



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-15
BASIC FINANCIAL STATEMENTS	
Statement of net position	16-17
Statement of revenues, expenses and changes in net position	18-19
Statement of cash flows	20-21
Notes to financial statements	22-35
REQUIRED SUPPLEMENTAL INFORMATION	
Schedules of College's Share of Net Pension Liability	36
Schedules of College's Contributions	37
Notes to the required supplemental information	38
SUPPLEMENTAL INFORMATION	
Schedule of expenditures of federal awards	39-40
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41-42
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE	43-44
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	46-47

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



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

POST OFFICE BOX 606  
PHILADELPHIA MS 39350  
TELEPHONE 601-656-2742  
FAX 601-656-2760

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

## 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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 schedule of 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*

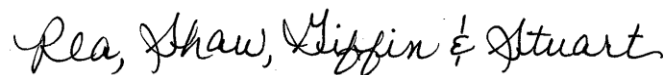
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise East Mississippi Community College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility 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, 2017, 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.

A handwritten signature in cursive script that reads "Rea, Shaw, Giffin & Stuart".

REA, SHAW, GIFFIN & STUART, LLP



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

## **EAST MISSISSIPPI COMMUNITY COLLEGE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2016

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, 2016. 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.

### Condensed Statements of Net Position

	June 30, 2016		June 30, 2015	
	Amount	Percent	Amount	Percent
<b>ASSETS</b>				
Current assets	\$24,993,141	30.81%	\$22,880,589	28.63%
Noncurrent assets:				
Capital, net	55,832,561	68.82%	51,443,558	64.36%
Other	<u>302,161</u>	<u>0.37%</u>	<u>5,600,756</u>	<u>7.01%</u>
<b>Total assets</b>	<u>\$81,127,863</u>	<u>100.00%</u>	<u>\$79,924,903</u>	<u>100.00%</u>
<b>DEFERRED OUTFLOWS</b>	<u>\$ 8,119,758</u>	<u>100.00%</u>	<u>\$ 4,262,344</u>	<u>100.00%</u>
<b>LIABILITIES</b>				
Current liabilities	\$ 3,003,428	5.07%	\$ 3,697,057	7.23%
Noncurrent liabilities	<u>56,203,194</u>	<u>94.93%</u>	<u>47,422,999</u>	<u>92.77%</u>
<b>Total liabilities</b>	<u>\$59,206,622</u>	<u>100.00%</u>	<u>\$51,120,056</u>	<u>100.00%</u>
<b>DEFERRED INFLOWS</b>	<u>\$ 1,217,062</u>	<u>100.00%</u>	<u>\$ 4,926,647</u>	<u>100.00%</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$42,464,150	147.32%	\$42,687,457	151.69%
Restricted:				
Nonexpendable	210,368	0.73%	415,014	1.47%
Expendable	6,036,896	20.94%	3,538,686	12.58%
Unrestricted	<u>(19,887,477)</u>	<u>-69.00%</u>	<u>(18,500,613)</u>	<u>-65.74%</u>
<b>Total net position</b>	<u>\$28,823,937</u>	<u>100.00%</u>	<u>\$28,140,544</u>	<u>100.00%</u>

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

### **ASSETS**

#### Current Assets

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College's financial statements were \$20,443,662 at June 30, 2016, and \$18,027,266 at June 30, 2015.

##### 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 \$3,476,434 at June 30, 2016, and \$3,907,893 at June 30, 2015.

##### Prepaid Expense

The College had prepaid expense in the amount of \$274,463 for June 30, 2016, and \$284,163 for June 30, 2015.

##### 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 \$798,582 at June 30, 2016, and \$661,267 at June 30, 2015.

#### 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 \$214,597 which includes \$131,471 in endowment funds and \$83,126 for capital projects at June 30, 2016, and \$5,513,153 which includes \$337,301 in endowment funds and \$5,175,852 for capital projects at June 30, 2015.

##### Other Investments

Other investments include certificates of deposit and marketable securities. These investments are recorded at fair market value. The fair market value was \$87,564 at June 30, 2016, and \$87,603 at June 30, 2015.

## **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 \$55,832,561 at June 30, 2016, and \$51,443,558 at June 30, 2015.

