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EAST MISSISSIPPI COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1&2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-13
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	14&15
Statement of Revenues, Expenses and Changes in Net Assets	16&17
Statement of Cash Flows	18&19
Notes to Financial Statements	20-29
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	30&31
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32&33
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	34&35
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37&38

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

We have audited the accompanying financial statements of East Mississippi Community College as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of East Mississippi Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Mississippi Community College as of June 30, 2009 and the results of operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated January 8, 2010 on our consideration of East Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 are not required parts of the general purpose financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of East Mississippi Community College taken as a whole. The accompanying 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 not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
January 8, 2010

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

EAST MISSISSIPPI COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

This section of the East Mississippi Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2009. 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 prior financial statements presented. 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 Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets 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 Assets 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 Statement of Net Assets

	June 30, 2009		June 30, 2008	
	Amount	Percent	Amount	Percent
ASSETS				
Current Assets	\$22,247,582	47.59%	\$19,737,014	45.50%
Noncurrent Assets:				
Capital, net	24,187,368	51.74%	23,377,264	53.89%
Other	<u>311,221</u>	<u>0.67%</u>	<u>265,762</u>	<u>0.61%</u>
Total assets	<u>\$46,746,171</u>	<u>1.00</u>	<u>\$43,380,040</u>	<u>1.00</u>
LIABILITIES				
Current Liabilities	\$ 3,786,799	74.77%	\$ 3,487,394	64.77%
Noncurrent Liabilities	<u>1,277,652</u>	<u>25.23%</u>	<u>1,897,154</u>	<u>35.23%</u>
Total liabilities	<u>\$ 5,064,451</u>	<u>1.00</u>	<u>\$ 5,384,548</u>	<u>1.00</u>
NET ASSETS				
Invested in Capital Assets, Net	\$22,305,266	53.51%	\$20,721,527	54.54%
Restricted:				
Nonexpendable	331,721	0.80%	284,969	0.75%
Expendable	3,756,241	9.01%	2,879,056	7.58%
Unrestricted	<u>15,288,492</u>	<u>36.68%</u>	<u>14,109,940</u>	<u>37.14%</u>
Total net assets	<u>\$41,681,720</u>	<u>1.00</u>	<u>\$37,995,492</u>	<u>1.00</u>

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 \$17,141,186 at June 30, 2009, and \$14,544,580 at June 30, 2008, respectively.

Accounts Receivable

Accounts receivable relate 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 \$4,741,812 at June 30, 2009 and \$4,686,627 at June 30, 2008, respectively.

Prepaid Expense

The College had prepaid expense at June 30, 2009 in the amount of \$-0-.

Inventories

The College maintains inventories of merchandise for resale to students. This inventory is made up of books, student supplies, and institutional memorabilia. Inventories totaled \$364,584 at June 30, 2009 and \$504,757 at June 30, 2008, respectively.

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. The amount of cash and cash equivalents considered noncurrent totaled \$165,149 at June 30, 2009 and \$92,956 at June 30, 2008, respectively.

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 \$146,072 at June 30, 2009 and \$172,806 at June 30, 2008, respectively.

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 \$24,187,368 at June 30, 2009 and \$23,377,264 at June 30, 2008, respectively.

Management's Discussion and Analysis (continued)

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2009 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,830,198 at June 30, 2009 and \$2,425,510 at June 30, 2008, respectively.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not earn until the next fiscal year. The deferred revenue totaled \$332,071 at June 30, 2009 and \$288,248 at June 30, 2008, respectively.

Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of notes payable and lease purchases payable within the next fiscal year. The amount of the current portion was \$624,530 at June 30, 2009 and \$773,636 at June 30, 2008, respectively.

Noncurrent Liabilities

Long-term Liabilities

This liability consists of refundable housing deposits, and notes payable and lease purchases payable beyond the next fiscal year. The refundable deposits were \$20,080 and the noncurrent balance on debt was \$1,257,572 at June 30, 2009. The refundable deposits were \$15,053 and the noncurrent balance on debt was \$1,882,101 at June 30, 2008, respectively.

