EAST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

CONTENTS

RSGS

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INDEPENDENT AUDITORS' REPORT

To Dr. Thomas M. Huebner, Jr., 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, 2015, and the related notes to the financial statements, which collectively comprise East Mississippi Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of East Mississippi Community College, as of June 30, 2015, 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 4–15, the schedule of the College's share of net pension liability on page 36, and the College's contributions on pages 37 and notes to Required Supplementary Information on page 38, 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 18, 2016, 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 18, 2016

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSION AND ANALYSIS
For the Year Ended June 30, 2015

This section of East Mississippi Community College's annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2015. 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, deferred outflows of resources, liabilities and deferred inflows of resources. The College's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Condensed Statements of Net Position

	June 30, 2015		June 30, 2014	
	Amount	Percent	Amount	Percent
ASSETS				
Current assets	$22,880,589	28.63%	$21,968,148	28.64%
Noncurrent assets:				
Capital, net	51,443,558	64.36%	40,275,463	52.51%
Other	5,600,756	7.01%	14,462,172	18.85%
Total assets	$79,924,903	100.00%	$76,705,783	100.00%
DEFERRED OUTFLOWS	$ 4,262,344	100.00%	$ -	0.00%
LIABILITIES				
Current liabilities	$ 3,697,057	7.23%	$ 3,484,740	20.03%
Noncurrent liabilities	47,422,999	92.77%	13,917,036	79.97%
Total liabilities	$51,120,056	100.00%	$17,401,776	100.00%
DEFERRED INFLOWS	$ 4,926,647	100.00%	$ -	0.00%
NET POSITION				
Net investment in capital assets	$42,687,457	151.69%	$40,275,463	67.91%
Restricted:				
Nonexpendable	415,014	1.47%	234,313	0.40%
Expendable	3,538,686	12.58%	5,631,514	9.50%
Unrestricted	(18,500,613)	-65.74%	13,162,717	22.19%
Total net position	$28,140,544	100.00%	$59,304,007	100.00%

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 $18,027,266 at June 30, 2015, and $17,926,809 at June 30, 2014.

Accounts Receivable

Accounts receivable relates to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenue. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled $3,907,893 at June 30, 2015, and $2,902,756 at June 30, 2014.

Prepaid Expense

The College had prepaid expense in the amount of $284,163 for June 30, 2015, and $271,099 for June 30, 2014.

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 $661,267 at June 30, 2015, and $867,484 at June 30, 2014.

Non-current Assets

Cash and Cash Equivalents

Cash and cash equivalents are those funds that are on deposit in the College's bank accounts. The cash and cash equivalents that are considered noncurrent are cash in endowment funds and cash from bond issue for capital projects. The amount of cash and cash equivalents considered noncurrent totaled $5,513,153 which includes $337,301 in endowment funds and $5,175,852 for capital projects at June 30, 2015, and $14,374,396 which includes $143,182 in endowment funds and $14,231,214 for capital projects at June 30, 2014.

Other Investments

Other long-term investments include certificates of deposit and marketable securities. These investments are recorded at fair market value. The fair market value was $87,603 at June 30, 2015, and $87,776 at June 30, 2014.

Management's Discussion and Analysis (continued)

Capital Assets, Net

Capital assets, net, consists of land, infrastructure, buildings, equipment, and library holdings. The amount reported is net of accumulated depreciation. Capital assets, net, totaled $51,443,558 at June 30, 2015, and $40,275,463 at June 30, 2014.

Deferred Outflows-Pension

The deferred outflows are for pension and represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. The amount in deferred outflows is $4,262,344 at June 30, 2015.

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2015 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $2,362,854 at June 30, 2015, and $2,064,487 at June 30, 2014.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year, but not earned until the next fiscal year. The unearned revenue totaled $849,203 at June 30, 2015, and $930,253 at June 30, 2014.

Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of bonds payable due within the next fiscal year. The amount of the current portion was $485,000 at June 30, 2015, and $490,000 at June 30, 2014.

Noncurrent Liabilities

Deposits Refundable

This liability consists of refundable housing deposits. The refundable deposits were $60,025 at June 30, 2015, and $48,245 at June 30, 2014.

Long-term Liabilities

Long-term liabilities consist of bonds payable that are due beyond the next fiscal year. The long-term liabilities were $13,230,000 at June 30, 2015, and $13,715,000 at June 30, 2014.

