EAST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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. David Scott Alsobrooks, 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, 2019, 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, 2019, 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 42, the schedule of the College's contributions on page 43, notes to required supplementary information on pages 44-45, schedule of the College's share of net OPEB liability on page 46, the schedule of the College's contributions for OPEB on page 47, and the notes to required supplementary information on page 48 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 December 30, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Mississippi Community College's 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
December 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

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, 2019. 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, 2019		June 30, 2018	
	Amount	Percent	Amount	Percent
ASSETS				
Current assets	$ 24,538,228	19.60%	$ 24,372,338	20.09%
Non-current assets:				
Capital, net	99,265,951	79.29%	96,743,844	79.73%
Other	1,389,115	1.11%	221,423	0.18%
Total assets	$ 125,193,294	100.00%	$ 121,337,605	100.00%
DEFERRED OUTFLOWS	$ 6,339,985	100.00%	$ 5,092,696	100.00%
LIABILITIES				
Current liabilities	$ 4,588,091	5.72%	$ 3,859,779	4.66%
Non-current liabilities	75,620,492	94.28%	78,907,402	95.34%
Total liabilities	$ 80,208,583	100.00%	$ 82,767,181	100.00%
DEFERRED INFLOWS	$ 5,453,373	100.00%	$ 991,607	100.00%
NET POSITION				
Net investment in capital assets	$ 69,256,363	150.98%	$ 65,401,331	153.27%
Restricted:				
Nonexpendable	224,190	0.49%	216,974	0.51%
Expendable	7,059,722	15.39%	6,866,240	16.09%
Unrestricted	(30,668,952)	-66.86%	(29,813,032)	-69.87%
Total net position	$ 45,871,323	100.00%	$ 42,671,513	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 $18,534,620 at June 30, 2019, and $19,771,439 at June 30, 2018.

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 $5,254,373 at June 30, 2019, and $3,180,515 at June 30, 2018.

Prepaid Expense

The College had prepaid expense in the amount of $238,634 for June 30, 2019, and $656,314 for June 30, 2018.

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 $510,601 at June 30, 2019, and $764,070 at June 30, 2018.

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 $132,358 which includes $132,358 in endowment funds and $0 for capital projects at June 30, 2019, and $134,762 which includes $131,977 in endowment funds and $2,785 for capital projects at June 30, 2018.

Other Investments

Other investments include certificates of deposit and funds held on deposit with trustee. These investments are recorded at fair market value. The fair market value was $1,256,757 at June 30, 2019, and $86,661 at June 30, 2018.

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 $99,265,951 at June 30, 2019, and $96,743,844 at June 30, 2018.

Deferred Outflows

The deferred outflows are for pension and other post-employment benefits that 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 $6,339,985 at June 30, 2019, and $5,092,696 at June 30, 2018.

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $2,060,519 at June 30, 2019, and $1,595,611 at June 30, 2018.

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 $1,068,663 at June 30, 2019, and $845,898 at June 30, 2018.

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 $1,350,000 at June 30, 2019, and $1,310,000 at June 30, 2018. The amount of bond premium to be recognized as current was $22,925 at June 30, 2019, and $22,925 at June 30, 2018. The amount of OPEB liability to be recognized as current was $85,984 at June 30, 2019, and $85,345 at June 30, 2018.

Non-current Liabilities

Deposits Refundable

This liability consists of refundable housing deposits. The refundable deposits were $54,672 at June 30, 2019, and $54,875 at June 30, 2018.

Long-term Liabilities

Long-term liabilities consist of bonds payable that are due beyond the next fiscal year. The long-term liabilities were $28,270,000 at June 30, 2019, and $29,620,000 at June 30, 2018.

Bond Premium

The bond premiums associated with the bonds payable have been capitalized and the amount will be amortized over 20 years. The non-current portion of the bond premium was $366,663 at June 30, 2019, and $389,588 at June 30, 2018.