NET ASSETS

Net assets represent the difference between the College's assets and liabilities. Total net assets were \$41,681,720 at June 30, 2009 and \$37,995,492 at June 30, 2008, respectively.

Analysis of Net Assets

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

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

Management's Discussion and Analysis (continued)

The following is a breakdown of the restricted net assets:

	June 30, 2009 Amount	June 30, 2008 Amount
Endowment funds	\$ 263,556	\$ 218,274
Unemployment reserve	68,165	66,695
Restricted for capital projects	547,079	412,105
Debt service funds	506,518	512,562
Other	492,960	600,828
Center for manufacturing technology	<u>2,209,684</u>	<u>1,353,561</u>
Total restricted net assets	<u>\$ 4,087,962</u>	<u>\$ 3,164,025</u>

Unrestricted net assets represent 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 assets:

	June 30, 2009 Amount	June 30, 2008 Amount
Unrestricted general fund	\$ 9,767,686	\$ 9,709,351
Unrestricted auxiliary fund	5,358,539	4,262,335
Other unrestricted funds	<u>162,267</u>	<u>138,254</u>
Total unrestricted net assets	<u>\$ 15,288,492</u>	<u>\$ 14,109,940</u>

Management's Discussion and Analysis (continued)**Condensed Statement of Revenues, Expenses and Changes in Net Assets**
For the Year Ended June 30, 2009

	June 30, 2009 Amount	June 30, 2008 Amount
Operating revenues:		
Tuition and fees	\$ 5,945,239	\$ 5,752,808
Grants and contracts	20,794,117	22,429,439
Auxiliary enterprises	3,019,917	2,792,326
Other operating revenues	<u>418,493</u>	<u>457,796</u>
Total operating revenues	<u>\$ 30,177,766</u>	<u>\$ 31,432,369</u>
Operating expenses	<u>\$ 43,009,372</u>	<u>\$ 43,980,352</u>
Operating loss	<u>\$(12,831,606)</u>	<u>\$(12,547,983)</u>
Non-operating revenues:		
State appropriations	\$ 13,118,425	\$ 13,616,740
County appropriations	2,942,063	2,789,925
Non-capital grants and gifts	-	-
Investment income, net	229,326	374,359
Other non-operating expenses	<u>(94,165)</u>	<u>(114,838)</u>
Net non-operating revenues	<u>\$ 16,195,649</u>	<u>\$ 16,666,186</u>
Income before other items	<u>\$ 3,364,043</u>	<u>\$ 4,118,203</u>
Capital appropriations	\$ 2,450	\$ 963,571
Capital grants	<u>319,735</u>	<u>164,683</u>
Total other revenues	<u>\$ 322,185</u>	<u>\$ 1,128,254</u>
Total increase in net assets	<u>\$ 3,686,228</u>	<u>\$ 5,246,457</u>
Net assets		
Net assets at beginning of year, as restated	<u>\$ 37,995,492</u>	<u>\$ 32,749,035</u>
Net assets at end of year	<u>\$ 41,681,720</u>	<u>\$ 37,995,492</u>

Total operating loss was \$12,831,606 for fiscal year 2009 and \$12,547,983 for fiscal year 2008, respectively. 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 2009 were \$30,177,766 and \$31,432,369 for 2008. Tuition and fees were \$5,945,239 for 2009 and \$5,752,808 for 2008, respectively. This is net of the tuition discount, which was \$4,957,069 in 2009 and \$4,449,088 in 2008, respectively. Operating expenses, including depreciation of \$1,275,136, totaled \$43,009,372 for year 2009. Of the 2009 total, \$17,623,138 or 41% was for instruction. Operating expenses, including depreciation of \$1,219,895 totaled \$43,980,352 for 2008. Of the 2008 total \$20,412,466 or 46% was for instruction.

REVENUES

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was \$5,945,239 for 2009. The tuition discount for the 2009 fiscal year was \$4,957,069. The net total was \$5,752,808 for 2008. The tuition discount for the 2008 fiscal year was \$4,449,088.

