983,664
Books and film	1,315,339	24,397	170,324	1,169,412
Total capital assets, depreciable	<u>\$57,518,998</u>	<u>\$ 2,044,078</u>	<u>\$ 487,790</u>	<u>\$59,075,286</u>
<b>Total capital assets</b>	<u><b>\$60,268,233</b></u>	<u><b>\$ 3,974,845</b></u>	<u><b>\$ 1,884,267</b></u>	<u><b>\$62,358,811</b></u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$11,853,563	\$ 842,115	\$ -	\$12,695,678
General infrastructure	1,650,122	347,902	-	1,998,024
Furniture, fixtures and equipment	5,621,277	500,785	260,122	5,861,940
Vehicles	559,492	88,757	34,470	613,779
Books and film	1,015,183	69,067	170,323	913,927
Total accumulated depreciation	<u>\$20,699,637</u>	<u>\$ 1,848,626</u>	<u>\$ 464,915</u>	<u>\$22,083,348</u>
<b>Capital assets, net of depreciation</b>	<u><b>\$39,568,596</b></u>	<u><b>\$ 2,126,219</b></u>	<u><b>\$ 1,419,352</b></u>	<u><b>\$40,275,463</b></u>

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

	Estimated useful Lives	Salvage Value	Capitalization Thresholds
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-10 years	1-10%	5,000
Library books	10 years	0%	-

**Note 6. Long-term Liabilities**

Long-term liabilities of the College consist of bonds payable that are expected to be liquidated at least one year from June 30, 2014. Information regarding original issue amounts, interest rates and maturity dates for bonds included in the long-term liabilities at June 30, 2014, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note Issue	Beginning Balances 7/1/2013	Additions	Reductions	Ending Balances 6/30/2014	Analysis of Year-end Balance	
					Due Within One Year	Noncurrent Portion
Bonded Debt:						
Special Obligation Bonds, Series 2014- Capital Projects, GT Student Union						
Original issue- \$14,205,000	\$ -	\$ 14,205,000	\$ -	\$ 14,205,000	\$ 490,000	\$ 13,715,000
Interest rate- 3.375%-5.0%						

**Note 6. Long-term Liabilities (continued)**

The debt service requirements as of June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 490,000	\$ 565,061	\$ 1,055,061
2016	485,000	568,325	1,053,325
2017	505,000	548,925	1,053,925
2018	525,000	528,725	1,053,725
2019	550,000	505,100	1,055,100
2020-2024	3,170,000	2,109,225	5,279,225
2025-2029	3,825,000	1,447,869	5,272,869
2030-2034	<u>4,655,000</u>	<u>620,181</u>	<u>5,275,181</u>
Total	<u>\$ 14,205,000</u>	<u>\$ 6,893,411</u>	<u>\$ 21,098,411</u>

**Note 7. Operating Lease**

Leased property as of June 30, 2014, is composed of office equipment and modular building leases. Future minimum rental payments:

2015	\$ 67,362
2016	\$ 26,355
2017	\$ 10,174

Rental expense for operating lease at June 30, 2014 (except those with terms of less than a month not renewed) was \$93,871.

**Note 7. Natural Classification with Functional Classifications**

The College's operating expenses by functional classification were as follows for the year ended June 30, 2014:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,827,688	\$ 3,047,339	\$ 172,516	\$ 957,696	\$ 29,922	\$ -	\$ 530,760	\$ -	\$ 15,565,921
Academic Support	252,821	84,343	2,367	33,402	-	-	23,857	-	396,790
Student Services	2,851,310	915,577	113,278	519,664	-	-	565,177	-	4,965,006
Institutional Support	2,877,019	901,371	86,986	1,600,313	-	-	485,757	-	5,951,446
Operation of Plant	924,131	331,255	2,136	846,251	1,443,828	-	1,444,113	-	4,991,714
Student Aid	-	-	-	-	-	12,184,595	-	-	12,184,595
Auxiliary Enterprises	765,093	159,048	559	1,588,417	73,788	-	3,754,123	-	6,341,028
Depreciation	-	-	-	-	-	-	-	1,848,626	1,848,626
<b>Total operating expenses</b>	<b>\$ 18,498,062</b>	<b>\$ 5,438,933</b>	<b>\$ 377,842</b>	<b>\$ 5,545,743</b>	<b>\$ 1,547,538</b>	<b>\$ 12,184,595</b>	<b>\$ 6,803,787</b>	<b>\$ 1,848,626</b>	<b>\$ 52,245,126</b>

**Note 8. Subsequent Events**

Management has evaluated subsequent events through December 19, 2014, the date on which the financial statements were available to be issued.

The College has committed funds for construction of a new student union on the Golden Triangle campus. The total estimated cost of the project is \$17,200,000. The project will be funded by a local bond issue of \$14,205,000 with the balance from state funds. The repayment period for the local bond issue is 20 years and the net interest rate is 3.998%.