### 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 was \$8,119,758 at June 30, 2016 and \$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, 2016 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,660,231 at June 30, 2016, and \$2,362,854 at June 30, 2015.

#### 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 \$838,197 at June 30, 2016, and \$849,203 at June 30, 2015.

#### 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 \$505,000 at June 30, 2016, and \$485,000 at June 30, 2015.

### Noncurrent Liabilities

#### Deposits Refundable

This liability consists of refundable housing deposits. The refundable deposits were \$57,305 at June 30, 2016, and \$60,025 at June 30, 2015.

#### Long-term Liabilities

Long-term liabilities consist of bonds payable that are due beyond the next fiscal year. The long-term liabilities were \$12,725,000 at June 30, 2016, and \$13,230,000 at June 30, 2015.

## **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 \$138,411 at June 30, 2016, and \$146,101 at June 30, 2015.

### **Net Pension Liabilities**

Net pension liabilities consist 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, 2016, the amount was \$43,282,478 and 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 was \$1,217,062 at June 30, 2016 and \$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 \$28,823,937 at June 30, 2016, and \$28,140,544 at June 30, 2015.

### **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, 2016 Amount	June 30, 2015 Amount
Endowment funds	\$ 137,780	\$ 342,954
Unemployment reserve	72,588	72,060
Restricted for capital projects	1,985,937	1,519,945
Debt service funds	1,797,466	1,699,287
Other	<u>2,253,493</u>	<u>319,454</u>
Total restricted net position	<u>\$ 6,247,264</u>	<u>\$ 3,953,700</u>

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

The following is a breakdown of the unrestricted net position:

	June 30, 2016 Amount	June 30, 2015 Amount
Unrestricted general fund	\$ (29,443,393)	\$ (26,909,575)
Unrestricted auxiliary fund	9,283,245	8,148,524
Other unrestricted funds	<u>272,671</u>	<u>260,438</u>
Total unrestricted net position	<u>\$ (19,887,477)</u>	<u>\$ (18,500,613)</u>

## Management's Discussion and Analysis (continued)

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

For the Years Ended June 30, 2016 and 2015

	June 30, 2016 Amount	June 30, 2015 Amount
<b>Operating revenues:</b>		
Tuition and fees	\$ 8,362,532	\$ 8,353,160
Grants and contracts	19,704,313	19,089,698
Auxiliary enterprises	5,003,416	5,425,910
Other operating revenues	<u>598,226</u>	<u>493,356</u>
Total operating revenues	<u>\$ 33,668,487</u>	<u>\$ 33,362,124</u>
Operating expenses	<u>\$ 51,666,111</u>	<u>\$ 50,653,536</u>
Operating loss	<u>\$(17,997,624)</u>	<u>\$(17,291,412)</u>
<b>Non-operating revenues (expenses):</b>		
State appropriations	\$ 14,570,295	\$ 14,707,042
County appropriations	4,010,276	4,005,248
Investment income, net	89,304	125,140
Interest expense	(568,325)	(554,870)
Other non-operating expenses	<u>(108,416)</u>	<u>(9,061)</u>
Net non-operating revenues	<u>\$ 17,993,134</u>	<u>\$ 18,273,499</u>
Gain (loss) before other items	<u>\$ (4,490)</u>	<u>\$ 982,087</u>
Capital appropriations	\$ 687,883	\$ 2,548,341
Capital grants	<u>-</u>	<u>5,300</u>
Total other revenues	<u>\$ 687,883</u>	<u>\$ 2,553,641</u>
Change in net position	<u>\$ 683,393</u>	<u>\$ 3,535,728</u>
Net position		
Net position at beginning of year	<u>\$ 28,140,544</u>	<u>\$ 59,304,007</u>
Cumulative effect of changes from adoption of GASB 68	<u>-</u>	<u>(34,699,191)</u>
Net position at beginning of year, restated	<u>\$ 28,140,544</u>	<u>\$ 24,604,816</u>
Net position at end of year	<u>\$ 28,823,937</u>	<u>\$ 28,140,544</u>

Total operating loss was \$17,997,624 for fiscal year 2016, and \$17,291,412 for fiscal year 2015. 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 2016 were \$33,668,487, and \$33,362,124 for 2015. Tuition and fees were \$8,362,532 for 2016 and \$8,353,160 for 2015. This is net of the tuition discount, which was \$4,186,341 in 2016, and \$3,628,864 in 2015. Operating expenses, including depreciation of \$1,892,222, totaled \$51,666,111 for year 2016. Of the 2016 total, \$17,449,274 or 34% was for instruction. Operating expenses, including depreciation of \$1,835,321, totaled \$50,653,536 for 2015. Of the 2015 total, \$16,055,751 or 32% was for instruction.