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, 2009 and June 30, 2008:

	June 30, 2009 Amount	June 30, 2008 Amount
Federal sources:		
Department of Education	\$ 13,421,426	\$ 12,292,164
State sources:		
State Board for Community & Junior Colleges	6,429,484	9,469,845
Other sources	943,207	667,430
Total all sources	<u>\$ 20,794,117</u>	<u>\$ 22,429,439</u>

Management's Discussion and Analysis (continued)

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$173,036 for the 2009 fiscal year and \$140,475 for the 2008 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 include the College's bookstore, as well as student housing, and food services.

Operating Expenses

Operating expenses for fiscal year 2009, totaling \$43,009,372, include salaries and benefits of \$19,446,595, scholarships and fellowships of \$7,590,669, utilities of \$1,275,381, services of \$8,139,887, supplies of \$5,045,451, travel of \$236,253, and depreciation of \$1,275,136. Operating expenses for fiscal year 2008, totaling \$43,980,352 included salaries and benefits of \$18,645,389, scholarships and fellowships of \$6,651,028, utilities of \$1,068,580, services of \$10,996,792, supplies of \$5,204,721, travel of \$193,947, and depreciation of \$1,219,895.

	June 30, 2009 Amount	June 30, 2008 Amount
Expenses by functions:		
Instruction	\$ 17,623,138	\$ 20,412,466
Academic support	351,871	434,431
Student services	3,810,918	3,156,661
Institutional support	4,813,598	4,635,872
Operations and maintenance of plant	4,175,288	4,102,982
Student financial aid	7,590,669	6,651,028
Auxiliary enterprises	3,368,754	3,367,017
Depreciation	<u>1,275,136</u>	<u>1,219,895</u>
Total operating expenses by function	<u>\$ 43,009,372</u>	<u>\$ 43,980,352</u>

Management's Discussion and Analysis (continued)

Non-operating Revenues (Expenses)

State Aid

The College received \$13,118,425 for 2008-2009 fiscal year, of which \$12,968,425 was used for operations, and \$150,000 was earmarked for the Center for Manufacturing Technology Excellence. The College received \$13,616,740 for 2007-2008 fiscal year, of which \$13,466,740 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 \$1,639,478 for maintenance funds and \$1,302,585 for plant funds and debt service for the 2009 fiscal year from the counties. The College received \$1,501,691 for maintenance funds and \$1,288,234 for plant funds and debt service for the 2008 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, 2009 was \$229,326. The investment income for the year ended June 30, 2008 was \$374,359.

Other Non-Operating Expenses

The amount paid in fiscal year 2009 totaled \$85,360. This consists of the interest paid on scheduled debt service during the 2009 fiscal year. The amount paid in fiscal year 2008 totaled \$114,838.

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, 2009

	June 30, 2009 Amount	June 30, 2008 Amount
Cash and Cash Equivalents Provided by (used in):		
Operating activities	\$ (11,188,807)	\$ (11,299,888)
Non-capital financing activities	15,543,419	15,706,491
Capital and related financing activities	(1,915,189)	(1,403,951)
Investing activities	<u>229,376</u>	<u>374,324</u>
Net decrease in cash and cash equivalents	\$ 2,668,799	\$ 3,376,976
Cash and cash equivalents - beginning of the year	<u>14,637,536</u>	<u>11,260,560</u>
Cash and cash equivalents - end of the year	<u>\$ 17,306,335</u>	<u>\$ 14,637,536</u>

In fiscal year 2009 the major sources of funds included in operating activities were: student tuition and fees, \$5,629,714; auxiliary enterprises, \$3,289,884; and grants and contracts, \$20,980,261. The major uses of funds were payments made to employees, \$19,438,899, scholarships and fellowships of \$7,590,669, and payments to suppliers, \$12,965,346.