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, 2019, the amount was $44,989,692 and at June 30, 2018, the amount was $46,813,472.

Net OPEB Liabilities

Net OPEB liabilities consist of the non-current portion of the College's proportionate share of the State and School Employees' Life and Health Insurance Plan's net OPEB liability resulting from the implementation of GASB 75. At June 30, 2019, the amount was $1,939,465 and at June 30, 2018, the amount was $2,029,467.

Deferred Inflows

The deferred inflows are for pension and other post-employment benefits that 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 $5,453,373 at June 30, 2019, and $991,607 at June 30, 2018.

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 $45,871,323 at June 30, 2019, and $42,671,513 at June 30, 2018.

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, 2019 Amount	June 30, 2018 Amount
Endowment funds	$ 149,766	$ 143,452
Unemployment reserve	74,424	73,522
Restricted for capital projects	1,617,578	1,897,384
Debt service funds	3,067,271	2,453,892
Other	2,374,873	2,514,964
Total restricted net position	$ 7,283,912	$ 7,083,214

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, 2019 Amount	June 30, 2018 Amount
Unrestricted general fund	$ (41,366,171)	$ (40,216,543)
Unrestricted auxiliary fund	10,468,646	10,165,129
Other unrestricted funds	228,573	238,382
Total unrestricted net position	$ (30,668,952)	$ (29,813,032)

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	June 30, 2019 Amount	June 30, 2018 Amount
Operating revenues		
Tuition and fees, net	$ 7,806,048	$ 7,339,770
Grants and contracts	18,583,317	16,971,063
Auxiliary enterprises	4,289,492	4,177,551
Other operating revenues	373,770	321,558
Total operating revenues	$ 31,052,627	$ 28,809,942
Operating expenses	$ 48,332,542	$ 50,779,709
Operating loss	$(17,279,915)	$(21,969,767)
Non-operating revenues (expenses)		
State appropriations	$ 12,450,530	$ 13,059,233
County appropriations	5,764,294	6,129,388
Investment income, net	99,785	144,317
Interest expense	(1,078,522)	(1,076,372)
Other non-operating expenses	(11,773)	(18,992)
Net non-operating revenues	$ 17,224,314	$ 18,237,574
Loss before other items	$ (55,601)	$ (3,732,193)
Capital appropriations	$ 251,418	$ 10,471,739
Capital grants	3,003,993	4,994,334
Total other revenues	$ 3,255,411	$ 15,466,073
Change in net position	$ 3,199,810	$ 11,733,880
Net position		
Net position at beginning of year, as previously reported	$ 42,671,513	$ 32,945,949
Cumulative effect of changes from adoption of GASB 75	-	(2,008,316)
Net position at beginning of year, restated	$ 42,671,513	$ 30,937,633
Net position at end of year	$ 45,871,323	$ 42,671,513

Total operating loss was $17,279,915 for fiscal year 2019, and $21,969,767 for fiscal year 2018. 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 2019 were $31,052,627, and $28,809,942 for 2018. Tuition and fees were $7,806,048 for 2019 and $7,339,770 for 2018. This is net of the tuition discount, which was $5,399,356 in 2019, and $5,392,036 in 2018. Operating expenses, including depreciation of $2,425,275, totaled $48,332,542 for year 2019. Of the 2019 total, $17,288,103 or 36% was for instruction. Operating expenses, including depreciation of $2,279,658 totaled $50,779,709 for 2018. Of the 2018 total, $18,286,072 or 36% was for instruction.

REVENUES

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was $7,806,048 for 2019. The tuition discount for the 2019 fiscal year was $5,399,356. The net total was $7,339,770 for 2018. The tuition discount for the 2018 fiscal year was $5,392,036.