## REVENUES

### Operating Revenues

#### Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was \$8,362,532 for 2016. The tuition discount for the 2016 fiscal year was \$4,186,341. The net total was \$8,353,160 for 2015. The tuition discount for the 2015 fiscal year was \$3,628,864.

#### 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, 2016 and June 30, 2015:

	June 30, 2016 Amount	June 30, 2015 Amount
Federal sources:		
Department of Education	\$ 15,890,137	\$ 14,718,091
State sources:		
State Board for Community & Junior Colleges	2,826,687	3,361,419
Other sources	987,489	1,010,188
Total all sources	<u>\$ 19,704,313</u>	<u>\$ 19,089,698</u>

## Management's Discussion and Analysis (continued)

### Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$73,146 for the 2016 fiscal year, and \$103,737 for the 2015 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, 2016, include the College's bookstore in the amount of \$2,030,042, student housing in the amount of \$1,638,615, and the golf course and club in the amount of \$1,334,759. 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.

### Operating Expenses

Operating expenses for fiscal year 2016, totaling \$51,666,111, include salaries and benefits of \$25,882,337, scholarships and fellowships of \$9,413,171, utilities of \$1,442,951, services of \$6,036,100, supplies of \$6,605,090, travel of \$394,240, and depreciation of \$1,892,222. Operating expenses for fiscal year 2015, totaling \$50,653,536, included 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.

	June 30, 2016	June 30, 2015
	<u>Amount</u>	<u>Amount</u>
Expenses by functions:		
Instruction	\$ 17,449,274	\$ 16,055,751
Academic support	395,024	363,985
Student services	5,030,746	4,933,243
Institutional support	6,133,283	5,684,295
Operations and maintenance of plant	5,644,368	5,236,931
Student financial aid	9,413,171	10,460,674
Auxiliary enterprises	5,708,023	6,083,336
Depreciation	<u>1,892,222</u>	<u>1,835,321</u>
Total operating expenses by function	<u>\$ 51,666,111</u>	<u>\$ 50,653,536</u>

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

### Non-operating Revenues (Expenses)

#### State Aid

The College received \$14,570,295 for 2015-2016 fiscal year, of which \$14,420,295 was used for operations, and \$150,000 was earmarked for the Center for Manufacturing Technology Excellence. 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'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 \$1,920,613 for maintenance funds, and \$2,089,663 for plant funds and debt service for the 2016 fiscal year from the counties. 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. 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, 2016 was \$89,304. The investment income for the year ended June 30, 2015 was \$125,140.

#### Interest Expense

This consists of the interest expense on the bonds payable of \$568,325 for the year ended June 30, 2016 and \$554,870 for the year ended June 30, 2015.

#### Other Non-Operating Expenses

This consists of a loss on the sale of fixed assets of \$106,916 and bond administration costs of \$1,500 for the year ended June 30, 2016 and 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.

## Management's Discussion and Analysis (continued)

### 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 Statements of Cash Flows (Direct Method)**

For the Fiscal Years Ended June 30, 2016 and 2015

	June 30, 2016 Amount	June 30, 2015 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	\$ (14,778,466)	\$ (16,035,663)
Non-capital financing activities	17,752,321	17,302,094
Capital and related financing activities	(5,945,349)	(10,152,523)
Investing activities	<u>89,334</u>	<u>125,306</u>
Net decrease in cash and cash equivalents	\$ (2,882,160)	\$ (8,760,786)
Cash and cash equivalents - beginning of the year	<u>23,540,419</u>	<u>32,301,205</u>
Cash and cash equivalents - end of the year	<u>\$ 20,658,259</u>	<u>\$ 23,540,419</u>

In fiscal year 2016, the major sources of funds included in operating activities were: student tuition and fees, \$8,305,450; auxiliary enterprises, \$5,016,379; and grants and contracts, \$19,848,694. The major uses of funds were payments made to employees of \$24,542,480, scholarships and fellowships of \$9,413,171, and payments to suppliers of \$13,183,851.