Management's Discussion and Analysis (continued)

Bond Premium

The bond premium associated with the bonds payable has been capitalized and the amount will be amortized over 20 years. The bond premium was $146,101 at June 30, 2015, and $153,791 at June 30, 2014.

Net Pension Liabilities

Net pension liabilities consists of the College's proportionate share of the Public Employees' Retirement System of Mississippi's net pension liability resulting from the implementation of GASB 68. At June 30, 2015, the amount was $33,986,873.

Deferred Inflows-Pension

The deferred inflows are for pension and represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until then. The amount in deferred inflows is $4,926,647 at June 30, 2015.

NET POSITION

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position was $28,140,544 at June 30, 2015, and $59,304,007 at June 30, 2014.

Analysis of Net Position

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

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

Management's Discussion and Analysis (continued)

The following is a breakdown of the restricted net position:

	June 30, 2015 Amount	June 30, 2014 Amount
Endowment funds	$ 342,954	$ 162,776
Unemployment reserve	72,060	71,537
Restricted for capital projects	1,519,945	1,382,696
Debt service funds	1,699,287	1,412,066
Other	319,454	180,495
Center for Manufacturing Technology	-	2,656,257
Total restricted net position	$ 3,953,700	$ 5,865,827

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

The following is a breakdown of the unrestricted net position:

	June 30, 2015 Amount	June 30, 2014 Amount
Unrestricted general fund	$ (26,909,575)	$ 4,638,386
Unrestricted auxiliary fund	8,148,524	8,276,550
Other unrestricted funds	260,438	247,781
Total unrestricted net position	$ (18,500,613)	$ 13,162,717

Management's Discussion and Analysis (continued)

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

	June 30, 2015 Amount	June 30, 2014 Amount
Operating revenues:		
Tuition and fees	$ 8,353,160	$ 9,025,907
Grants and contracts	19,089,698	18,129,813
Auxiliary enterprises	5,425,910	5,664,243
Other operating revenues	493,356	522,640
Total operating revenues	$ 33,362,124	$ 33,342,603
Operating expenses	$ 50,653,536	$ 52,245,126
Operating loss	$(17,291,412)	$(18,902,523)
Non-operating revenues (expenses):		
State appropriations	$ 14,707,042	$ 14,018,424
County appropriations	4,005,248	3,511,827
Investment income, net	125,140	103,518
Interest expense	(554,870)	-
Other non-operating expenses	(9,061)	(164,279)
Net non-operating revenues	$ 18,273,499	$ 17,469,490
Gain (loss) before other items	$ 982,087	$ (1,433,033)
Capital appropriations	$ 2,548,341	$ 1,111,747
Capital grants	5,300	17,500
Total other revenues	$ 2,553,641	$ 1,129,247
Change in net position	$ 3,535,728	$ (303,786)
Net position		
Net position at beginning of year	$ 59,304,007	$ 59,607,793
Cumulative effect of changes from adoption of GASB 68	(34,699,191)	-
Net position at beginning of year, restated	$ 24,604,816	$ 59,607,793
Net position at end of year	$ 28,140,544	$ 59,304,007

Total operating loss was $17,291,412 for fiscal year 2015, and $18,902,523 for fiscal year 2014. 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 2015 were $33,362,124, and $33,342,603 for 2014. Tuition and fees were $8,353,160 for 2015 and $9,025,907 for 2014. This is net of the tuition discount, which was $3,628,864 in 2015, and $3,433,811 in 2014. Operating expenses, including depreciation of $1,835,321, totaled $50,653,536 for year 2015. Of the 2015 total, $16,055,751 or 32% was for instruction. Operating expenses, including depreciation of $1,848,626, totaled $52,245,126 for 2014. Of the 2014 total, $15,565,921 or 30% was for instruction.

REVENUES

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was $8,353,160 for 2015. The tuition discount for the 2015 fiscal year was $3,628,864. The net total was $9,025,907 for 2014. The tuition discount for the 2014 fiscal year was $3,433,811.