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, 2019 and June 30, 2018:

	June 30, 2019 Amount	June 30, 2018 Amount
Federal sources		
Department of Education	$ 12,454,913	$ 12,115,998
State sources		
State Board for Community & Junior Colleges	4,759,594	3,378,940
Other sources	1,368,810	1,476,125
Total all sources	$ 18,583,317	$ 16,971,063

Management's Discussion and Analysis (continued)

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $107,636 for the 2019 fiscal year, and $96,815 for the 2018 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, 2019, include the College's bookstore in the amount of $1,393,153, student housing in the amount of $1,698,463, and the golf course and club in the amount of $1,197,876. Auxiliary enterprises at June 30, 2018 include the College's bookstore in the amount of $1,503,213, student housing in the amount of $1,574,558, and the golf course and club in the amount of $1,099,780.

Operating Expenses

Operating expenses for fiscal year 2019, totaling $48,332,542, include salaries and benefits of $25,129,595, scholarships and fellowships of $5,328,242, utilities of $1,689,661, services of $7,544,017, supplies of $5,957,181, travel of $258,571, and depreciation of $2,425,275. Operating expenses for fiscal year 2018, totaling $50,779,709, included salaries and benefits of $27,689,414, scholarships and fellowships of $5,451,760, utilities of $1,584,340, services of $7,110,363, supplies of $6,405,653, travel of $258,521, and depreciation of $2,279,658.

	June 30, 2019 Amount	June 30, 2018 Amount
Expenses by functions		
Instruction	$17,288,103	$18,286,072
Academic support	341,064	386,389
Student services	5,052,306	5,499,326
Institutional support	6,171,185	6,883,821
Operations and maintenance of plant	6,007,698	6,102,486
Student financial aid	5,328,242	5,451,760
Auxiliary enterprises	5,718,669	5,890,197
Depreciation	2,425,275	2,279,658
Total operating expenses by function	$ 48,332,542	$ 50,779,709

Management's Discussion and Analysis (continued)

Non-operating Revenues (Expenses)

State Aid

The College received $12,450,530 for 2018-2019 fiscal year, of which $12,300,530 was used for operations, and $150,000 was earmarked for the Center for Manufacturing Technology Excellence. The College received $13,059,233 for 2017-2018 fiscal year, of which $12,909,233 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 $2,097,013 for maintenance funds, and $3,667,281 for plant funds and debt service for the 2019 fiscal year from the counties. The College received $2,283,279 for maintenance funds, and $3,846,109 for plant funds and debt service for the 2018 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, 2019 was $99,785. The investment income for the year ended June 30, 2018 was $144,317.

Interest Expense

This consists of the interest expense on the bonds payable of $1,078,522 for the year ended June 30, 2019 and $1,076,372 for the year ended June 30, 2018.

Other Non-Operating Expenses

This consists of a loss on the sale of fixed assets of $6,273 and bond administration costs of $5,500 for the year ended June 30, 2019, and a loss on the sale of fixed assets of $13,185 and bond administration costs of $5,807 for the year ended June 30, 2018.

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, 2019 and 2018

	June 30, 2019 Amount	June 30, 2018 Amount
Cash and cash equivalents provided by (used in)		
Operating activities	$ (14,707,584)	$ (16,664,972)
Non-capital financing activities	15,527,397	16,792,675
Capital and related financing activities	(2,158,698)	(21,207,072)
Investing activities	99,662	144,317
Net decrease in cash and cash equivalents	$ (1,239,223)	$ (20,935,052)
Cash and cash equivalents - beginning of the year	19,906,201	40,841,253
Cash and cash equivalents - end of the year	$ 18,666,978	$ 19,906,201

In fiscal year 2019, the major sources of funds included in operating activities were: student tuition and fees, $7,768,155; auxiliary enterprises, $4,080,991; and grants and contracts, $16,999,067. The major uses of funds were payments made to employees of $23,505,995, scholarships and fellowships of $5,328,242, and payments to suppliers of $13,456,307.