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.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was \$14,884,281 in fiscal year 2016 and \$14,456,558 in fiscal year 2015.

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

### **Significant Capital Asset Transactions**

East Mississippi Community College is committed to a long-range capital projects program. Construction of the Student Union Building on the Golden Triangle Campus, which began in 2014, was completed in December 2016. The building will be in operation at the beginning of the spring semester, January 2017. The project was funded by local bond issue funds of \$14,200,000 and state funds in the amount of \$3,284,418.

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 \$42 million. The funding sources include \$18 million from the State of Mississippi and \$10.7 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 is constructing a new men's dormitory on the Scooba Campus. The dorm will be a 100 bed dorm. The project cost is approximately \$5 million and is being funded with State funds.

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 approximately \$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 2016 financial situation. The level of State support, utility cost increases, and supply cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The College did increase full time tuition cost in 2016. 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, 2016

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF NET POSITION**

June 30, 2016

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 20,443,662
Accounts receivables, net	3,476,434
Prepaid expense	274,463
Inventories	<u>798,582</u>

**Total current assets** \$ 24,993,141

**Noncurrent Assets:**

Restricted cash and cash equivalents	\$ 214,597
Other investments	87,564
Capital assets, net of accumulated depreciation	<u>55,832,561</u>

**Total noncurrent assets** \$ 56,134,722

**Total assets** \$ 81,127,863

**Deferred Outflows:**

Deferred outflows - pensions	<u>\$ 8,119,758</u>
------------------------------	---------------------



## LIABILITIES

### Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,660,231
Unearned revenues	838,197
Current portion of long-term liabilities	<u>505,000</u>

**Total current liabilities** \$ 3,003,428

### Noncurrent Liabilities:

Deposits refundable (housing)	\$ 57,305
Long-term liabilities	12,725,000
Bond premium, net of amortization	138,411
Net pension liabilities	<u>43,282,478</u>

**Total noncurrent liabilities** \$ 56,203,194

**Total liabilities** \$ 59,206,622

### Deferred Inflows:

Deferred inflows - pensions	<u>\$ 1,217,062</u>
-----------------------------	---------------------

## NET POSITION

Net investment in capital assets \$ 42,464,150

### Restricted for:

#### Nonexpendable:

Endowment funds	\$ 137,780
Unemployment fund	72,588

#### Expendable:

Capital projects	1,985,937
Debt service	1,797,466
Other	<u>2,253,493</u>

**Total restricted** \$ 6,247,264

Unrestricted \$ (19,887,477)

**Total net position** \$ 28,823,937

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, 2016

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2016

**OPERATING REVENUES**

Tuition and fees (net of scholarship allowances of \$4,186,341)	\$ 8,362,532
Federal grants and contracts	15,890,137
State grants and contracts	2,826,687
Nongovernmental grants and contracts	987,489
Sales and services of educational departments	73,146
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of \$820,301)	1,638,615
Bookstore (net of scholarship allowances of \$1,016,255)	2,030,042
Golf course and club	1,334,759
Other operating revenues	<u>525,080</u>
Total operating revenues	<u>\$ 33,668,487</u>

**OPERATING EXPENSES**

Salaries and wages	\$ 18,701,758
Fringe benefits	7,180,579
Travel	394,240
Contractual services	6,036,100
Utilities	1,442,951
Scholarships and fellowships	9,413,171
Commodities	6,605,090
Depreciation expense	<u>1,892,222</u>
Total operating expenses	<u>\$ 51,666,111</u>
Operating loss	<u>\$ (17,997,624)</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)**

For the Year Ended June 30, 2016

**NON-OPERATING REVENUES (EXPENSES)**

State appropriations	\$ 14,570,295
Local appropriations	4,010,276
Investment income	89,304
Interest expense	(568,325)
Other non-operating expenses	<u>(108,416)</u>

