EAST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

C O N T E N T S

EAST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–14, the schedule of the College's share of net pension liability on page 35, and the schedule of the College's contributions on pages 36 and notes to required supplementary information on page 37, 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 2, 2018, 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 2, 2018

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSION AND ANALYSIS
For the Year Ended June 30, 2017

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, 2017. 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.

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, 2017		June 30, 2016	
	Amount	Percent	Amount	Percent
ASSETS				
Current assets	$ 25,677,565	23.81%	$24,993,141	30.81%
Non-current assets:				
Capital, net	62,546,927	58.01%	55,832,561	68.82%
Other	19,596,914	18.18%	302,161	0.37%
Total assets	$107,821,406	100.00%	$81,127,863	100.00%
DEFERRED OUTFLOWS	$ 10,102,625	100.00%	$ 8,119,758	100.00%
LIABILITIES				
Current liabilities	$ 4,043,521	4.83%	$ 3,003,428	5.07%
Non-current liabilities	79,654,045	95.17%	56,203,194	94.93%
Total liabilities	$ 83,697,566	100.00%	$59,206,622	100.00%
DEFERRED INFLOWS	$ 1,280,516	100.00%	$ 1,217,062	100.00%
NET POSITION				
Net investment in capital assets	$ 49,691,205	150.83%	$42,464,150	147.32%
Restricted:				
Nonexpendable	210,194	0.64%	210,368	0.73%
Expendable	6,904,087	20.96%	6,036,896	20.94%
Unrestricted	(23,859,537)	-72.42%	(19,887,477)	-69.00%
Total net position	$ 32,945,949	100.00%	$28,823,937	100.00%

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 $21,331,000 at June 30, 2017, and $20,443,662 at June 30, 2016.

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 $3,326,702 at June 30, 2017, and $3,476,434 at June 30, 2016.

Prepaid Expense

The College had prepaid expense in the amount of $264,363 for June 30, 2017, and $274,463 for June 30, 2016.

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 $755,500 at June 30, 2017, and $798,582 at June 30, 2016.

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 non-current are cash in endowment funds and cash from bond issue for capital projects. The amount of cash and cash equivalents considered non-current totaled $19,510,253 which includes $131,726 in endowment funds and $19,378,527 for capital projects at June 30, 2017, and $214,597 which includes $131,471 in endowment funds and $83,126 for capital projects at June 30, 2016.

Other Investments

Other investments include certificates of deposit and marketable securities. These investments are recorded at fair market value. The fair market value was $86,661 at June 30, 2017, and $87,564 at June 30, 2016.

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 $62,546,927 at June 30, 2017, and $55,832,561 at June 30, 2016.

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 $10,102,625 at June 30, 2017 and $8,119,758 at June 30, 2016.

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $1,975,811 at June 30, 2017, and $1,660,231 at June 30, 2016.

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 $772,710 at June 30, 2017, and $838,197 at June 30, 2016.

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 $1,295,000 at June 30, 2017, and $505,000 at June 30, 2016.

Non-current Liabilities

Deposits Refundable

This liability consists of refundable housing deposits. The refundable deposits were $59,865 at June 30, 2017, and $57,305 at June 30, 2016.

Long-term Liabilities

Long-term liabilities consist of bonds payable that are due beyond the next fiscal year. The long-term liabilities were $30,930,000 at June 30, 2017, and $12,725,000 at June 30, 2016.

Bond Premium

The bond premiums associated with the bonds payable has been capitalized and the amount will be amortized over 20 years. The bond premium was $435,438 at June 30, 2017, and $138,411 at June 30, 2016.

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, 2017, the amount was $48,228,742 and at June 30, 2016, the amount was $43,282,478.

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 $1,280,516 at June 30, 2017 and $1,217,062 at June 30, 2016.

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 $32,945,949 at June 30, 2017, and $28,823,937 at June 30, 2016.