In fiscal year 2008 the major sources of funds included in operating activities were: student tuition and fees, \$5,615,520; auxiliary enterprises, \$2,948,325; and grants and contracts, \$22,195,639. The major uses of funds were payments made to employees, \$18,462,799, scholarships and fellowships of \$6,651,028 and payments to suppliers, \$16,008,911.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was \$13,233,175 in fiscal year 2009 and \$13,560,926 in fiscal year 2008.

Significant Capital Asset Transactions

East Mississippi Community College is committed to a long-range capital projects program. A new softball field was completed in FY 2008. Renovation of an existing student activities building was completed in 2009. A new baseball field was begun in FY 2008 and will be completed in FY 2010. These projects are being funded from local funds. The College will begin construction of a new football stadium in 2010 which will be built using unrestricted fund balance. Work will also begin in 2010 on a new student union on the Scooba campus which will be funded from state bond funds and unrestricted fund balance. Other plans include new student union on the GT campus and an Allied Health Building. Funding for these two building projects will be from a combination of local and state capital project funding.

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 2009 financial situation. The level of State support impacted the fiscal year 2009 financial situation. The decrease in State support impacted the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The college did not increase tuition and fees in 2009 but held at the same rates as 2008. 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.

The College implemented new administrative computing software during the 2008 fiscal year. The College will finish paying for the \$1.2 million system from local funds during FY 2009. This should meet the needs of the college for the next 10-15 years.

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 ASSETS

June 30, 2009

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 17,141,186
Accounts receivables, net	4,741,812
Prepaid expenses	-
Inventories	<u>364,584</u>
Total current assets	\$ <u>22,247,582</u>

Noncurrent Assets:

Restricted cash and cash equivalents	\$ 165,149
Endowment investments	98,406
Other long-term investments	47,666
Capital assets, net of accumulated depreciation	<u>24,187,368</u>
Total noncurrent assets	\$ <u>24,498,589</u>

Total assets	\$ <u>46,746,171</u>
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LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 2,830,198
Deferred revenues	332,071
Long-term liabilities-current portion	<u>624,530</u>

Total current liabilities \$ 3,786,799

Noncurrent Liabilities:

Deposits refundable (housing)	\$ 20,081
Long-term liabilities	<u>1,257,571</u>

Total noncurrent liabilities \$ 1,277,652

Total liabilities \$ 5,064,451

NET ASSETS

Invested in capital assets, net of related debt \$ 22,305,266

Restricted for:

Nonexpendable:

Endowment funds	\$ 263,556
Unemployment fund	68,165

Expendable:

Capital projects	547,079
Debt service	506,518
Other	492,960
CMTE funds	<u>2,209,684</u>

Unrestricted 15,288,492

Total net assets \$ 41,681,720

Total liabilities and net assets \$ 46,746,171

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

Operating Revenues

Tuition and fees (net of scholarship allowances of \$3,288,267)	\$ 5,945,239
Federal appropriations	
Federal grants and contracts	13,421,426
State grants and contracts	6,429,484
Nongovernmental grants and contracts	943,207
Sales and services of educational departments	173,036
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of \$477,079)	865,265
Bookstore (net of scholarship allowances of \$1,191,723)	2,154,652
Other operating revenues	<u>245,457</u>
Total operating revenues	<u>\$ 30,177,766</u>

Operating Expenses

Salaries and wages	\$ 15,390,567
Fringe benefits	4,056,028
Travel	236,253
Contractual services	8,139,887
Utilities	1,275,381
Scholarships and fellowships	7,590,669
Commodities	5,045,451
Depreciation expense	<u>1,275,136</u>
Total operating expenses	<u>\$ 43,009,372</u>
Operating loss	<u>\$ (12,831,606)</u>

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(continued)

For the Year Ended June 30, 2009

Nonoperating Revenues (Expenses)

State appropriations	\$ 13,118,425
Local appropriations	2,942,063
Investment Income	229,326
Interest expense on capital asset-related debt	(85,360)
Other nonoperating revenues(expenses)	<u>(8,805)</u>