Total net non-operating revenues	<u>\$ 17,993,134</u>
----------------------------------	----------------------

Loss before other revenues, expenses, gains and losses	<u>\$ (4,490)</u>
--------------------------------------------------------	-------------------

State appropriations restricted for capital purposes	<u>\$ 687,883</u>
------------------------------------------------------	-------------------

Change in net position	<u>\$ 683,393</u>
------------------------	-------------------

**NET POSITION**

Net position - beginning of year	<u>\$ 28,140,544</u>
----------------------------------	----------------------

Net position - end of year	<u><u>\$ 28,823,937</u></u>
----------------------------	-----------------------------

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2016

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 8,305,450
Grants and contracts	19,848,694
Sales and services of educational departments	73,146
Payments to suppliers	(13,183,851)
Payments to employees for salaries and benefits	(24,542,480)
Payments for utilities	(1,407,713)
Payments for scholarships and fellowships	(9,413,171)
Auxiliary enterprise charges:	
Student housing and food service	1,635,895
Bookstore	2,065,921
Golf course and club	1,314,563
Other receipts	<u>525,080</u>
Net cash used in operating activities	<u>\$ (14,778,466)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	\$ 14,884,281
County appropriations	<u>2,868,040</u>
Net cash provided by noncapital financing activities	<u>\$ 17,752,321</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Cash paid for capital assets	\$ (6,735,337)
Capital appropriations received	1,833,613
Payment on bond principal	(485,000)
Interest on bonds payable	<u>(558,625)</u>
Net cash used in capital and related financing activities	<u>\$ (5,945,349)</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS** (continued)

For the Year Ended June 30, 2016

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received on investments	\$ 89,295
Purchase of investment	<u>39</u>

Net cash provided by investing activities	<u>\$ 89,334</u>
-------------------------------------------	------------------

Net decrease in cash and cash equivalents	\$ (2,882,160)
-------------------------------------------	----------------

<b>Cash and cash equivalents - beginning of the year</b>	<u>23,540,419</u>
----------------------------------------------------------	-------------------

<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 20,658,259</u></u>
------------------------------------------------	-----------------------------

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

Operating loss	\$ (17,997,624)
----------------	-----------------

Adjustments to reconcile loss to net cash used in operating activities:

Depreciation expense	1,892,222
----------------------	-----------

Changes in assets and liabilities:

Receivables, net	113,988
------------------	---------

Inventories	(137,315)
-------------	-----------

Accounts payables and accrued liabilities	(364,617)
-------------------------------------------	-----------

Unearned revenues	(11,006)
-------------------	----------

Deposits refundable	(2,720)
---------------------	---------

Net pension liability	9,295,605
-----------------------	-----------

Changes in deferred inflow/outflows of resources:

Deferred inflow of resources	(3,709,585)
------------------------------	-------------

Deferred outflow of resources	<u>(3,857,414)</u>
-------------------------------	--------------------

Net cash used in operating activities	<u><u>\$ (14,778,466)</u></u>
---------------------------------------	-------------------------------

See Accompanying Notes to Financial Statements.

## **EAST MISSISSIPPI COMMUNITY COLLEGE**

### **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2016

#### **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 Statement—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 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 of 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 \$(19,887,477) at June 30, 2016, includes \$9,283,245 for auxiliary operations, \$272,671 designated for student groups, and a remaining amount of \$(29,443,393).

**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, 2016:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	N/A	1 year	\$ 86,661
Mutual funds	AAA	1 year	903
			<u>\$ 87,564</u>

The following table summarizes the classification of the District's investments reported on the statement of net position at June 30, 2016:

Other investments	<u>\$ 87,564</u>
Total	<u>\$ 87,564</u>

**Note 4. Accounts Receivable**

Accounts receivable consists of the following at June 30, 2016:

Student tuition	\$ 1,491,423
Auxiliary enterprises and other operating activities	398,746
Federal, state and private grants and contracts	1,645,598
State and county appropriations	456,991
Accrued interest	149
Total accounts receivable	<u>\$ 3,992,907</u>
Less allowance for doubtful accounts	<u>516,473</u>
Net accounts receivable	<u>\$ 3,476,434</u>

## Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2016	06/30/15 Year-end Balance	Increases	Decreases	06/30/16 Year-end Balance
Capital assets, non-depreciable:				
Land	\$ 1,877,890	\$ -	\$ -	\$ 1,877,890
Construction in progress	<u>12,904,505</u>	<u>12,861,387</u>	<u>7,257,034</u>	<u>18,508,858</u>
Total capital assets, non-depreciable	<u>\$14,782,395</u>	<u>\$12,861,387</u>	<u>\$7,257,034</u>	<u>\$20,386,748</u>
Capital assets, depreciable:				
Buildings	\$41,182,155	\$ 179,869	\$ 50,023	\$41,312,001
General infrastructure	8,859,176	-	-	8,859,176
Furniture, fixtures and equipment	8,041,739	461,893	362,179	8,141,453
Vehicles	1,074,157	121,919	19,700	1,176,376
Books and film	<u>1,158,470</u>	<u>20,108</u>	<u>16,255</u>	<u>1,162,323</u>
Total capital assets, depreciable	<u>\$60,315,697</u>	<u>\$ 783,789</u>	<u>\$ 448,157</u>	<u>\$60,651,329</u>
Total capital assets	<u>\$75,098,092</u>	<u>\$13,645,176</u>	<u>\$7,705,191</u>	<u>\$81,038,077</u>
Less accumulated depreciation for:				
Buildings	\$13,461,007	\$ 802,652	\$ 5,002	\$14,258,657
General infrastructure	2,345,925	347,902	-	2,693,827
Furniture, fixtures and equipment	6,182,158	577,274	302,253	6,457,179
Vehicles	712,130	101,534	17,730	795,934
Books and film	<u>953,314</u>	<u>62,860</u>	<u>16,255</u>	<u>999,919</u>
Total accumulated depreciation	<u>\$23,654,534</u>	<u>\$ 1,892,222</u>	<u>\$ 341,240</u>	<u>\$25,205,516</u>
Capital assets, net of depreciation	<u><u>\$51,443,558</u></u>	<u><u>\$11,752,954</u></u>	<u><u>\$7,363,951</u></u>	<u><u>\$55,832,561</u></u>

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

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

**Note 6. Long-term Liabilities**

Long-term liabilities of the College consist of bonds payable that are expected to be liquidated at least one year from June 30, 2016. Information regarding original issue amounts, interest rates and maturity dates for bonds included in the long-term liabilities at June 30, 2016, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note Issue	Beginning			Ending	<u>Analysis of Year-end Balance</u>	
	Balances 7/1/2015	Additions	Reductions	Balances 6/30/2016	Due Within One Year	Non-current Portion
Bonded debt:						
Special obligation bonds, series 2014-						
Capital projects, GT student union						
Original issue- \$14,205,000						
Interest rate- 3.375%-5.0%	<u>\$ 13,715,000</u>	<u>\$ -</u>	<u>\$ 485,000</u>	<u>\$ 13,230,000</u>	<u>\$ 505,000</u>	<u>\$ 12,725,000</u>

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

The debt service requirements as of June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
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	605,000	451,600	1,056,600
2022-2026	3,435,000	1,838,500	5,273,500
2027-2031	4,125,000	1,149,863	5,274,863
2032-2034	<u>2,910,000</u>	<u>256,963</u>	<u>3,166,963</u>
Total	<u>\$ 13,230,000</u>	<u>\$ 5,760,026</u>	<u>\$ 18,990,026</u>

**Note 7. Operating Lease**

Leased property as of June 30, 2016, is composed of office equipment and modular building leases. Future minimum rental payments at June 30, 2016 are as follows:

2017	\$ 90,292
2018	\$ 50,049
2019	\$ 5,925

Rental expense for operating lease at June 30, 2016 (except those with terms of less than a month not renewed) was \$108,643.