Analysis of Net Position

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

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

The following is a breakdown of the restricted net position:

	June 30, 2017 Amount	June 30, 2016 Amount
Endowment funds	$ 137,137	$ 137,780
Unemployment reserve	73,057	72,588
Restricted for capital projects	1,812,247	1,985,937
Debt service funds	1,507,018	1,797,466
Other	3,584,822	2,253,493
Total restricted net position	$ 7,114,281	$ 6,247,264

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, 2017 Amount	June 30, 2016 Amount
Unrestricted general fund	$ (34,141,125)	$ (29,443,393)
Unrestricted auxiliary fund	10,017,788	9,283,245
Other unrestricted funds	263,800	272,671
Total unrestricted net position	$ (23,859,537)	$ (19,887,477)

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	June 30, 2017 Amount	June 30, 2016 Amount
Operating revenues:		
Tuition and fees	$ 6,721,126	$ 8,362,532
Grants and contracts	18,187,619	19,704,313
Auxiliary enterprises	4,405,612	5,003,416
Other operating revenues	784,534	598,226
Total operating revenues	$ 30,098,891	$ 33,668,487
Operating expenses	$ 52,204,213	$ 51,666,111
Operating loss	$(22,105,322)	$(17,997,624)
Non-operating revenues (expenses):		
State appropriations	$ 14,333,028	$ 14,570,295
County appropriations	4,346,192	4,010,276
Investment income, net	92,735	89,304
Interest expense	(548,925)	(568,325)
Other non-operating expenses	(439,175)	(108,416)
Net non-operating revenues	$ 17,783,855	$ 17,993,134
Gain (loss) before other items	$ (4,321,467)	$ (4,490)
Capital appropriations	$ 6,810,664	$ 687,883
Capital grants	1,632,815	-
Total other revenues	$ 8,443,479	$ 687,883
Change in net position	$ 4,122,012	$ 683,393
Net position		
Net position at beginning of year	$ 28,823,937	$ 28,140,544
Net position at end of year	$ 32,945,949	$ 28,823,937

Total operating loss was $22,105,322 for fiscal year 2017, and $17,997,624 for fiscal year 2016. 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.

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 2017 were $30,098,891, and $33,668,487 for 2016. Tuition and fees were $6,721,126 for 2017 and $8,362,532 for 2016. This is net of the tuition discount, which was $5,078,950 in 2017, and $4,186,341 in 2016. Operating expenses, including depreciation of $2,171,158, totaled $52,204,213 for year 2017. Of the 2017 total, $18,266,394 or 35% was for instruction. Operating expenses, including depreciation of $1,892,222, totaled $51,666,111 for 2016. Of the 2016 total, $17,449,274 or 34% was for instruction.

REVENUES

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was $6,721,126 for 2017. The tuition discount for the 2017 fiscal year was $5,078,950. The net total was $8,362,532 for 2016. The tuition discount for the 2016 fiscal year was $4,186,341.

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, 2017 and June 30, 2016:

	June 30, 2017 Amount	June 30, 2016 Amount
Federal sources:		
Department of Education	$ 12,540,554	$ 15,890,137
State sources:		
State Board for Community & Junior Colleges	5,055,508	2,826,687
Other sources	591,557	987,489
Total all sources	$ 18,187,619	$ 19,704,313

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $99,176 for the 2017 fiscal year, and $73,146 for the 2016 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, 2017, include the College's bookstore in the amount of $1,721,919, student housing in the amount of $1,477,958, and the golf course and club in the amount of $1,205,735. 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.

Operating Expenses

Operating expenses for fiscal year 2017, totaling $52,204,213, include salaries and benefits of $28,174,308, scholarships and fellowships of $6,669,194, utilities of $1,582,217, services of $6,638,771, supplies of $6,701,452, travel of $267,113, and depreciation of $2,171,158. Operating expenses for fiscal year 2016, totaling $51,666,111, included 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.

	June 30, 2017 Amount	June 30, 2016 Amount
Expenses by functions:		
Instruction	$ 18,266,394	$ 17,449,274
Academic support	409,569	395,024
Student services	5,521,221	5,030,746
Institutional support	6,723,215	6,133,283
Operations and maintenance of plant	6,505,656	5,644,368
Student financial aid	6,669,194	9,413,171
Auxiliary enterprises	5,937,806	5,708,023
Depreciation	2,171,158	1,892,222
Total operating expenses by function	$ 52,204,213	$ 51,666,111

Non-operating Revenues (Expenses)

State Aid

The College received $14,333,028 for 2016-2017 fiscal year, of which $14,183,028 was used for operations, and $150,000 was earmarked for the Center for Manufacturing Technology Excellence. 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'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 $2,153,299 for maintenance funds, and $2,192,893 for plant funds and debt service for the 2017 fiscal year from the counties. 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. 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, 2017 was $92,735. The investment income for the year ended June 30, 2016 was $89,304.