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, 2015 and June 30, 2014:

	June 30, 2015 Amount	June 30, 2014 Amount
Federal sources:		
Department of Education	$ 14,718,091	$ 15,524,835
State sources:		
State Board for Community & Junior Colleges	3,361,419	2,373,340
Other sources	1,010,188	231,638
Total all sources	$ 19,089,698	$ 18,129,813

Management's Discussion and Analysis (continued)

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $103,737 for the 2015 fiscal year, and $118,937 for the 2014 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, 2015, include the College's bookstore in the amount of $2,477,971, student housing in the amount of $1,616,870, and the golf course and club in the amount of $1,331,069. Auxiliary enterprises at June 30, 2014 include the College's bookstore in the amount of $2,816,350, student housing in the amount of $1,635,321, and the golf course and club in the amount of $1,212,572.

Operating Expenses

Operating expenses for fiscal year 2015, totaling $50,653,536, include salaries and benefits of $23,811,588, scholarships and fellowships of $10,460,674, utilities of $1,473,180, services of $5,719,362, supplies of $6,984,611, travel of $368,800, and depreciation of $1,835,321. Operating expenses for fiscal year 2014, totaling $52,245,126, included salaries and benefits of $23,936,995, scholarships and fellowships of $12,184,595, utilities of $1,547,538, services of $5,545,743, supplies of $6,803,787, travel of $377,842, and depreciation of $1,848,626.

	June 30, 2015 Amount	June 30, 2014 Amount
Expenses by functions:		
Instruction	$ 16,055,751	$ 15,565,921
Academic support	363,985	396,790
Student services	4,933,243	4,965,006
Institutional support	5,684,295	5,951,446
Operations and maintenance of plant	5,236,931	4,991,714
Student financial aid	10,460,674	12,184,595
Auxiliary enterprises	6,083,336	6,341,028
Depreciation	1,835,321	1,848,626
Total operating expenses by function	$ 50,653,536	$ 52,245,126

Non-operating Revenues (Expenses)

State Aid

The College received $14,707,042 for 2014-2015 fiscal year, of which $14,557,042 was used for operations, and $150,000 was earmarked for the Center for Manufacturing Technology Excellence. The College received $14,018,424 for 2013-2014 fiscal year, of which $13,868,424 was used for operations, and $150,000 was earmarked for the Center for Manufacturing Technology Excellence. The College'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 $1,920,307 for maintenance funds, and $2,084,941 for plant funds and debt service for the 2015 fiscal year from the counties. The College received $1,830,448 for maintenance funds, and $1,681,379 for plant funds and debt service for the 2014 fiscal year from the counties. 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, 2015 was $125,140. The investment income for the year ended June 30, 2014 was $103,518.

Interest Expense

This consists of the interest expense on the bonds payable of $554,870 for the year ended June 30, 2015 and $0 for the year ended June 30, 2014.

Other Non-Operating Expenses

This consists of a loss on the sale of fixed assets of $7,457 and bond administration costs of $1,604 for the year ended June 30, 2015 and a loss on the sale of fixed assets of $8,024 and bond issuance costs of $156,255 for the year ended June 30, 2014.

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.

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Year Ended June 30, 2015

	June 30, 2015 Amount	June 30, 2014 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	$ (16,035,663)	$ (16,565,102)
Non-capital financing activities	17,302,094	17,266,814
Capital and related financing activities	(10,152,523)	12,824,459
Investing activities	125,306	101,311
Net decrease in cash and cash equivalents	$ (8,760,786)	$ 13,627,482
Cash and cash equivalents - beginning of the year	32,301,205	18,673,723
Cash and cash equivalents - end of the year	$ 23,540,419	$ 32,301,205

In fiscal year 2015, the major sources of funds included in operating activities were: student tuition and fees, $8,330,460; auxiliary enterprises, $5,574,247; and grants and contracts, $18,156,902. The major uses of funds were payments made to employees of $23,901,256, scholarships and fellowships of $10,460,674, and payments to suppliers of $12,721,073.

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

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was $14,456,558 in fiscal year 2015 and $14,207,760 in fiscal year 2014.

Management's Discussion and Analysis (continued)

Significant Capital Asset Transactions

East Mississippi Community College is committed to a long-range capital projects program. The construction of the Student Union Building on the Golden Triangle Campus began during 2015. The Student Union project is being funded by local bond issue funds of $14,200,000 and state funds in the amount of $2,404,567.

East Mississippi Community College will be constructing an advanced manufacturing training facility to serve the workforce needs of the region and a resource for the community. The cost is approximately $38 million. The funding sources include $18 million from the State of Mississippi and $6.1 million from Appalachian Regional Commission. Lowndes County has committed $10 million, Oktibbeha County has committed $2.5 million, and Clay County has committed $1 million for the project. The funding commitments by the counties will be used to service bonds issued by the College.