**Note 8. Natural Classification with Functional Classifications**

The College's operating expenses by functional classification were as follows for the year ended June 30, 2016:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellow ships	Commodities	Depreciation Expense	Total
Instruction	\$ 11,025,332	\$ 4,090,342	\$ 224,100	\$ 1,239,853	\$ 26,812	\$ -	\$ 842,835	\$ -	\$ 17,449,274
Academic support	241,415	102,216	-	27,061	-	-	24,332	-	395,024
Student services	2,656,151	1,091,074	91,222	607,859	-	-	584,440	-	5,030,746
Institutional support	2,917,871	1,186,965	77,987	1,567,642	-	-	382,818	-	6,133,283
Operation of plant	1,062,505	472,521	369	1,055,771	1,416,139	-	1,637,063	-	5,644,368
Student aid	-	-	-	-	-	9,413,171	-	-	9,413,171
Auxiliary enterprises	798,484	237,461	562	1,537,914	-	-	3,133,602	-	5,708,023
Depreciation	-	-	-	-	-	-	-	1,892,222	1,892,222
Total operating expenses	<u>\$ 18,701,758</u>	<u>\$ 7,180,579</u>	<u>\$ 394,240</u>	<u>\$ 6,036,100</u>	<u>\$ 1,442,951</u>	<u>\$ 9,413,171</u>	<u>\$ 6,605,090</u>	<u>\$ 1,892,222</u>	<u>\$ 51,666,111</u>



**Note 9. Subsequent Events**

Management has evaluated subsequent events through January 18, 2017, 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 \$42 million. The project will be funded by federal, state, and local funds. The College also has plans to construct a new men's dormitory.

**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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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. It is also available on their website [www.pers.ms.gov](http://www.pers.ms.gov).

Benefits provided—Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (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 2.0 percent 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 2.5 percent 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 compensation is the average of the employee's earnings during the four highest compensated years of creditable service. 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). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries.

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

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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2016, 2015, and 2014 were \$2,734,608, \$2,718,176, and \$2,711,839 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, 2016, East Mississippi Community College reported a liability of \$43,282,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2016, East Mississippi Community College's proportion was 0.28%, which was based on a measurement date of June 30, 2015. There was an increase to the College's proportionate share used in the prior year of 0.01 from its proportion measured June 30, 2014.

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

For the year ended June 30, 2016, East Mississippi Community College recognized pension expense of \$5,138,462. At June 30, 2016, 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	\$ 1,005,566	\$ -
Net difference between projected and actual earnings on investments	-	1,162,497
Changes of Assumptions	3,728,637	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	650,947	54,565
ER contributions subsequent to the measurement date	<u>2,734,608</u>	<u>-</u>
Total	<u>\$ 8,119,758</u>	<u>\$ 1,217,062</u>

\$2,734,608 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, 2017. 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:

2017	\$ 1,553,524
2018	1,431,117
2019	550,325
2020	633,122
2021	-
2022	<u>-</u>
Total	<u>\$ 4,168,088</u>

Actuarial assumptions—The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increase	3.75-19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation.

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

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
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	<u>1.00%</u>	<u>-0.50%</u>
Total	<u>100.00%</u>	

Discount rate—The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

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

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

The following presents the College's share of the net pension liability of PERS, calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>6.75%</u>	Current Discount rate <u>7.75%</u>	1% Increase <u>8.75%</u>
EMCC net pension liability	<u>\$ 57,050,272</u>	<u>\$ 43,282,478</u>	<u>\$ 31,857,784</u>

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. Deficit Net Position**

The Unrestricted Net Position has a deficit fund balance in the amount of \$19,887,477. This deficit net position is a direct result of recording the requirements of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71 "Pension Transition for Payments Made Subsequent to the Measurement Date." As explained in Note 10, the College participation in the Mississippi Public Employees Retirement System requires the reporting of our proportionate share of the deferred outflows, deferred inflows and the net pension liabilities that resulted in a deficit net position.