Interest Expense

This consists of the interest expense on the bonds payable of $548,925 for the year ended June 30, 2017 and $568,325 for the year ended June 30, 2016.

Other Non-Operating Expenses

This consists of a loss on the sale of fixed assets of $2,721, bond administration costs of $1,750, and bond issues expense of $434,704 for the year ended June 30, 2017 and 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.

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, 2017 and 2016

	June 30, 2017 Amount	June 30, 2016 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	$ (16,396,955)	$ (14,778,466)
Non-capital financing activities	17,562,959	17,752,321
Capital and related financing activities	18,924,229	(5,945,349)
Investing activities	92,761	89,334
Net increase (decrease) in cash and cash equivalents	$ 20,182,994	$ (2,882,160)
Cash and cash equivalents - beginning of the year	20,658,259	23,540,419
Cash and cash equivalents - end of the year	$ 40,841,253	$ 20,658,259

In fiscal year 2017, the major sources of funds included in operating activities were: student tuition and fees, $6,459,650; auxiliary enterprises, $4,478,770; and grants and contracts, $18,524,747. The major uses of funds were payments made to employees of $25,110,624, scholarships and fellowships of $6,669,194, and payments to suppliers of $13,244,460.

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.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was $14,280,642 in fiscal year 2017 and $14,884,281 in fiscal year 2016.

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. Operation of the building began in 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 is 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, $10.7 million from Appalachian Regional Commission and $13,500,000 in bond funds issued by the college with debt service commitments from Lowndes, Oktibbeha and Clay counties. Lowndes County has committed $10 million, Oktibbeha County has committed $2.5 million, and Clay County has committed $1 million for the project.

East Mississippi Community College is constructing two new men's dormitories on the Scooba Campus. The dorms will be identical and each will be a 100 bed dorm. The project cost is approximately $10.5 million. The project is being funded by local bond issue funds of 6 million and state funds in the amount of 4.5 million. The college will service the debt on the local bonds with auxiliary revenue.

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2017 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. State appropriations contribute approximately 29% 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, 2017

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 21,331,000
Accounts receivables, net	3,326,702
Prepaid expense	264,363
Inventories	755,500
Total current assets	$ 25,677,565
Non-current Assets	
Restricted cash and cash equivalents	$ 19,510,253
Other investments	86,661
Capital assets, net of accumulated depreciation	62,546,927
Total non-current assets	$ 82,143,841
Total assets	$ 107,821,406
Deferred Outflows	
Deferred outflows - pensions	$ 10,102,625

LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	$ 1,975,811
Unearned revenues	772,710
Current portion of long-term liabilities	1,295,000
Total current liabilities	$ 4,043,521
Non-current Liabilities	
Deposits refundable (housing)	$ 59,865
Long-term liabilities	30,930,000
Bond premium, net of amortization	435,438
Net pension liabilities	48,228,742
Total noncurrent liabilities	$ 79,654,045
Total liabilities	$ 83,697,566
Deferred Inflows	
Deferred inflows - pensions	$ 1,280,516
NET POSITION	
Net investment in capital assets	$ 49,691,205
Restricted for:	
Nonexpendable:	
Endowment funds	$ 137,137
Unemployment fund	73,057
Expendable:	
Capital projects	1,812,247
Debt service	1,507,018
Other	3,584,822
Total restricted	$ 7,114,281
Unrestricted	$ (23,859,537)
Total net position	$ 32,945,949

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, 2017

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2017

OPERATING REVENUES	
Tuition and fees (net of scholarship allowances of $5,078,950)	$ 6,721,126
Federal grants and contracts	12,540,554
State grants and contracts	5,055,508
Nongovernmental grants and contracts	591,557
Sales and services of educational departments	99,176
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of $1,116,847)	1,477,958
Bookstore (net of scholarship allowances of $1,301,205)	1,721,919
Golf course and club	1,205,735
Other operating revenues	685,358
Total operating revenues	$ 30,098,891
OPERATING EXPENSES	
Salaries and wages	$ 19,474,222
Fringe benefits	8,700,086
Travel	267,113
Contractual services	6,638,771
Utilities	1,582,217
Scholarships and fellowships	6,669,194
Commodities	6,701,452
Depreciation expense	2,171,158
Total operating expenses	$ 52,204,213
Operating loss	$ (22,105,322)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)
For the Year Ended June 30, 2017

