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**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**INDEPENDENT AUDITOR'S REPORT**



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**INDEPENDENT AUDITOR'S 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, 2013, 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.

**Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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, 2013, 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 January 13, 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

Meridian, Mississippi  
January 13, 2014



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

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2013

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, 2013. 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, 2013		June 30, 2012	
	Amount	Percent	Amount	Percent
<b>ASSETS</b>				
Current Assets	\$ 23,628,240	37.27%	\$ 25,346,882	40.25%
Noncurrent Assets:				
Capital, net	39,568,596	62.41%	37,372,065	59.35%
Other	203,413	0.32%	247,311	0.40%
<b>Total assets</b>	<b>\$ 63,400,249</b>	<b>100.00%</b>	<b>\$ 62,966,258</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
Current Liabilities	\$ 3,754,271	98.99%	\$ 2,210,974	98.79%
Noncurrent Liabilities	38,185	1.01%	27,148	1.21%
<b>Total liabilities</b>	<b>\$ 3,792,456</b>	<b>100.00%</b>	<b>\$ 2,238,122</b>	<b>100.00%</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 39,568,596	66.38%	\$ 37,372,065	61.54%
Restricted:				
Nonexpendable	214,293	0.36%	238,173	0.39%
Expendable	5,358,694	8.99%	4,616,468	7.60%
Unrestricted	14,466,210	24.27%	18,501,430	30.47%
<b>Total net position</b>	<b>\$ 59,607,793</b>	<b>100.00%</b>	<b>\$ 60,728,136</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 \$18,555,876 at June 30, 2013, and \$19,235,505 at June 30, 2012.

##### 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 \$3,919,163 at June 30, 2013 and \$5,311,919 at June 30, 2012.

##### Prepaid Expense

The College had prepaid expense in the amount of \$-0- for June 30, 2013 and June 30, 2012.

##### 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 \$1,153,201 at June 30, 2013 and \$799,458 at June 30, 2012.

#### 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 \$117,847 at June 30, 2013 and \$163,034 at June 30, 2012.

##### 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 \$85,566 at June 30, 2013 and \$84,277 at June 30, 2012.

##### 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 \$39,568,596 at June 30, 2013 and \$37,372,065 at June 30, 2012.

## **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, 2013 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,764,583 at June 30, 2013 and \$1,283,141 at June 30, 2012.

##### Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but not earned until the next fiscal year. The deferred revenue totaled \$989,688 at June 30, 2013 and \$927,833 at June 30, 2012.

##### 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 \$-0- at June 30, 2013 and at June 30, 2012.

#### Noncurrent Liabilities

##### Long-term Liabilities

This liability consists of refundable housing deposits. The refundable deposits were \$38,185 at June 30, 2013 and \$27,148 at June 30, 2012.

### **NET POSITION**

Net position represents the difference between the College's assets and liabilities. Total net position was \$59,607,793 at June 30, 2013 and \$60,728,136 at June 30, 2012.

#### Analysis of Net Position

Restricted non-expendable net position consist 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.

## Management's Discussion and Analysis (continued)

The following is a breakdown of the restricted net position:

	June 30, 2013 Amount	June 30, 2012 Amount
Endowment funds	\$ 143,222	\$ 167,588
Unemployment reserve	71,071	70,585
Restricted for capital projects	1,326,927	982,001
Debt service funds	706,546	283,476
Other	51,226	1,226
Center for manufacturing technology	3,273,995	3,349,765
Total restricted net position	<u>\$ 5,572,987</u>	<u>\$ 4,854,641</u>

Unrestricted Net Position 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 position:

	June 30, 2013 Amount	June 30, 2012 Amount
Unrestricted general fund	\$ 6,653,499	\$ 8,579,742
Unrestricted auxiliary fund	7,570,379	9,699,403
Other unrestricted funds	242,332	222,285
Total unrestricted net position	<u>\$ 14,466,210</u>	<u>\$ 18,501,430</u>