**Note 9. Pension Plan**

Plan description - East Mississippi Community College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy – PERS members are required to contribute 9% of their annual covered salary, and East Mississippi Community College is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. East Mississippi Community College's contributions to PERS for the years ending June 30, 2014, 2013, and 2012 were \$2,711,839, \$2,359,267, and \$1,949,009, respectively, equal to the required contributions for each year.

**Note 10. Foundation**

East Mississippi Community College Foundation, Inc. is an independent corporation formed for the purpose of receiving funds for the sole benefit of the College. Under presently applicable GASB standards, the Foundation is not a component unit of the College, as the economic resources that the College is entitled to or has the ability to access from the Foundation are insignificant to the College as a whole. This Foundation is separately audited and has not been included in these financial statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SUPPLEMENTAL INFORMATION**

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2014

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
<b>Student Financial Aid:</b>					
<u>U.S. Department of Education</u>					
PELL Grant Program	84.063		\$ 14,028,132	-	\$ 14,028,132
College Work-study	84.033		99,539	33,180	132,719
SEOG	84.007		168,832	56,278	225,110
Federal Direct Student Loans	84.268		10,943,684	-	10,943,684
<b>Total U.S. Department of Education</b>			<u>\$ 25,240,187</u>	<u>\$ 89,458</u>	<u>\$ 25,329,645</u>
<b>Total student financial aid</b>			<u>\$ 25,240,187</u>	<u>\$ 89,458</u>	<u>\$ 25,329,645</u>
<b>Other Programs:</b>					
<u>U.S. Department of Labor</u>					
Passed through programs from:					
<u>ICC</u>					
Trade Adjustment Assistance	17.245		\$ 103,310	-	\$ 103,310
<u>Trade Adjustment Assistance</u>	17.245		\$ 326,517	-	\$ 326,517
<u>WIA Cluster</u>					
Youth Grant	17.259		\$ 213,338	-	\$ 213,338
Rapid Response Grant	17.260		25,000	-	25,000
Total WIA cluster			<u>\$ 238,338</u>	<u>-</u>	<u>\$ 238,338</u>
<b>Total U.S. Department of Labor</b>			<u>\$ 668,165</u>	<u>-</u>	<u>\$ 668,165</u>

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
<u>U.S. Department of Education</u>					
Passed through State					
<u>Department of Education</u>					
Adult Basic Education	84.002	V002A6005	\$ 221,406	\$ 144,999	\$ 366,405
Basic Grants to States	84.048	V0000718830	333,412	-	333,412
Basic Grants to States-non traditional	84.048	V0000718830	3,493	-	3,493
Statewide Longitudinal Data	84.384		4,131	-	4,131
			<u>\$ 562,442</u>	<u>\$ 144,999</u>	<u>\$ 707,441</u>
<b>Total other programs</b>			<u>\$ 1,230,607</u>	<u>\$ 144,999</u>	<u>\$ 1,375,606</u>
<b>Total expenditures of federal awards</b>			<u>\$ 26,470,794</u>	<u>\$ 234,457</u>	<u>\$ 26,705,251</u>

Notes to Schedule

- (1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- (2) For purposes of this schedule, loans made to students under the Federal Direct Student Loan (CFDA # 84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by federal lending institutions.

Federal grants per this schedule	\$ 26,470,794
Student loans	<u>10,943,684</u>
Federal grants and contracts	<u>\$ 15,527,110</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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



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

To Dr. Rick Young President  
and Board of Trustees  
East Mississippi Community College  
Scooba, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Mississippi Community College, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise East Mississippi Community College's basic financial statements, and have issued our report thereon dated December 19, 2014.

**Internal Control Over Financial Reporting**

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

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

Meridian, Mississippi  
December 19, 2014

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

### **Purpose of this Report**

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

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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



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

To Dr. Rick Young President  
and Board of Trustees  
East Mississippi Community College  
Scooba, Mississippi

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

We have audited East Mississippi Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of East Mississippi Community College's major federal programs for the year ended June 30, 2014. East Mississippi Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for East Mississippi Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Mississippi Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Mississippi Community College's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, East Mississippi Community College's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**WITH STATE LAWS AND REGULATIONS**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

To Dr. Rick Young President  
and Board of Trustees  
East Mississippi Community College  
Scooba, Mississippi

We have audited the financial statements of East Mississippi Community College as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014. 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.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit; and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, entities with accreditation overview and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
December 19, 2014

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2014**

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014

**Section I. Summary of Auditors' Results**

Financial Statements – GAS Audit

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards – Single Audit

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major program:

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster
84.063	Pell Grant Program
84.033	College Work-study
84.007	SEOG
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs:	\$465,813
Auditee qualified as low-risk auditee?	Yes

**Section II. Reporting in Accordance with *Government Auditing Standards***

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses or significant deficiencies.

**Section III. Reporting on Federal Awards**

No findings.