NON-OPERATING REVENUES (EXPENSES)	
State appropriations	$ 14,333,028
Local appropriations	4,346,192
Investment income	92,735
Interest expense	(548,925)
Other non-operating expenses	(439,175)
Total net non-operating revenues	$ 17,783,855
Loss before other revenues, expenses, gains and losses	$ (4,321,467)
State appropriations restricted for capital purposes	$ 6,810,664
Federal grants for capital purposes	986,065
Local grants for capital purposes	646,750
Change in net position	$ 4,122,012
NET POSITION	
Net position - beginning of year	$ 28,823,937
Net position - end of year	$ 32,945,949

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 6,459,650
Grants and contracts	18,524,747
Sales and services of educational departments	99,176
Payments to suppliers	(13,244,460)
Payments to employees for salaries and benefits	(25,110,624)
Payments for utilities	(1,620,378)
Payments for scholarships and fellowships	(6,669,194)
Auxiliary enterprise charges:	
Student housing and food service	1,480,518
Bookstore	1,775,830
Golf course and club	1,222,422
Other receipts	685,358
Net cash used in operating activities	$ (16,396,955)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	$ 14,280,642
County appropriations	3,282,317
Net cash provided by non-capital financing activities	$ 17,562,959
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	$ (9,029,655)
Capital appropriations received	9,497,709
Proceeds from bonds payable	19,500,000
Payment on bond principal	(505,000)
Interest on bonds payable	(538,825)
Net cash provided by capital and related financing activities	$ 18,924,229

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2017

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	$ 92,761
Net cash provided by investing activities	$ 92,761
Net increase in cash and cash equivalents	$ 20,182,994
Cash and cash equivalents - beginning of the year	20,658,259
Cash and cash equivalents - end of year	$ 40,841,253
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (22,105,322)
Adjustments to reconcile loss to net cash used in operating activities:	
Depreciation expense	2,171,158
Changes in assets and liabilities:	
Receivables, net	211,737
Inventories	43,082
Accounts payables and accrued liabilities	318,466
Unearned revenues	(65,487)
Deposits refundable	2,560
Net pension liability	4,946,264
Changes in deferred inflow/outflows of resources:	
Deferred inflow of resources	63,454
Deferred outflow of resources	(1,982,867)
Net cash used in operating activities	$ (16,396,955)

See Accompanying Notes to Financial Statements.

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, Columbus Air Force Base, 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 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 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 of 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 $(23,859,537) at June 30, 2017, includes $10,017,788 for auxiliary operations, $263,800 designated for student groups, and a remaining amount of $(34,141,125).

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 Deposit 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, 2017:

Investment	Credit Rating	Maturities	Fair Value
Certificates of deposit	N/A	1 year	$ 86,661
			$ 86,661

The following table summarizes the classification of the District's investments reported on the statement of net position at June 30, 2017:

Other investments	$ 86,661
Total	$ 86,661

Note 4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2017:

Student tuition	$1,745,020
Auxiliary enterprises and other operating activities	274,749
Federal, state, and private grants and contracts	1,363,024
State and county appropriations	519,022
Accrued interest	123
Total accounts receivable	$3,901,938
Less allowance for doubtful accounts	(575,236)
Net accounts receivable	$3,326,702

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017, is presented as follows:

Changes in capital assets For the fiscal year ended June 30, 2017	07/01/16 Beginning Balance	Increases	Decreases	06/30/17 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 1,877,890	$ 626,750	$ -	$ 2,504,640
Construction in-progress	18,508,858	11,261,232	20,009,372	9,760,718
Total capital assets, non-depreciable	$20,386,748	$11,887,982	$20,009,372	$12,265,358
Capital assets, depreciable:				
Buildings	$41,312,001	$16,172,883	$ -	$57,484,884
General infrastructure	8,859,176	91,996	-	8,951,172
Furniture, fixtures, and equipment	8,141,453	657,398	126,403	8,672,448
Vehicles	1,176,376	68,887	8,900	1,236,363
Books and film	1,162,323	18,471	2,795	1,177,999
Total capital assets, depreciable	$60,651,329	$17,009,635	$ 138,098	$77,522,866
Total capital assets	$81,038,077	$28,897,617	$20,147,470	$89,788,224
Less accumulated depreciation for:				
Buildings	$14,258,657	$ 1,127,380	$ -	$15,386,037
General infrastructure	2,693,827	344,809	-	3,038,636
Furniture, fixtures, and equipment	6,457,179	540,456	124,571	6,873,064
Vehicles	795,934	106,662	8,010	894,586
Books and film	999,919	51,851	2,796	1,048,974
Total accumulated depreciation	$25,205,516	$ 2,171,158	$ 135,377	$27,241,297
Capital assets, net of depreciation	$55,832,561	$26,726,459	$20,012,093	$62,546,927