The College has plans to construct an Athletic Operations Building which will serve the administrative, health, and wellness needs of intercollegiate athletics at EMCC. The facility will be approximately 25,000 square feet plus an indoor practice facility. The construction will cost an estimated $6.5 million. The facility will be constructed by the EMCC Development Foundation using funds raised and borrowed by that entity, and then the building will be leased to the College.

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2015 financial situation. The level of State support, utility cost increases, and supply cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The College did not increase full time tuition cost in 2015. State appropriations contribute approximately 28% 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, 2015

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Current Assets:	
Cash and cash equivalents	$ 18,027,266
Accounts receivables, net	3,907,893
Prepaid expense	284,163
Inventories	661,267
Total current assets	$ 22,880,589
Noncurrent Assets:	
Restricted cash and cash equivalents	$ 5,513,153
Other long-term investments	87,603
Capital assets, net of accumulated depreciation	51,443,558
Total noncurrent assets	$ 57,044,314
Total assets	$ 79,924,903
Deferred Outflows:	
Deferred outflows - pensions	$ 4,262,344

LIABILITIES

Current Liabilities:	
Accounts payable and accrued liabilities	$ 2,362,854
Unearned revenues	849,203
Current portion of long-term liabilities	485,000
Total current liabilities	$ 3,697,057
Noncurrent Liabilities:	
Deposits refundable (housing)	$ 60,025
Long-term liabilities	13,230,000
Bond premium, net of amortization	146,101
Net pension liabilities	33,986,873
Total noncurrent liabilities	$ 47,422,999
Total liabilities	$ 51,120,056
Deferred Inflows:	
Deferred inflows - pensions	$ 4,926,647

NET POSITION

Net investment in capital assets	$ 42,687,457
Restricted for:	
Nonexpendable:	
Endowment funds	$ 342,954
Unemployment fund	72,060
Expendable:	
Capital projects	1,519,945
Debt service	1,699,287
Other	319,454
CMTE funds	-
Total restricted	$ 3,953,700
Unrestricted	$ (18,500,613)
Total net position	$ 28,140,544

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, 2015

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

OPERATING REVENUES		
Tuition and fees (net of scholarship allowances of $3,628,864)	$	8,353,160
Federal grants and contracts		14,718,091
State grants and contracts		3,361,419
Nongovernmental grants and contracts		1,010,188
Sales and services of educational departments		103,737
Auxiliary enterprises:		
Student housing and food (net of scholarship allowances of $705,854)		1,616,870
Bookstore (net of scholarship allowances of $1,080,740)		2,477,971
Golf course and club		1,331,069
Other operating revenues		389,619
Total operating revenues	$	33,362,124
OPERATING EXPENSES		
Salaries and wages	$	18,439,264
Fringe benefits		5,372,324
Travel		368,800
Contractual services		5,719,362
Utilities		1,473,180
Scholarships and fellowships		10,460,674
Commodities		6,984,611
Depreciation expense		1,835,321
Total operating expenses	$	50,653,536
Operating loss	$	(17,291,412)

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, 2015

NONOPERATING REVENUES (EXPENSES)	
State appropriations	$ 14,707,042
Local appropriations	4,005,248
Investment income	125,140
Interest expense	(554,870)
Other nonoperating expenses	(9,061)
Total net non-operating revenues	$ 18,273,499
Income before other revenues, expenses, gains and losses	$ 982,087
Capital grants and gifts	$ 5,300
State appropriations restricted for capital purposes	2,548,341
Change in net position	$ 3,535,728
NET POSITION	
Net position - beginning of year	$ 59,304,007
Cumulative effect of changes from adoption of GASB 68	(34,699,191)
Net position - beginning of year, restated	$ 24,604,816
Net position - end of year	$ 28,140,544

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 8,330,460
Grants and contracts	18,156,902
Sales and services of educational departments	103,737
Payments to suppliers	(12,721,073)
Payments to employees for salaries and benefits	(23,901,256)
Payments for utilities	(1,507,625)
Payments for scholarships and fellowships	(10,460,674)
Auxiliary enterprise charges:	
Student housing and food service	1,628,650
Bookstore	2,613,649
Golf course and club	1,331,948
Other receipts	389,619
Net cash used in operating activities	$ (16,035,663)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	$ 14,456,558
County appropriations	2,845,536
Net cash provided by noncapital financing activities	$ 17,302,094
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	$ (12,791,185)
Capital appropriations received	3,691,296
Payment on bond principal	(490,000)
Interest on bonds payable	(567,934)
Capital grants and contracts received	5,300
Net cash used in capital and related financing activities	$ (10,152,523)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2015