In fiscal year 2018, the major sources of funds included in operating activities were: student tuition and fees, $7,398,176; auxiliary enterprises, $4,265,976; and grants and contracts, $16,852,655. The major uses of funds were payments made to employees of $24,318,255, scholarships and fellowships of $5,451,760, and payments to suppliers of $14,162,957.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was $12,420,295 in fiscal year 2019 and $13,223,466 in fiscal year 2018.

Management's Discussion and Analysis (continued)

Significant Capital Asset Transactions

East Mississippi Community College is committed to a long-range capital projects program. The 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 $13.5 million 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 a new dormitory on the Scooba campus. The dorm will be three stories and will consist of approximately 147 beds. The total project cost is approximately $10 million. The project is being funded by local bond issue funds of $6 million, and state bond funds of approximately $4 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 2019 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 25% 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, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 18,534,620
Accounts receivables, net	5,254,373
Prepaid expense	238,634
Inventories	510,601
Total current assets	$ 24,538,228
Non-current Assets	
Restricted cash and cash equivalents	$ 132,358
Other investments	1,256,757
Capital assets, net of accumulated depreciation	99,265,951
Total non-current assets	$ 100,655,066
Total assets	$ 125,193,294
Deferred Outflows	
Deferred outflows - pensions	$ 6,172,091
Deferred outflows - OPEB	167,894
Total deferred outflows	$ 6,339,985

Current Liabilities	
Accounts payable and accrued liabilities	$ 2,060,519
Unearned revenues	1,068,663
Current portion of long-term liabilities	1,350,000
Current portion of bond premium	22,925
Current portion of net OEPB liabilities	85,984
Total current liabilities	$ 4,588,091
Non-current Liabilities	
Deposits refundable (housing)	$ 54,672
Long-term liabilities	28,270,000
Bond premium, net of amortization	366,663
Net pension liabilities	44,989,692
Net OPEB liabilities	1,939,465
Total noncurrent liabilities	$ 75,620,492
Total liabilities	$ 80,208,583
Deferred Inflows	
Deferred inflows - pensions	$ 5,255,493
Deferred inflows - OPEB	197,880
Total deferred inflows	$ 5,453,373
NET POSITION	
Net investment in capital assets	$ 69,256,363
Restricted for:	
Nonexpendable:	
Endowment funds	$ 149,766
Unemployment fund	74,424
Expendable:	
Capital projects	1,617,578
Debt service	3,067,271
CMTE	1,876,010
Other	498,863
Total restricted	$ 7,283,912
Unrestricted	$ (30,668,952)
Total net position	$ 45,871,323

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, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019

OPERATING REVENUES	
Tuition and fees (net of scholarship allowances of $5,399,356)	$ 7,806,048
Federal grants and contracts	12,454,913
State grants and contracts	4,759,594
Nongovernmental grants and contracts	1,368,810
Sales and services of educational departments	107,636
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of $1,174,807)	1,698,463
Bookstore (net of scholarship allowances of $963,630)	1,393,153
Golf course and club	1,197,876
Other operating revenues	266,134
Total operating revenues	$ 31,052,627
OPERATING EXPENSES	
Salaries and wages	$ 18,474,086
Fringe benefits	6,655,509
Travel	258,571
Contractual services	7,544,017
Utilities	1,689,661
Scholarships and fellowships	5,328,242
Commodities	5,957,181
Depreciation expense	2,425,275
Total operating expenses	$ 48,332,542
Operating loss	$ (17,279,915)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)
For the Year Ended June 30, 2019

NON-OPERATING REVENUES (EXPENSES)	
State appropriations	$ 12,450,530
Local appropriations	5,764,294
Investment income	99,785
Interest expense	(1,078,522)
Other non-operating expenses	(11,773)
Total net non-operating revenues	$ 17,224,314
Loss before other revenues, expenses, gains and losses	$ (55,601)
State appropriations restricted for capital purposes	251,418
Federal grants for capital purposes	3,003,993
Change in net position	$ 3,199,810
NET POSITION	
Net position - beginning of year	$ 42,671,513
Net position - end of year	$ 45,871,323