Total Net Nonoperating revenues (expenses) \$ 16,195,649

Income before other revenues, expenses, gains and losses \$ 3,364,043

Capital grants and gifts	319,735
State appropriations restricted for capital purposes	<u>2,450</u>

Change in net assets \$ 3,686,228

Net Assets

Net assets - beginning of year \$ 37,995,492

Net assets - end of year \$ 41,681,720

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

Cash Flows from Operating Activities

Tuition and fees	\$ 5,629,714
Grants and contracts	20,980,261
Sales and services of educational departments	173,036
Payments to suppliers	(12,965,346)
Payments to employees for salaries and benefits	(19,438,899)
Payments for utilities	(1,266,788)
Payments for scholarships and fellowships	(7,590,669)
Auxiliary enterprise charges:	
Student housing and food service	870,292
Bookstore	2,174,135
Other receipts (payments)	<u>245,457</u>

Net cash used in operating activities \$ (11,188,807)

Cash Flows from Noncapital Financing Activities

State appropriations	\$ 13,233,175
County appropriations	<u>2,310,244</u>

Net cash provided by noncapital financing activities \$ 15,543,419

Cash Flows from Capital and Related Financing Activities

Cash paid for capital assets	\$ (2,050,569)
Capital appropriations received	618,005
Capital grants and contracts received	319,735
Principal paid on capital debt and leases	(717,000)
Interest paid on capital debt and leases	<u>(85,360)</u>

Net cash used in capital and related financing activities \$ (1,915,189)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

(continued)

For the Year Ended June 30, 2009

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	\$ -
Interest received on investments	<u>229,376</u>

Net cash provided by investing activities	<u>\$ 229,376</u>
---	-------------------

Net increase in cash and cash equivalents	\$ 2,668,799
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Cash and cash equivalents - beginning of the year	<u>14,637,536</u>
--	-------------------

Cash and cash equivalents - end of year	<u><u>\$ 17,306,335</u></u>
--	-----------------------------

Reconciliation of operating income (loss) to net cash
provided by (used in) operating activities:

Operating loss	\$ (12,831,606)
----------------	-----------------

Adjustments to reconcile net income (loss) to net cash
provided by (used in) operating activities:

Depreciation expense	1,275,136
Changes in assets and liabilities:	
Receivables, net	(153,721)
Inventories	140,173
Accounts payables and accrued liabilities	332,361
Deferred revenues	43,823
Deposits refundable	5,027

Cash Flows Reported in Other Categories

Interest in investments	<u>-</u>
Net cash used in operating activities	<u><u>\$ (11,188,807)</u></u>

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies

Reporting entity

The financial statements presented are for the 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.

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 assets.

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 assets.

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.

Deferred revenues

Deferred revenues include amounts received for tuition and fees 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 assets

GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of obligations. Non-expendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended and unemployment reserve investment. Expendable restricted net assets represent funds for capital projects, debt service and the Center for Manufacturing Technology Excellence.

The unrestricted net asset balance of \$15,288,492 at June 30, 2009, includes \$5,358,539 for auxiliary operations, \$162,267 designated for student groups, and a remaining amount of \$9,767,686.

Note 1. Summary of Significant Accounting Policies (continued)

Changes in accounting standards

The College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, in the current fiscal year as required. However, the Community College Foundation does not meet the significance requirement and has not been incorporated into the financial statements and accompanying notes.

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, 2009:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	N/A	Less than 1 year	\$ 72,325
Mutual Funds	AAA	Less than 1 year	<u>73,747</u>
			<u>\$ 146,072</u>

The following table summarizes the classification of the District's investments reported on the statement of net assets at June 30, 2009:

Endowment investments	\$ 98,406
Other investments	<u>47,666</u>
Total	<u>\$ 146,072</u>

Note 4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2009

Student tuition	\$1,710,140
Auxiliary enterprises and other operating activities	354,686
Federal, state and private grants and contracts	2,489,563
State and county appropriations	599,813
Accrued interest	<u>71</u>
Total accounts receivable	\$5,154,273
Less allowance for doubtful accounts	<u>412,461</u>
Net accounts receivable	<u>\$4,741,812</u>