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, 2017. Information regarding original issue amounts, interest rates, and maturity dates for bonds included in the long-term liabilities at June 30, 2017, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note Issue	Beginning Balances 7/1/2016	Additions	Reductions	Ending Balances 6/30/2017	Analysis of Year-end Balance 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%	$ 13,230,000	$ -	$ 505,000	$ 12,725,000	$ 525,000	$ 12,200,000
Special obligation bonds,series 2017- Capital projects, CMTE 2.0 buildilng Original issue- $13,500,000 Interest rate- 2.0%-4.0%	-	13,500,000	-	13,500,000	525,000	12,975,000
Special obligation bonds,series 2017- Capital projects, SC campus dorm Original issue- $6,000,000 Interest rate- 2.0%-3.375%	-	6,000,000	-	6,000,000	245,000	5,755,000
Total debt	$ 13,230,000	$ 19,500,000	$ 505,000	$ 32,225,000	$ 1,295,000	$ 30,930,000

Note 6. Long-term Liabilities (continued)

The debt service requirements as of June 30, 2017 are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 1,295,000	$ 1,090,241	$ 2,385,241
2019	1,310,000	1,082,006	2,392,006
2020	1,350,000	1,042,057	2,392,057
2021	1,395,000	997,807	2,392,807
2022	1,440,000	951,756	2,391,756
2023-2027	7,950,000	4,001,325	11,951,325
2028-2032	9,460,000	2,492,475	11,952,475
2033-2037	8,025,000	758,968	8,783,968
Total	$ 32,225,000	$ 12,416,635	$ 44,641,635

Note 7. Operating Lease

Leased property as of June 30, 2017, is composed of office equipment and modular building leases. Future minimum rental payments at June 30, 2017 are as follows:

2018	$ 119,281
2019	$ 70,921
2020	$ 61,329

Rental expense for operating lease at June 30, 2017 (except those with terms of less than a month not renewed) was $129,211.

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2017:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellow ships	Commodities	Depreciation Expense	Total
Instruction	$ 11,218,584	$ 4,864,682	$ 85,876	$ 1,317,108	$ 23,997	$ -	$ 756,147	$ -	$ 18,266,394
Academic support	245,729	122,176	-	26,863	-	-	14,801	-	409,569
Student services	2,812,831	1,343,410	114,078	659,797	-	-	591,105	-	5,521,221
Institutional support	3,143,756	1,478,829	64,784	1,559,085	-	-	476,761	-	6,723,215
Operation of plant	1,150,315	587,399	628	1,300,842	1,558,220	-	1,908,252	-	6,505,656
Student aid	-	-	-	-	-	6,669,194	-	-	6,669,194
Auxiliary enterprises	903,007	303,590	1,747	1,775,076	-	-	2,954,386	-	5,937,806
Depreciation	-	-	-	-	-	-	-	2,171,158	2,171,158
Total operating expenses	$ 19,474,222	$ 8,700,086	$ 267,113	$ 6,638,771	$1,582,217	$ 6,669,194	$ 6,701,452	$ 2,171,158	$ 52,204,213

Note 9. Subsequent Events

Management has evaluated subsequent events through January 2, 2018, the date on which the financial statements were available to be issued.

The College has plans to construct two identical men's dormitories. The project cost is approximately $10.5 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. 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.

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, 2017 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, 2017, 2016, 2015, and 2014 were $2,846,859, $2,734,608, $2,715,513, 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, 2017, East Mississippi Community College reported a liability of $48,228,742 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017, East Mississippi Community College's proportion was 0.27%, which was based on a measurement date of June 30, 2016. There was a decrease to the College's proportionate share used in the prior year of 0.01 percent from its proportion measured June 30, 2015.