## Management's Discussion and Analysis (continued)

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

For the Year Ended June 30, 2013

	June 30, 2013 Amount	June 30, 2012 Amount
<b>Operating revenues:</b>		
Tuition and fees	\$ 9,794,645	\$ 11,247,375
Grants and contracts	19,873,556	23,679,017
Auxiliary enterprises	5,149,308	5,009,142
Other operating revenues	<u>437,945</u>	<u>489,096</u>
Total operating revenues	<u>\$ 35,255,454</u>	<u>\$ 40,424,630</u>
Operating expenses	<u>\$ 53,498,400</u>	<u>\$ 54,334,991</u>
Operating loss	<u>\$(18,242,946)</u>	<u>\$(13,910,361)</u>
<b>Non-operating revenues:</b>		
State appropriations	\$ 13,430,653	\$ 13,319,738
County appropriations	2,840,825	2,865,955
Investment income, net	85,297	111,886
Other non-operating expenses	<u>(2,944)</u>	<u>(34,731)</u>
Net non-operating revenues	<u>\$ 16,353,831</u>	<u>\$ 16,262,848</u>
Income before other items	<u>\$ (1,889,115)</u>	<u>\$ 2,352,487</u>
Capital appropriations	\$ 631,716	\$ 3,744,799
Capital grants	<u>137,056</u>	<u>5,500</u>
Total other revenues	<u>\$ 768,772</u>	<u>\$ 3,750,299</u>
Total increase in net position	<u>\$ (1,120,343)</u>	<u>\$ 6,102,786</u>
Net position		
Net position at beginning of year	<u>\$ 60,728,136</u>	<u>\$ 54,625,350</u>
Net position at end of year	<u>\$ 59,607,793</u>	<u>\$ 60,728,136</u>

Total operating loss was \$18,242,946 for fiscal year 2013 and \$13,910,361 for fiscal year 2012. 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 2013 were \$35,255,454 and \$40,424,630 for 2012. Tuition and fees were \$9,794,645 for 2013 and \$11,247,375 for 2012. This is net of the tuition discount, which was \$2,947,159 in 2013 and \$2,364,230 in 2012. Operating expenses, including depreciation of \$1,795,675, totaled \$53,498,400 for year 2013. Of the 2013 total, \$15,688,992 or 29% was for instruction. Operating expenses, including depreciation of \$1,535,977 totaled \$54,334,991 for 2012. Of the 2012 total \$17,063,233 or 31% was for instruction.

### REVENUES

#### Operating Revenues

##### Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was \$9,794,645 for 2013. The tuition discount for the 2013 fiscal year was \$2,947,159. The net total was \$11,247,375 for 2012. The tuition discount for the 2012 fiscal year was \$2,364,230.

##### 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, 2013 and June 30, 2012:

	June 30, 2013 Amount	June 30, 2012 Amount
Federal sources:		
Department of Education	\$ 17,111,608	\$ 18,680,051
State sources:		
State Board for Community & Junior Colleges	2,396,237	4,318,500
Other sources	365,711	680,466
Total all sources	<u>\$ 19,873,556</u>	<u>\$ 23,679,017</u>



## Management's Discussion and Analysis (continued)

### Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$106,479 for the 2013 fiscal year and \$124,478 for the 2012 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, 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. Auxiliary enterprises at June 30, 2012 include the College's bookstore in the amount of \$3,531,090 and student housing in the amount of \$1,478,052.

### Operating Expenses

Operating expenses for fiscal year 2013, totaling \$53,498,400, include 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. Operating expenses for fiscal year 2012, totaling \$54,334,991 included salaries and benefits of \$21,225,866, scholarships and fellowships of \$16,436,410, utilities of \$1,330,419, services of \$7,424,677, supplies of \$6,150,402, travel of \$231,240, and depreciation of \$1,535,977.