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2009	06/30/08 Year-end Balance	Increases	Decreases	06/30/09 Year-end Balance
Capital assets, non-depreciable:				
Land	\$ 307,440	\$ 303,350	\$ -	\$ 610,790
Construction in progress	256,449	893,940	520,396	629,993
Total capital assets, non-depreciable	\$ 563,889	\$ 1,197,290	\$ 520,396	\$ 1,240,783
Capital assets, depreciable:				
Buildings	\$ 27,957,064	\$ 591,443	\$ -	\$ 28,548,507
General infrastructure	2,032,541	17,155	-	2,049,696
Furniture, fixtures and equipment	5,556,295	657,270	282,482	5,931,083
Vehicles	689,023	135,800	93,382	731,441
Books and film	1,274,562	31,981	-	1,306,543
Total capital assets, depreciable	\$ 37,509,485	\$ 1,433,649	\$ 375,864	\$ 38,567,270
Total capital assets	\$ 38,073,374	\$ 2,630,939	\$ 896,260	\$ 39,808,053
Less accumulated depreciation for:				
Buildings	\$ 8,654,915	\$ 573,411	\$ -	\$ 9,228,326
General infrastructure	584,009	77,619	-	661,628
Furniture, fixtures and equipment	4,245,851	479,941	272,966	4,452,826
Vehicles	372,227	68,005	77,595	362,637
Books and film	839,108	76,160	-	915,268
Total accumulated depreciation	\$ 14,696,110	\$ 1,275,136	\$ 350,561	\$ 15,620,685
Capital assets, net of depreciation	\$ 23,377,264	\$ 1,355,803	\$ 545,699	\$ 24,187,368

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 notes payable and capital lease obligations that are expected to be liquidated at least one year from June 30, 2009. Information regarding original issue amounts, interest rates and maturity dates for notes and capital lease included in the long-term liabilities balance at June 30, 2009 is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note Issue	Beginning			Ending	Analysis of Year-end Balance	
	Balances 7/1/2008	Additions	Reductions	Balances 6/30/2009	Due Within One Year	Noncurrent Portion
Notes Payable:						
\$1,500,000						
Trustmark						
Fixed rate, 4.70%	\$ 177,000	\$ -	\$ 177,000	\$ -	\$ -	\$ -
\$5,100,000						
BanCorp South						
Fixed rate, 4.11%	2,300,000	-	540,000	1,760,000	565,000	1,195,000
Total Notes Payable	\$ 2,477,000	\$ -	\$ 717,000	\$ 1,760,000	\$ 565,000	\$ 1,195,000
Lease-Purchase:						
Energy Impr.						
Trustmark						
Fixed Rate, 5.11%						
Original amount,						
\$507,618	\$ 178,737	\$ -	\$ 56,636	\$ 122,101	\$ 59,530	\$ 62,571
Total Debt	\$ 2,655,737	\$ -	\$ 773,636	\$ 1,882,101	\$ 624,530	\$ 1,257,571

Fiscal Year	Note Payable \$1,500,000 Trustmark	Note Payable \$5,100,000 BanCorp South	Lease Payable \$507,618 Trustmark	Total
2010	\$ -	\$ 565,000	\$ 59,530	\$ 624,530
2011	-	585,000	62,571	647,571
2012	-	610,000	-	610,000
2013	-	-	-	-
2014	-	-	-	-
Total	\$ -	\$ 1,760,000	\$ 122,101	\$ 1,882,101

Note 7. Operating Lease

Leased property under operating leases is composed of office equipment. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year ending June 30

2010	\$ 30,420
2011	18,252
2012	12,168
2013	<u>6,084</u>

Total minimum payments required	<u>\$ 66,924</u>
---------------------------------	------------------

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2009 was \$35,214.