Note 10. Pension Plan (continued)

For the year ended June 30, 2017, East Mississippi Community College recognized pension expense of $5,873,710. At June 30, 2017, 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	$ 1,365,583	$ -
Net difference between projected and actual earnings on investments	3,247,121	-
Changes of assumptions	2,357,814	128,159
Changes in proportion and differences between ER contributions and proportionate share of contributions	285,248	1,152,357
ER contributions subsequent to the measurement date	2,846,859	-
Total	$ 10,102,625	$ 1,280,516

$2,846,859 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, 2018. 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:	
2018	$ 2,202,278
2019	1,321,486
2020	1,498,717
2021	952,769
Total	$ 5,975,250

Actuarial assumptions−The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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, 2016 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:

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 7.75 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.

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 6.75%	Current Discount rate 7.75%	1% Increase 8.75%
EMCC net pension liability	$ 61,840,060	$ 48,228,742	$ 36,935,760

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 $23,859,537. 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, 2017, 2016, and 2015

	2017	2016	2015
College's proportion of the net pension liability (asset)	0.27%	0.28%	0.28%
College's proportionate share of the net pension liability (asset)	$ 48,228,742	$ 43,282,478	$ 33,986,873
College's covered payroll	$ 17,362,590	$ 17,241,352	$ 17,218,025
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	277.77%	251.04%	197.39%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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, 2017, 2016 and 2015

	2017	2016	2015
Contractually required contribution	$ 2,846,859	$ 2,734,608	$ 2,715,513
Contributions in relation to the contractually required contribution	2,846,859	2,734,608	2,715,513
Contributions deficiency (excess)	$ -	$ -	$ -
Colleges covered payroll	$ 18,075,295	$ 17,362,590	$ 17,241,352
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

The amounts presented for each fiscal year were determined as of June 30 of 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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2017

Pension Schedules

(1) 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. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions
2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market as published by the Wall Street Journal on December 31 of each proceeding year with a minimum rate of one percent and a maximum rate of five percent.

EAST MISSISSIPPI COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule 1
For the Year Ended June 30, 2017

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		$ 10,390,673	$ -	$ 10,390,673
College work-study	84.033		134,001	-	134,001
SEOG	84.007		102,383	-	102,383
Federal direct student loans	84.268		6,204,888	-	6,204,888
Total U.S. Department of Education			$ 16,831,945	$ -	$ 16,831,945
Total student financial aid			$ 16,831,945	$ -	$ 16,831,945
Other Programs					
U.S. Department of Labor					
Trade adjustment assistance	17.282		$ 381,930	$ -	$ 381,930
U.S. Department of Agriculture					
Passed through M.D.H.S.					
SNAP E & T Pilot	10.596		$ 429,672	$ -	$ 429,672
U.S. Department of Human Services					
Passed through M.D.H.S./ICC					
TANF/Social Services	93.667		$ 80,405	$ -	$ 80,405
NSF					
National Science Foundation/MSU	47.076		$ 25,000	$ -	$ 25,000
ARC					
Appalachian Regional Commission	23.011		$ 986,065	$ -	$ 986,065
WIA cluster					
Youth grants	17.259		$ 330,978	$ -	$ 330,978
WIOA Adult	17.258		314,750	-	314,750
WIOA Dislocated Worker	17.278		130,750	-	130,750
Make It In America	17.260		48,713	-	48,713
Total WIA cluster			$ 825,191	$ -	$ 825,191

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Schedule 1
For the Year Ended June 30, 2017

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	$ 156,291	$ 225,124	$ 381,415
Basic grants to states	84.048	V0000718830	250,148	-	250,148
Basic grants to states	93.575		2,283	-	2,283
			$ 408,722	$ 225,124	$ 633,846
Total other programs			$ 3,136,985	$ 225,124	$ 3,362,109
Total expenditures of federal awards			$ 19,968,930	$ 225,124	$ 20,194,054

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	$ 19,968,930
Student loans	6,204,888
Federal grants and contracts	$ 13,764,042

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, 2017, 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 2, 2018.

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 2, 2018

EAST MISSISSIPPI COMMUNITY COLLEGE

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

RSGS

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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, 2017. 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, 2017.

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

Meridian, Mississippi
January 2, 2018

EAST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

To Dr. 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, 2017, and have issued our report thereon dated January 2, 2018. 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 2, 2018

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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?	No

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:

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
23.011	Appalachian Regional Commission

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.