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest received on investments	$	125,133
Purchase of investment		173
Net cash provided by investing activities	$	125,306
Net decrease in cash and cash equivalents	$	(8,760,786)
Cash and cash equivalents - beginning of the year		32,301,205
Cash and cash equivalents - end of year	$	23,540,419
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(17,291,412)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation expense		1,835,321
Changes in assets and liabilities:		
Receivables, net		(737,889)
Inventories		206,217
Accounts payables and accrued liabilities		69,385
Unearned revenues		(81,050)
Deposits refundable		11,780
Net pension liability		(3,424,157)
Changes in deferred inflow/outflows of resources:		
Deferred inflow of resources		4,926,647
Deferred outflow of resources		(1,550,505)
Net cash used in operating activities	$	(16,035,663)

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 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 if 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 outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has a deferred outflow which is presented as a deferred outflow for pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The College has a deferred inflow which is presented as a deferred inflow for pension.

Note 1. Summary of Significant Accounting Policies (continued)

Unearned revenues

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

Accrued leave

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

Pensions

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further details.

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).

Note 1. Summary of Significant Accounting Policies (continued)

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 $(18,123,709) at June 30, 2015, includes $8,148,524 for auxiliary operations, $260,438 designated for student groups, and a remaining amount of $(26,532,671).

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.

Note 2. Cash and Investments (continued)

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, 2015:

Investment	Credit Rating	Maturities	Fair Value
Certificates of deposit	N/A	Less than 1 year	$ 86,661
Mutual funds	AAA	Less than 1 year	942
			$ 87,603

The following table summarizes the classification of the District's investments reported on the statement of net position at June 30, 2015:

Other investments	$ 87,603
Total	$ 87,603

Note 4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2015:

Student tuition	$ 1,280,689
Auxiliary enterprises and other operating activities	431,981
Federal, state and private grants and contracts	1,787,220
State and county appropriations	774,471
Accrued interest	140
Total accounts receivable	$ 4,274,501
Less allowance for doubtful accounts	366,608
Net accounts receivable	$ 3,907,893

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2015	06/30/14 Year-end Balance	Increases	Decreases	06/30/15 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 1,877,890	$ -	$ -	$ 1,877,890
Construction in progress	1,405,635	14,940,281	3,441,411	12,904,505
Total capital assets, non-depreciable	$ 3,283,525	$14,940,281	$3,441,411	$14,782,395
Capital assets, depreciable:				
Buildings	$40,700,665	$ 481,490	$ -	$41,182,155
General infrastructure	8,859,176	-	-	8,859,176
Furniture, fixtures and equipment	7,362,369	913,580	234,210	8,041,739
Vehicles	983,664	99,793	9,300	1,074,157
Books and film	1,169,412	15,377	26,319	1,158,470
Total capital assets, depreciable	$59,075,286	$ 1,510,240	$ 269,829	$60,315,697
Total capital assets	$62,358,811	$16,450,521	$3,711,240	$75,098,092
Less accumulated depreciation for:				
Buildings	$12,695,678	$ 765,329	$ -	$13,461,007
General infrastructure	1,998,024	347,901	-	2,345,925
Furniture, fixtures and equipment	5,861,940	551,338	231,120	6,182,158
Vehicles	613,779	105,047	6,696	712,130
Books and film	913,927	65,706	26,319	953,314
Total accumulated depreciation	$22,083,348	$ 1,835,321	$ 264,135	$23,654,534
Capital assets, net of depreciation	$40,275,463	$14,615,200	$3,447,105	$51,443,558

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

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

Note 6. Long-term Liabilities

Long-term liabilities of the College consist of bonds payable that are expected to be liquidated at least one year from June 30, 2015. Information regarding original issue amounts, interest rates and maturity dates for bonds included in the long-term liabilities at June 30, 2015, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