	June 30, 2013 Amount	June 30, 2012 Amount
Expenses by functions:		
Instruction	\$ 15,688,992	\$ 17,063,233
Academic support	425,096	396,240
Student services	4,574,935	4,236,322
Institutional support	5,873,788	5,389,357
Operations and maintenance of plant	5,257,190	4,562,525
Student financial aid	14,012,897	16,436,410
Auxiliary enterprises	5,869,827	4,714,927
Depreciation	1,795,675	1,535,977
Total operating expenses by function	<u>\$ 53,498,400</u>	<u>\$ 54,334,991</u>

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

### Non-operating Revenues (Expenses)

#### State Aid

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 received \$13,319,738 for 2011-2012 fiscal year, of which \$13,169,738 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 \$1,679,968 for maintenance funds and \$1,160,857 for plant funds and debt service for the 2013 fiscal year from the counties. The College received \$1,690,200 for maintenance funds and \$1,175,755 for plant funds and debt service for the 2012 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, 2013 was \$85,297. The investment income for the year ended June 30, 2012 was \$111,886.

#### Other Non-Operating Expenses

The amount paid in fiscal year 2013 totaled \$2,944. This consists of the interest paid on scheduled debt service during the 2013 fiscal year. The amount paid in fiscal year 2012 totaled \$38,167.

#### 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, 2013

	June 30, 2013 Amount	June 30, 2012 Amount
Cash and Cash Equivalents Provided by (used in):		
Operating activities	\$ (14,120,333)	\$ (14,593,230)
Non-capital financing activities	15,817,676	15,581,920
Capital and related financing activities	(2,506,188)	(2,082,627)
Investing activities	84,029	110,308
Net decrease in cash and cash equivalents	\$ (724,816)	\$ (983,629)
Cash and cash equivalents - beginning of the year	19,398,539	20,382,168
Cash and cash equivalents - end of the year	\$ 18,673,723	\$ 19,398,539

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.

In fiscal year 2012 the major sources of funds included in operating activities were: student tuition and fees, \$10,982,241; auxiliary enterprises, \$4,887,144; and grants and contracts, \$23,843,039. The major uses of funds were payments made to employees of \$21,243,151, scholarships and fellowships of \$16,436,410 and payments to suppliers of \$15,818,740.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was \$13,387,645 in fiscal year 2013 and \$13,132,236 in fiscal year 2012.

#### Significant Capital Asset Transactions

East Mississippi Community College is committed to a long-range capital projects program. The Lion Hills clubhouse was renovated and a classroom building was purchased. The baseball fencing project was completed during the year. There was significant progress on the Band Hall and Davis Administration buildings. These were all funded with unrestricted fund balance. Renovation has begun on Warren Hall. The Warren Hall renovation is being funded mostly from state bond funds and the Bureau of Building discretionary funds. Also completed from state funds is the water infrastructure and roofing projects on the Scooba campus. Future plans include a new student union on the Golden Triangle campus and classroom renovation at Lion Hills.

## **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 2013 financial situation. The level of State support impacted the fiscal year 2013 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 2013 but held at the same rates as 2012. State appropriations contribute approximately twenty-six 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, 2013

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF NET POSITION**

June 30, 2013

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 18,555,876
Accounts receivables, net	3,919,163
Inventories	<u>1,153,201</u>

**Total current assets** \$ 23,628,240

**Noncurrent Assets:**

Restricted cash and cash equivalents	\$ 117,847
Other long-term investments	85,566
Capital assets, net of accumulated depreciation	<u>39,568,596</u>

**Total noncurrent assets** \$ 39,772,009

**Total assets** \$ 63,400,249

**Current Liabilities:**

Accounts payable and accrued liabilities	\$ 2,764,583
Deferred revenues	<u>989,688</u>

**Total current liabilities** \$ 3,754,271

**Noncurrent Liabilities:**

Deposits refundable (housing)	<u>\$ 38,185</u>
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**Total noncurrent liabilities** \$ 38,185

**Total liabilities** \$ 3,792,456

**NET POSITION**

Net Investment in Capital Assets	\$ 39,568,596
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## Restricted for:

## Nonexpendable:

Endowment funds	\$ 143,222
Unemployment fund	<u>71,071</u>

## Expendable:

Capital projects	1,326,927
Debt service	706,546
Other	51,226
CMTE funds	<u>3,273,995</u>