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 7,768,155
Grants and contracts	16,999,067
Sales and services of educational departments	107,636
Payments to suppliers	(13,456,307)
Payments to employees for salaries and benefits	(23,505,995)
Payments for utilities	(1,639,023)
Payments for scholarships and fellowships	(5,328,242)
Auxiliary enterprise charges:	
Student housing and food service	1,698,260
Bookstore	1,201,129
Golf course and club	1,181,602
Other receipts	266,134
Net cash used in operating activities	$ (14,707,584)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	$ 12,420,295
County appropriations	3,107,102
Net cash provided by non-capital financing activities	$ 15,527,397
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	$ (6,087,240)
Capital appropriations received	2,918,316
Grants and contracts for capital items	3,003,993
Amoritzation bond premium	(22,925)
Payment on bond principal	(1,310,000)
Interest on bonds payable	(660,842)
Net cash used in capital and related financing activities	$ (2,158,698)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2019

CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	$	99,662
Net cash provided by investing activities	$	99,662
Net decrease in cash and cash equivalents	$	(1,239,223)
Cash and cash equivalents - beginning of the year		19,906,201
Cash and cash equivalents - end of year	$	18,666,978
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(17,279,915)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation expense		2,425,275
Changes in assets and liabilities:		
Receivables, net		(2,053,206)
Inventories		253,469
Accounts payables and accrued liabilities		422,897
Unearned revenues		222,765
Deposits refundable		(203)
Net pension liability		(1,823,780)
Net OPEB Liability		(89,363)
Changes in deferred inflow/outflows of resources:		
Deferred inflow of resources		4,461,766
Deferred outflow of resources		(1,247,289)
Net cash used in operating activities	$	(14,707,584)

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 Air Force Base, Columbus, 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. 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)

GASB requires entities to group assets and liabilities that are carried at fair value in their financial statements in a three level hierarchy based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. The following describes the hierarchy of inputs used to measure fair value:

Level 1- Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2- Valuation is based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.

Level 3- Valuation is based on significant valuation assumptions that are not readily observable in the market.

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, bond redemption 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.

Note 1. Summary of Significant Accounting Policies (continued)

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 deferred outflows which are presented as a deferred outflow for pension and OPEB.

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 deferred inflows which are presented as a deferred inflow for pension and OPEB.

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.

Other post-employment benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Mississippi State and School Employees Life and Health Insurance Plan and additions to/deductions from OPEB's fiduciary net position have been determined on the same basis as they are reported by Mississippi State and School Employees Life and Health Insurance Plan. For this

Note 1. **Summary of Significant Accounting Policies** (continued)

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 11 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).

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.

Note 1. Summary of Significant Accounting Policies (continued)

The unrestricted net position balance of $(30,668,952) at June 30, 2019, includes $10,468,646 for auxiliary operations, $228,573 designated for student groups, and a remaining amount of $(41,366,171).

Note 2. Cash and Investments

The College's policy on cash and short-term investments are set forth by the Board of Trustees, which authorizes the investment in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements as permitted by state law.

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the College's endowments are included in non-current investments.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the College's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial credit risk–deposits–custodial credit risk is the risk that in the event of a depository failure, the College's deposits may be returned to it. The College 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 College. 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 College. By signed agreement, the Mississippi State Treasurer's office is acting on behalf of the College.

Interest rate risk–the College 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 following table summarizes the classification of the College's investments reported on the statement of net position at June 30, 2019:

Investment	Valuation Inputs	Maturities	Total
Certificates of deposit	Level 2	1 year	$ 86,661
Funds held on deposit with trustee			
State & Local Gov't Securities	Level 2	5/1/2027	578,518
Money Market - Treasury Fund	N/A	Less than 1 year	591,578
			$1,256,757

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset.