**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**

**SCHEDULES OF THE COLLEGE'S SHARE OF THE NET PENSION LIABILITY**

For the Years Ended June 30, 2016 and 2015

	2016	2015
College's proportion of the net pension liability (asset)	0.28%	0.28%
College's proportionate share of the net pension liability (asset)	<u>\$ 43,282,478</u>	<u>\$ 33,986,873</u>
College's covered-employee payroll	<u>\$ 17,241,352</u>	<u>\$ 17,218,025</u>
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	251.04%	197.39%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	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**  
**SCHEDULES OF THE COLLEGE'S CONTRIBUTIONS**  
For the Years Ended June 30, 2016 and 2015

	2016	2015
Contractually required contribution	\$ 2,734,608	\$ 2,718,176
Contributions in relation to the contractually required contribution	<u>2,734,608</u>	<u>2,718,176</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Colleges covered-employee payroll	<u>\$ 17,362,590</u>	<u>\$ 17,258,260</u>
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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**

### **NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**

For the Years Ended June 30, 2016 and 2015

#### Pension Schedules

(1) Changes of benefit terms

None

(2) Changes in assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2016

# EAST MISSISSIPPI COMMUNITY COLLEGE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

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.S. Department of Education					
PELL grant program	84.063		\$ 11,391,275	\$ -	\$ 11,391,275
College work-study	84.033		114,353	-	114,353
SEOG	84.007		140,720	-	140,720
Federal direct student loans	84.268		<u>7,455,696</u>	<u>-</u>	<u>7,455,696</u>
<b>Total U.S. Department of Education</b>			<u>\$ 19,102,044</u>	<u>\$ -</u>	<u>\$ 19,102,044</u>
<b>Total student financial aid</b>			<u>\$ 19,102,044</u>	<u>\$ -</u>	<u>\$ 19,102,044</u>
<b>Other Programs:</b>					
U.S. Department of Labor					
Trade adjustment assistance	17.282		<u>\$ 934,725</u>	<u>\$ -</u>	<u>\$ 934,725</u>
U.S. Department of Agriculture					
Passed through M.D.H.S.					
SNAP E & T Pilot	10.596		<u>\$ 135,563</u>	<u>\$ -</u>	<u>\$ 135,563</u>
ARC					
Appalachian Regional Commission	23.011		<u>\$ 483,598</u>	<u>\$ -</u>	<u>\$ 483,598</u>
WIA cluster					
Youth grant	17.259		\$ 257,557	\$ -	\$ 257,557
Rapid response grant	17.260		25,000	-	25,000
Make It In America	17.260		<u>184,329</u>	<u>-</u>	<u>184,329</u>
Total WIA cluster			<u>\$ 466,886</u>	<u>\$ -</u>	<u>\$ 466,886</u>

# EAST MISSISSIPPI COMMUNITY COLLEGE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

**Schedule 1**

For the Year Ended June 30, 2016

Pass-through Grantor/ Program Title	CFDA Number	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	\$ 214,604	\$ 136,318	\$ 350,922
Basic grants to states	84.048	V0000718830	255,410	-	255,410
Basic grants to states-non traditional	84.048	V0000718830	4,549	-	4,549
			<u>\$ 474,563</u>	<u>\$ 136,318</u>	<u>\$ 610,881</u>
<b>Total other programs</b>			<u>\$ 2,495,335</u>	<u>\$ 136,318</u>	<u>\$ 2,631,653</u>
<b>Total expenditures of federal awards</b>			<u>\$ 21,597,379</u>	<u>\$ 136,318</u>	<u>\$ 21,733,697</u>

### Notes to Schedule

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

Federal grants per this schedule	\$ 21,597,379
Student loans	<u>7,455,696</u>
Federal grants and contracts	<u>\$ 14,141,683</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

POST OFFICE BOX 606  
PHILADELPHIA MS 39350  
TELEPHONE 601-656-2742  
FAX 601-656-2760

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**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, 2016, 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, 2017.

**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, LLP



**EAST MISSISSIPPI COMMUNITY COLLEGE**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

POST OFFICE BOX 606  
PHILADELPHIA MS 39350  
TELEPHONE 601-656-2742  
FAX 601-656-2760

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

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 *U.S. Office of Management and Budget (OMB) 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

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



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

POST OFFICE BOX 606  
PHILADELPHIA MS 39360  
TELEPHONE 601-656-2742  
FAX 601-656-2760

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

## **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, 2016, and have issued our report thereon dated January 18, 2017. 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, 2017

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2016**

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2016

**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 2 CFR 200.516(a)?	No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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.