Unrestricted	<u>14,466,210</u>
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**Total net position** \$ 59,607,793

**Total liabilities and net position** \$ 63,400,249

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, 2013

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2013

**Operating Revenues**

Tuition and fees (net of scholarship allowances of \$2,947,159)	\$ 9,794,645
Federal grants and contracts	17,111,608
State grants and contracts	2,396,237
Nongovernmental grants and contracts	365,711
Sales and services of educational departments	106,479
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of \$486,740)	1,617,647
Bookstore (net of scholarship allowances of \$935,245)	3,108,211
Golf course and club	423,450
Other operating revenues	<u>331,466</u>
Total operating revenues	<u>\$ 35,255,454</u>

**Operating Expenses**

Salaries and wages	\$ 17,813,723
Fringe benefits	4,943,976
Travel	267,677
Contractual services	5,959,604
Utilities	1,429,534
Scholarships and fellowships	14,012,897
Commodities	7,275,314
Depreciation expense	<u>1,795,675</u>
Total operating expenses	<u>\$ 53,498,400</u>
Operating loss	<u>\$ (18,242,946)</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, 2013

**Nonoperating Revenues (Expenses)**

State appropriations	\$ 13,430,653
Local appropriations	2,840,825
Investment income	85,297
Other nonoperating revenues(expenses)	<u>(2,944)</u>
Total net nonoperating revenues	<u>\$ 16,353,831</u>
Income before other revenues, expenses, gains and losses	\$ (1,889,115)
Capital grants and gifts	137,056
State appropriations restricted for capital purposes	<u>631,716</u>
Change in net position	<u>\$ (1,120,343)</u>

**Net Position**

Net position - beginning of year	<u>\$ 60,728,136</u>
Net position - end of year	<u>\$ 59,607,793</u>

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2013

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2013

**Cash Flows from Operating Activities**

Tuition and fees	\$ 10,039,297
Grants and contracts	21,043,331
Sales and services of educational departments	106,479
Payments to suppliers	(12,870,528)
Payments to employees for salaries and benefits	(22,434,552)
Payments for utilities	(1,429,611)
Payments for scholarships and fellowships	(14,012,897)
Auxiliary enterprise charges:	
Student housing and food service	1,628,684
Bookstore	3,054,548
Golf course and club	423,450
Other receipts	<u>331,466</u>
Net cash used in operating activities	\$ <u>(14,120,333)</u>

**Cash Flows from Noncapital Financing Activities**

State appropriations	\$ 13,387,645
County appropriations	<u>2,430,031</u>
Net cash provided by noncapital financing activities	\$ <u>15,817,676</u>

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

Cash paid for capital assets	\$ (3,698,030)
Capital appropriations received	1,054,786
Capital grants and contracts received	<u>137,056</u>
Net cash used in capital and related financing activities	\$ <u>(2,506,188)</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**

(continued)

For the Year Ended June 30, 2013

**Cash Flows from Investing Activities**

Interest received on investments	\$ 85,318
Purchase of investment	<u>(1,289)</u>

Net cash provided by investing activities	<u>\$ 84,029</u>
---	------------------

Net decrease in cash and cash equivalents	\$ (724,816)
---	--------------

<b>Cash and cash equivalents - beginning of the year</b>	<u>19,398,539</u>
--	-------------------

<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 18,673,723</u></u>
--	-----------------------------

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

Operating loss	\$ (18,242,946)
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Adjustments to reconcile loss to net cash  
used in operating activities:

Depreciation expense	1,795,675
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Changes in assets and liabilities:

Receivables, net	1,423,467
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Inventories	(353,743)
-------------	-----------

Accounts payables and accrued liabilities	1,308,880
---	-----------

Deferred revenues	(62,703)
-------------------	----------

Deposits refundable	<u>11,037</u>
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Net cash used in operating activities	<u><u>\$ (14,120,333)</u></u>
---------------------------------------	-------------------------------

See Accompanying Notes to Financial Statements.