Note 4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2019:

Student tuition	$ 2,529,390
Auxiliary enterprises and other operating activities	366,179
Federal, state, and private grants and contracts	3,065,682
State and county appropriations	353,589
Accrued interest	246
Total accounts receivable	$ 6,315,086
Less allowance for doubtful accounts	(1,060,713)
Net accounts receivable	$ 5,254,373

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019, is presented as follows:

Changes in capital assets For the fiscal year ended June 30, 2019	07/01/18 Beginning Balance	Increases	Decreases	06/30/19 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 2,866,522	$ -	$ -	$ 2,866,522
Construction in-progress	44,295,880	13,907,486	10,693,021	47,510,345
Total capital assets, non-depreciable	$ 47,162,402	$13,907,486	$10,693,021	$ 50,376,867
Capital assets, depreciable:				
Buildings	$ 57,942,390	$ 169,536	$ -	$ 58,111,926
General infrastructure	9,185,172	-	-	9,185,172
Furniture, fixtures, and equipment	9,239,746	1,459,284	281,910	10,417,120
Vehicles	1,227,363	90,961	8,550	1,309,774
Books and film	1,190,720	19,963	10,920	1,199,763
Total capital assets, depreciable	$ 78,785,391	$ 1,739,744	$ 301,380	$ 80,223,755
Total capital assets	$125,947,793	$15,647,230	$10,994,401	$130,600,622
Less accumulated depreciation for:				
Buildings	$ 16,522,567	$ 1,143,312	$ -	$ 17,665,879
General infrastructure	3,392,805	348,711	-	3,741,516
Furniture, fixtures, and equipment	7,246,524	823,301	275,938	7,793,887
Vehicles	968,494	77,951	7,695	1,038,750
Books and film	1,073,559	32,000	10,920	1,094,639
Total accumulated depreciation	$ 29,203,949	$ 2,425,275	$ 294,553	$ 31,334,671
Capital assets, net of depreciation	$ 96,743,844	$13,221,955	$10,699,848	$ 99,265,951

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, 2019. Information regarding original issue amounts, interest rates and maturity dates for bonds included in the long-term liabilities at June 30, 2019, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note Issue	Maturity Date	Beginning Balances 7/1/2018	Additions	Reductions	Ending Balances 6/30/2019	Analysis of Year-end Balance: Due Within One Year	Analysis of Year-end Balance: 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%	6/30/2034	$ 12,200,000	$ -	$ 550,000	$ 11,650,000	$ 575,000	$ 11,075,000
Special obligation bonds,series 2017- capital projects, CMTE 2.0 building original issue- $13,500,000 interest rate- 2.0%-4.0%	5/1/2037	12,975,000	-	520,000	12,455,000	530,000	11,925,000
Special obligation bonds,series 2017- capital projects, SC campus dorm original issue- $6,000,000 interest rate- 2.0%-3.375%	6/1/2037	5,755,000	-	240,000	5,515,000	245,000	5,270,000
Premium on bonds		412,513	-	22,925	389,588	22,925	366,663
Total debt		$ 31,342,513	$ -	$ 1,332,925	$ 30,009,588	$ 1,372,925	$ 28,636,663

Note 6. Long-term Liabilities (continued)

The debt service requirements as of June 30, 2019 are as follows:

Fiscal Year	Principal	Interest	Total
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	1,495,000	898,406	2,393,406
2024	1,540,000	852,831	2,392,831
2024-2029	8,500,000	3,443,950	11,943,950
2030-2034	10,160,000	1,798,106	11,958,106
2035-2037	3,740,000	259,475	3,999,475
Total	$ 29,620,000	$ 10,244,388	$ 39,864,388

Note 7. Operating Lease

Leased property as of June 30, 2019, is composed of office equipment and modular building leases. Future minimum rental payments at June 30, 2019 are as follows:

2020	$ 121,357
2021	$ 56,115
2022	$ 41,328

Rental expense for operating lease at June 30, 2019 (except those with terms of less than a month not renewed) was $127,528.