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2009:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 10,094,924	\$ 2,511,601	\$ 82,430	\$ 4,126,133	\$ 545	\$ -	\$ 807,505	\$ -	\$ -	\$ 17,523,138
Research	-	-	-	-	-	-	-	-	-	-
Public Service	-	-	-	-	-	-	-	-	-	-
Academic Support	198,509	51,566	374	59,993	-	-	31,339	-	-	351,871
Student Services	2,295,919	657,963	109,488	366,007	-	-	381,541	-	-	3,810,918
Institutional Support	1,732,940	493,420	42,756	2,166,362	-	-	378,120	-	-	4,813,598
Operation of Plant	877,157	294,876	1,205	698,037	1,274,836	-	1,029,177	-	-	4,175,288
Student Aid	-	-	-	-	-	7,590,669	-	-	-	7,590,669
Auxiliary Enterprises	191,118	36,502	-	723,365	-	-	2,417,769	-	-	3,368,754
Depreciation	-	-	-	-	-	-	-	1,275,136	-	1,275,136
Hospital	-	-	-	-	-	-	-	-	-	-
Loan Fund Expenses	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Plant and Endowment Ops.	-	-	-	-	-	-	-	-	-	-
Total operating expenses	\$ 15,390,567	\$ 4,056,028	\$ 236,253	\$ 8,139,887	\$ 1,275,381	\$ 7,590,669	\$ 5,045,451	\$ 1,275,136	\$ -	\$ 43,009,372

Note 9. Construction Commitments and Financing

The College will begin construction of a new football stadium during the next year at an estimated cost of \$3,500,000. The College will also begin construction of a student union at an estimated cost of \$7,000,000.

Note 10. 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 7.25% of their annual covered salary, and East Mississippi Community College is required to contribute at an actuarially determined rate. The current rate is 11.85% 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, 2009, 2008, and 2007 were \$1,650,011, \$1,588,111, and \$1,337,499, respectively, equal to the required contributions for each year.

Note 11. 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. 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, 2009

EAST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
Student Financial Aid:					
<u>U.S. Department of Education</u>					
PELL Grant Program	84.063		\$ 10,749,938	-	\$ 10,749,938
College Work-study	84.033		164,572	-	164,572
SEOG	84.007		202,706	-	202,706
ACG	84.376		180,942	-	180,942
Federal Family Education Loans (FFEL)	84.032		12,139,105	-	12,139,105
Total U.S. Department of Education			\$ 23,437,263	\$ -	\$ 23,437,263
Total student financial aid			\$ 23,437,263	\$ -	\$ 23,437,263
Other Programs:					
<u>U.S. Department of Education</u>					
TRIO Grant	84.082		\$ 235,777	-	\$ 235,777
TRIO Upward Bound Grant	84.082		169,404	-	169,404
Total TRIO			\$ 405,181	\$ -	\$ 405,181
MSEIP Grant (3 Yr)	84.120		-	-	-
MSEIP Grant (2 Yr)	84.120		-	-	-
MSEIP Weather College Grant	84.120		47,867	-	47,867
Total MSEIP			\$ 47,867	\$ -	\$ 47,867
Total U.S. Department of Education			\$ 453,048	\$ -	\$ 453,048
<u>U.S. Department of Labor</u>					
ARC Construction Skills Grant	17.UN		\$ 78,551	-	\$ 78,551
Passed through programs from					
Three Rivers					
NEG Grant	17.UN		396,157	-	396,157
ICC					
NEON Grant					
WIA Cluster	17.269		120,247	-	120,247
WIA Grant					
Youth Grant	17.207		468,429	-	468,429
Rapid Response Grant	17.259		28,827	-	28,827
Total WIA cluster	17.260		44,340	-	44,340
Total U.S. Department of Labor			\$ 541,596	\$ -	\$ 541,596
Total U.S. Department of Labor			\$ 1,136,551	\$ -	\$ 1,136,551