## **EAST MISSISSIPPI COMMUNITY COLLEGE**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2013

#### **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.

Deferred revenues

Deferred 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 \$14,466,210 at June 30, 2013, includes \$7,570,379 for auxiliary operations, \$242,332 designated for student groups, and a remaining amount of \$6,653,499.

## **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 Depositary 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, 2013:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	N/A	Less than 1 year	\$ 84,661
Mutual Funds	AAA	Less than 1 year	905
			<u>\$ 85,566</u>

The following table summarizes the classification of the District's investments reported on the statement of net position at June 30, 2013:

Other investments	<u>\$ 85,566</u>
Total	<u>\$ 85,566</u>

**Note 4. Accounts Receivable**

Accounts receivable consists of the following at June 30, 2013

Student tuition	\$ 1,112,536
Auxiliary enterprises and other operating activities	777,758
Federal, state and private grants and contracts	1,565,810
State and county appropriations	666,863
Accrued interest	136
Total accounts receivable	<u>\$ 4,123,103</u>
Less allowance for doubtful accounts	<u>203,940</u>
Net accounts receivable	<u>\$ 3,919,163</u>

## Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2013	06/30/12 Year-end Balance	Increases	Decreases	06/30/13 Year-end Balance
Capital assets, non-depreciable:				
Land	\$ 636,290	\$ 1,229,600	\$ -	\$ 1,865,890
Construction in progress	8,150,451	2,174,812	9,441,918	883,345
Total capital assets, non-depreciable	\$ 8,786,741	\$ 3,404,412	\$ 9,441,918	\$ 2,749,235
Capital assets, depreciable:				
Buildings	\$ 31,497,425	\$ 8,062,266	\$ -	\$ 39,559,691
General infrastructure	7,713,256	841,964	-	8,555,220
Furniture, fixtures and equipment	6,261,521	969,736	70,473	7,160,784
Vehicles	873,225	136,800	82,061	927,964
Books and film	1,440,406	36,235	161,302	1,315,339
Total capital assets, depreciable	\$ 47,785,833	\$ 10,047,001	\$ 313,836	\$ 57,518,998
Total capital assets	\$ 56,572,574	\$ 13,451,413	\$ 9,755,754	\$ 60,268,233
Less accumulated depreciation for:				
Buildings	\$ 11,057,087	\$ 796,476	\$ -	\$ 11,853,563
General infrastructure	1,314,379	335,743	-	1,650,122
Furniture, fixtures and equipment	5,183,163	501,016	62,902	5,621,277
Vehicles	541,431	90,404	72,343	559,492
Books and film	1,104,449	72,036	161,302	1,015,183
Total accumulated depreciation	\$ 19,200,509	\$ 1,795,675	\$ 296,547	\$ 20,699,637
Capital assets, net of depreciation	\$ 37,372,065	\$ 11,655,738	\$ 9,459,207	\$ 39,568,596

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. Operating Lease**

Leased property as of June 30, 2013, is composed of office equipment and modular building leases. Future minimum rental payments:

2014	\$ 76,310
2015	\$ 55,154
2016	\$ 14,147

Rental expense for operating lease at June 30, 2013 (except those with terms of less than a month not renewed) was \$74,214.

## Note 7. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2013:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,749,315	\$ 2,813,376	\$ 85,139	\$ 1,527,876	\$ 24,199	\$ -	\$ 489,087	\$ -	\$ 15,688,992
Academic Support	273,660	84,382	3,240	33,364	-	-	30,450	-	425,096
Student Services	2,732,558	827,143	97,939	477,429	-	-	439,866	-	4,574,935
Institutional Support	2,711,623	811,489	76,438	1,537,976	-	-	736,262	-	5,873,788
Operation of Plant	974,723	328,121	2,497	854,880	1,369,721	-	1,727,248	-	5,257,190
Student Aid	-	-	-	-	-	14,012,897	-	-	14,012,897
Auxiliary Enterprises	371,844	79,465	2,424	1,528,079	35,614	-	3,852,401	-	5,869,827
Depreciation	-	-	-	-	-	-	-	1,795,675	1,795,675
Total operating expenses	\$ 17,813,723	\$ 4,943,976	\$ 267,677	\$ 5,959,604	\$ 1,429,534	\$ 14,012,897	\$ 7,275,314	\$ 1,795,675	\$ 53,498,400