	Beginning			Ending	Analysis of Year-end Balance	
	Balances			Balances	Due Within	Noncurrent
Note Issue	7/1/2014	Additions	Reductions	6/30/2015	One Year	Portion
Bonded debt:						
Special obligation bonds,series 2014- Capital projects, GT student union Original issue- $14,205,000 Interest rate- 3.375%-5.0%	$14,205,000	$ -	$ 490,000	$13,715,000	$ 485,000	$ 13,230,000

Note 6. Long-term Liabilities (continued)

The debt service requirements as of June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 485,000	$ 568,325	$ 1,053,325
2017	505,000	548,925	1,053,925
2018	525,000	528,725	1,053,725
2019	550,000	505,100	1,055,100
2020	575,000	480,350	1,055,350
2021-2025	3,305,000	1,971,913	5,276,913
2026-2030	3,970,000	1,304,075	5,274,075
2031-2034	3,800,000	420,937	4,220,937
Total	$ 13,715,000	$ 6,328,350	$ 20,043,350

Note 7. Operating Lease

Leased property as of June 30, 2015, is composed of office equipment and modular building leases. Future minimum rental payments at June 30, 2015 are as follows:

2016	$ 80,515
2017	$ 50,737
2018	$ 10,494

Rental expense for operating lease at June 30, 2015 (except those with terms of less than a month not renewed) was $96,073.

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2015:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$ 10,829,052	$ 3,045,457	$ 136,811	$ 1,268,786	$ 25,762	$ -	$ 749,883	$ -	$ 16,055,751
Academic support	243,921	79,927	1,661	26,534	-	-	11,942	-	363,985
Student services	2,752,375	870,361	140,903	518,522	-	-	651,082	-	4,933,243
Institutional support	2,761,388	851,477	85,561	1,472,076	-	-	513,793	-	5,684,295
Operation of plant	1,057,438	362,099	1,254	796,048	1,447,418	-	1,572,674	-	5,236,931
Student aid	-	-	-	-	-	10,460,674	-	-	10,460,674
Auxiliary enterprises	795,090	163,003	2,610	1,637,396	-	-	3,485,237	-	6,083,336
Depreciation	-	-	-	-	-	-	-	1,835,321	1,835,321
Total operating expenses	$ 18,439,264	$ 5,372,324	$ 368,800	$ 5,719,362	$ 1,473,180	$ 10,460,674	$ 6,984,611	$ 1,835,321	$ 50,653,536

Note 9. **Subsequent Events**

Management has evaluated subsequent events through January 18, 2016, the date on which the financial statements were available to be issued.

The College has plans to construct an advanced manufacturing training facility at an approximate cost of $38 million. The project will be funded by federal, state, and local funds. The College also has plans to construct an Athletic Operations Building at an estimated cost of $6.5 million.

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.

Benefits provided - The following is a description of the Plan and its benefits, and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information. For the cost-sharing plan, participating members who are vested and retire at or after age 60, or those who retire regardless of age with at least 30 years (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensations is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Note 10. Pension Plan (continued)

Contributions - Contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9% of their annual covered salary and East Mississippi Community College's contractually required contribution rate for the year ended June 30, 2015, was 15.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The College's contributions to PERS for the fiscal years ending June 30, 2015, 2014, and 2013 were $2,715,513, $2,711,839, and $2,359,267 respectively, which equaled the required contributions for each year.

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

At June 30, 2015, East Mississippi Community College reported a liability of $33,986,873 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. East Mississippi Community College's proportion of the net pension liability was based on a projection of the Colleges' long-term share of contributions to the pension plan relative to the projected contributions of all participating in the plan, actuarially determined. At June 30, 2014, East Mississippi Community College's proportion was 0.28%, which was an increase of 0.01 from its proportion measured June 30, 2013.

For the year ended June 30, 2015, East Mississippi Community College recognized pension expense of $2,667,498. At June 30, 2015, East Mississippi Community College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 530,185	$ -
Net difference between projected and actual earnings on investments	-	4,926,647
Changes in proportion and differences between ER contributions and proportionate share of contributions	1,016,646	-
ER contributions subsequent to the measurement date	2,715,513	-
Total	$ 4,262,344	$ 4,926,647

Note 10. Pension Plan (continued)

$2,715,513 reported as deferred outflows of resources related to pensions resulting from the Colleges contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	(675,249)
2017		(675,249)
2018		(797,656)
2019		(1,231,662)
2020		-
Thereafter		-
Total	$	(3,379,816)

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increase	4.25-19.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 10. **Pension Plan** (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
U.S. broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	100.00%	

Discount rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The following presents the Colleges share of the net pension liability of PERS, calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease 7%	Current Discount rate 8%	1% Increase 9%
EMCC net pension liability	$ 46,334,243	$ 33,986,873	$ 23,687,331

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 11. Prior Period Adjustment

A summary of significant net position adjustments is as follows:

Net position - June 30, 2014, as previously reported	$	59,304,007
Cumulative effect of changes from adoption of GASB 68		(34,699,191)
Net position - June 30, 2014, restated	$	24,604,816

Note 12. 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. 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. Therefore, the Foundation is not included as a component unit in the College's financial statements. This Foundation is separately audited.