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
NASA					
CIPAI Grant	43.UN		\$ 173,410	\$ -	\$ 173,410
Passed through State					
Department of Education					
Adult Basic Education	84.002	V002A6005	\$ 415,617	\$ 105,663	\$ 521,280
Basic Grants to States	84.048	V0000718830	469,206	-	469,206
Tech Prep	84.243	V0000718830	113,224	-	113,224
Institution of Higher Learning					
LEAP (SSIG)	84.069		3,451	8,285	11,736
Total other programs			<u>\$ 2,764,507</u>	<u>\$ 113,948</u>	<u>\$ 2,878,455</u>
Total expenditures of federal awards			<u>\$ 26,201,770</u>	<u>\$ 113,948</u>	<u>\$ 26,315,718</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 Family Education Loan Program (CFDA # 84.032) 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	\$ 26,201,770
Stafford loans	<u>12,139,105</u>
Federal grants and contracts	<u>\$ 14,062,665</u>

EAST MISSISSIPPI COMMUNITY COLLEGE

**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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**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
SCOOPA MISSISSIPPI

We have audited the financial statements of East Mississippi Community College as of and for the year ended June 30, 2009 and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered East Mississippi Community College's internal control over financial reporting as a basis for designing our auditing procedures 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 East Mississippi Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Mississippi Community College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the East Mississippi Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the East Mississippi Community College's financial statements that is more than inconsequential will not be prevented or detected by the East Mississippi Community College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the East Mississippi Community College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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, LLP

Meridian, Mississippi
January 8, 2010

EAST MISSISSIPPI COMMUNITY COLLEGE
REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TO DR RICK YOUNG PRESIDENT
AND BOARD OF TRUSTEES
EAST MISSISSIPPI COMMUNITY COLLEGE
SCOOBA MISSISSIPPI

Compliance

We have audited the compliance of East Mississippi Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of East Mississippi Community College's management. Our responsibility is to express an opinion on East Mississippi Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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. Our audit does not provide a legal determination on East Mississippi Community College's compliance with those requirements.

In our opinion, East Mississippi Community College complied, in all material aspects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

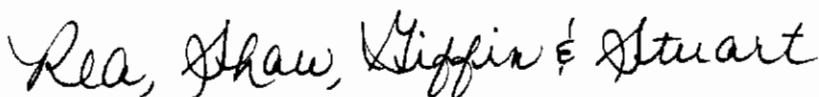
The management of East Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Mississippi Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 East Mississippi Community College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of *significant deficiencies*, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

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, LLP

Meridian, Mississippi
January 8, 2010

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

REA, SHAW, GIFFIN & STUART, LLP



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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
SCOوبا MISSISSIPPI

We have audited the financial statements of East Mississippi Community College as of and for the year ended June 30, 2009 and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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
January 8, 2010

EAST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

EAST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section I. Summary of Auditors' Results

1. Type of auditors' report issued on the financial statements
Unqualified
2. Internal control - GAS audit
No significant deficiencies
3. Compliance - GAS audit
No noncompliance reported
4. Internal control - major federal program
No significant deficiencies
5. Type of auditors' report issued on compliance for major programs
Unqualified - The College complied in all material aspects with the requirements for major programs
6. Compliance - major federal program
There were no audit findings or questioned costs required to be reported, as defined in OMB Circular A-133, Section 510
7. Audit findings required to be reported
There were no audit findings or questioned costs required to be reported, as defined in OMB Circular A-133, Section 510
8. Identification of major program
East Mississippi Community College had three major programs:
 1. Student Financial Aid Cluster- Department of Education

Pell Grant Program	CFDA #84.063
College Workstudy	CFDA #84.033
SEOG	CFDA #84.007
Federal Family Education Loans (FFEL)	CFDA #84.032
 2. WIA Wired Grant – ADECA CFDA #17.207
 3. Basic Grants to States –
Department of Education CFDA #84.048

Schedule of findings and questioned costs (continued)
For the year ended June 30, 2009

9. Type A dollar threshold statement

The dollar threshold used to distinguish a Type A Program was \$421,880.

10. Low-risk auditee statement

The auditee did qualify as a low-risk auditee.

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.