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2019:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$ 10,859,836	$ 3,823,341	$ 129,214	$ 1,716,088	$ 23,469	$ -	$ 736,155	$ -	$ 17,288,103
Academic support	212,154	89,792	120	33,674	-	-	5,324	-	341,064
Student services	2,667,530	1,019,169	92,830	703,052	-	-	569,725	-	5,052,306
Institutional support	2,813,243	1,075,457	35,472	1,628,753	-	-	618,260	-	6,171,185
Operation of plant	910,656	377,165	489	1,614,518	1,666,192	-	1,438,678	-	6,007,698
Student aid	-	-	-	-	-	5,328,242	-	-	5,328,242
Auxiliary enterprises	1,010,667	270,585	446	1,847,932	-	-	2,589,039	-	5,718,669
Depreciation	-	-	-	-	-	-	-	2,425,275	2,425,275
Total operating expenses	$ 18,474,086	$ 6,655,509	$ 258,571	$ 7,544,017	$ 1,689,661	$ 5,328,242	$ 5,957,181	$ 2,425,275	$ 48,332,542

Note 9. Subsequent Events

Management has evaluated subsequent events through December 30, 2019, the date on which the financial statements were available to be issued.

The College has plans to construct a 147 bed dormitory. The project cost is approximately $10,000,000.

Note 10. Pension Plan

Plan description−East Mississippi Community College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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% 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% 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% 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% 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 college is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 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, 2019, 2018, and 2017 were $2,680,589, $2,715,025, and $2,846,859, 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, 2019, East Mississippi Community College reported a liability of $44,989,692 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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. The College's proportionate share used to calculate the June 30, 2019, net pension liability was 0.270485%, which was based on a measurement date of June 30, 2018. This was a decrease of 0.011127% from its proportionate share used to calculate the June 30, 2018, net pension liability, which was based on a measurement date of June 30, 2017.

Note 10. Pension Plan (continued)

For the year ended June 30, 2019, East Mississippi Community College recognized pension expense of $3,965,917. At June 30, 2019, 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	$ 42,963	$ -
Net difference between projected and actual earnings on investments	-	809,290
Changes of assumptions	-	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	3,448,539	4,446,203
ER contributions subsequent to the measurement date	2,680,589	-
Total	$ 6,172,091	$ 5,255,493

$2,680,589 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, 2020. 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:	
2020	$ 648,682
2021	(467,980)
2022	(1,529,092)
2023	(415,601)
2024	-
Total	$ (1,763,991)

Actuarial assumptions−the total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-18.50%, 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 2022, with males rates set forward one year. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00%	4.60%
International equity	18.00%	4.50%
Emerging markets equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real assets	10.00%	3.50%
Private equity	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

Discount rate−the discount rate used to measure the total pension liability was 7.75%. 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%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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 table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount rate 7.75%	1% Increase 8.75%
EMCC net pension liability	$ 59,238,514	$ 44,989,692	$ 33,147,039

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. Other Post-Employment Benefits (OPEB)

Plan description- state law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at http://knowyourbenefits.dfa.ms.gov.

Benefits provided- The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions-the Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were $87,158 for the year ended June 30, 2019.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB</u>

At June 30, 2019, the College reported a liability of $2,025,449 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the College's proportion was 0.26183809%. This was a decrease of 0.00769893% from the proportionate share as of the measurement date of June 30, 2017.