EAST MISSISSIPPI COMMUNITY COLLEGE

REQUIRED SUPPLEMENTAL INFORMATION

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

College's proportion of the net pension liability (asset)	0.28%
College's proportionate share of the net pension liability (asset)	$ 33,986,873
College's covered-employee payroll	$ 17,218,025
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	197.39%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year end June 30, 2015, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

The notes to the required supplemental information are an integral part of this schedule.

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Contractually required contribution	$ 2,715,513
Contributions in relation to the contractually required contribution	2,715,513
Contributions deficiency (excess)	$ -
Colleges covered-employee payroll	$ 17,241,352
Contributions as a percentage of covered-employee payroll	15.75%

EAST MISSISSIPPI COMMUNITY COLLEGE

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2015

Pension Schedules

(1) Changes of benefit terms

None

(2) Changes in assumptions

None

EAST MISSISSIPPI COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

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.S. Department of Education					
PELL grant program	84.063		$ 12,346,203	$ -	$ 12,346,203
College work-study	84.033		106,075	-	106,075
SEOG	84.007		151,417	-	151,417
Federal direct student loans	84.268		8,799,703	-	8,799,703
Total U.S. Department of Education			$ 21,403,398	$ -	$ 21,403,398
Total student financial aid			$ 21,403,398	$ -	$ 21,403,398
Other Programs:					
U.S. Department of Labor					
Trade adjustment assistance	17.245		$ 1,004,486	$ -	$ 1,004,486
Passed through programs from:					
ICC					
Trade adjustment assistance	17.245		$ 51,357	$ -	$ 51,357
ARC					
Appalachian Regional Commission	23.002		$ 141,821	$ -	$ 141,821
WIA cluster					
Youth grant	17.259		$ 239,480	$ -	$ 239,480
Rapid response grant	17.260		25,000	-	25,000
Make It In America	17.260		116,328	-	116,328
Total WIA cluster			$ 380,808	$ -	$ 380,808
Total U.S. Department of Labor			$ 1,578,472	$ -	$ 1,578,472

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued) **Schedule 1**
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
U.S. Department of Education					
Passed through state					
Department of Education					
Adult basic education	84.002	V002A6005	$ 199,861	$ 141,931	$ 341,792
Basic grants to states	84.048	V0000718830	271,289	-	271,289
Basic grants to states-non traditional	84.048	V0000718830	4,562	-	4,562
			$ 475,712	$ 141,931	$ 617,643
Total other programs			$ 2,054,184	$ 141,931	$ 2,196,115
Total expenditures of federal awards			$ 23,457,582	$ 141,931	$ 23,599,513

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	$ 23,457,582
Student loans	8,799,703
Federal grants and contracts	$ 14,657,879

EAST MISSISSIPPI COMMUNITY COLLEGE

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

RSGS

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

To Dr. Thomas M. Huebner, Jr. 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, 2015, 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 18, 2016.

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.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
January 18, 2016

EAST MISSISSIPPI COMMUNITY COLLEGE

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

RSGS

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

To Dr. Thomas M. Huebner, Jr. 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, 2015. East Mississippi Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, East Mississippi Community College's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
January 18, 2016

EAST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

RSGS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To Dr. Thomas M. Huebner, Jr. 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, 2015, and have issued our report thereon dated January 18, 2016. 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.

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 18, 2016

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Section I. Summary of Auditors' Results

Financial Statements – GAS Audit

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

Federal Awards – Single Audit

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

Identification of major programs:

CDFA Number	Name of Federal Program or Cluster
	Student Financial Aid Cluster
84.063	Pell grant program
84.033	College work-study
84.007	SEOG
84.268	Federal direct student loans
17.245	Trade adjustment assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$439,736
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.