**Note 8. Subsequent Events**

Management has evaluated subsequent events through January 13, 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%. Other construction projects include a campus entrance and roadway project on the Golden Triangle campus at a cost of \$157,000 and Lion Hills campus classroom building renovation in the amount of \$122,000.

**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 14.26% 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, 2013, 2012, and 2011 were \$2,359,267, \$1,949,009, and \$1,709,491, 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, 2013

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013  
**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		\$ 15,363,173	\$ -	\$ 15,363,173
College Work-study	84.033		141,914	47,305	189,219
SEOG	84.007		94,868	31,622	126,490
Federal Direct Student Loans	84.268		14,312,685	-	14,312,685
<b>Total U.S. Department of Education</b>			<b>\$ 29,912,640</b>	<b>\$ 78,927</b>	<b>\$ 29,991,567</b>
<b>Total student financial aid</b>			<b>\$ 29,912,640</b>	<b>\$ 78,927</b>	<b>\$ 29,991,567</b>
<b>Other Programs:</b>					
<u>U.S. Department of Labor</u>					
Passed through programs from:					
<u>Montgomery Institute</u>					
ARRA Health Care Training	17.275		\$ 221,441	-	\$ 221,441
<u>ICC</u>					
Trade Adjustment Assistance	17.245		\$ 309,311	-	\$ 309,311
<u>WIA Cluster</u>					
Youth Grant	17.259		\$ 205,065	-	\$ 205,065
Rapid Response Grant	17.260		25,000	-	25,000
Dislocated Worker Formula Grant	17.278		4,465	-	4,465
Total WIA cluster			\$ 234,530	-	\$ 234,530
<b>Total U.S. Department of Labor</b>			<b>\$ 765,282</b>	<b>\$ -</b>	<b>\$ 765,282</b>

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
<u>National Science Foundation</u>					
Miss State Univ					
Education and Human Resources	47.076		\$ 7,752	\$ -	\$ 7,752
<u>U.S. Department of Education</u>					
Passed through State					
<u>Department of Education</u>					
Adult Basic Education	84.002	V002A6005	\$ 314,582	\$ 77,426	\$ 392,008
Basic Grants to States	84.048	V0000718830	335,185	-	335,185
			\$ 649,767	\$ 77,426	\$ 727,193
<b>Total other programs</b>			\$ 1,422,801	\$ 77,426	\$ 1,500,227
<b>Total expenditures of federal awards</b>			\$ 31,335,441	\$ 156,353	\$ 31,491,794

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	\$ 31,335,441
Stafford loans	14,312,685
	<u>14,312,685</u>
Federal grants and contracts	\$ 17,022,756
	<u>17,022,756</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**INDEPENDENT AUDITOR'S 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 AUDITOR'S 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, 2013, 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 January 13, 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.

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.

The purpose of this report is intended solely for the information and use of management, entities with accreditation overview, others within the entity, 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

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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





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**INDEPENDENT AUDITOR'S 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, 2013. East Mississippi Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's 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.

## 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, 2013.

## 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.

This report is intended solely for the information and use of management, entities with accreditation overview, others within the entity, 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



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  
Scooba, Mississippi

We have audited the financial statements of East Mississippi Community College as of and for the year ended June 30, 2013 and have issued our report thereon dated January 13, 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

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

# EAST MISSISSIPPI COMMUNITY COLLEGE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

### Section I. Summary of Auditors' Results

#### Financial Statements – GAS Audit

Type of auditors' report issued:	Unqualified
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:	Unqualified
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 Workstudy
84.007	SEOG
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs:	\$510,683
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.