Note 11. Other Post-Employment Benefits (OPEB) (continued)

For the year ended June 30, 2019, the College recognized OPEB expense of $103,208. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflow of resources	Deferred inflow of resources
Difference between expected and actual experience	$ 4,124	$ -
Changes of assumptions	-	144,317
Changes in proportion and differences between ER contributions and proportionate share of contributions	76,612	53,563
ER contributions subsequent to the measurement date	87,158	-
Total	$ 167,894	$ 197,880

$87,158 reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (21,960)
2021	(21,960)
2022	(21,960)
2023	(21,960)
2024	(21,342)
Thereafter	(7,962)
Total	$ (117,144)

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Actuarial assumptions- The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.25-18.50%, including wage inflation
Long-term investment rate of return, net of return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index rate	
Measurement date	3.89%
Prior measurement date	3.56%
Year FNP is projected to be depleted	
Measurement date	2018
Prior measurement date	2017
Single equivalent interest rate, net of OPEB plan investment expense, including inflation	
Measurement date	3.89%
Prior measurement date	3.56%
Health care cost trends	
Medicare supplement claims Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OEB plan investment expense, including inflation was 4.50%.

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Discount rate- The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89%. Since the prior measurement date, the discount rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of $1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018.

The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

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

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% decrease 2.89%	Current discount rate 3.89%	1% increase 4.89%
EMCC net OPEB liability	$ 2,245,160	$ 2,025,449	$ 1,836,490

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% decrease	Healthcare cost trend rates current	1% increase
EMCC net OPEB liability	$ 1,876,235	$ 2,025,449	$ 2,194,913

OPEB plan fiduciary net position-detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at http://knowyourbenefits.dfa.ms.gov/.

Note 12. Deficit Net Position

The unrestricted net position has a deficit fund balance in the amount of $30,668,952. This deficit net position is a direct result of recording the requirements of GASB Statement No. 68 “Accounting and Financial Reporting for Pensions,” GASB Statement No. 71 “Pension Transition for Payments Made Subsequent to the Measurement Date,” and GASB 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” As explained in Note 10 and Note 11, the College’s participation in the Mississippi Public Employees Retirement System and the Mississippi State and School Employees Life and Health Insurance Plan, which requires the reporting of the proportionate share of the deferred outflows, deferred inflows, the net pension liabilities and the net OPEB liabilities, resulted in a deficit net position.

Note 13. 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 SUPPLEMENTARY INFORMATION

EAST MISSISSIPPI COMMUNITY COLLEGE

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

For the Years Ended June 30, 2019, 2018, 2017, 2016, and 2015

	2019	2018	2017	2016	2015
College's proportion of the net pension liability (asset)	0.270485%	0.281612%	0.27%	0.28%	0.28%
College's proportionate share of the net pension liability (asset)	$ 44,989,692	$46,813,472	$ 48,228,742	$ 43,282,478	$ 33,986,873
College's covered payroll	$ 17,238,254	$18,075,295	$ 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	260.99%	258.99%	277.77%	251.04%	197.39%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	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, 2019, 2018, 2017, 2016, and 2015

	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,680,589	$ 2,715,025	$ 2,846,859	$ 2,734,608	$ 2,715,513
Contributions in relation to the contractually required contribution	2,680,589	2,715,025	2,846,859	2,734,608	2,715,513
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Colleges covered payroll	$ 17,019,613	$ 17,238,254	$ 18,075,295	$ 17,362,590	$ 17,241,352
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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 SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Pension Schedules

(1) Changes in assumptions

2015
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. 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. Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016
The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017
The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(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 preceding year with a minimum rate of 1% and a maximum rate of 5%.

(3) Methods and assumptions used in calculations

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	3.75% to 19.00% including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation.

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULES OF THE COLLEGE'S SHARE OF THE NET OPEB LIABILITY
For the Years Ended June 30, 2019 and 2018

	2019	2018
College's proportion of the net OPEB liability (asset)	0.26183809%	0.26953702%
College's proportionate share of the net OPEB liability (asset)	$ 2,025,449	$ 2,114,812
College's covered employee payroll	$ 11,842,759	$ 12,109,557
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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 75 was implemented in fiscal year end June 30, 2018, and until a full 10-year trend is compiled, the College has only presented information for the years in which information is available. The amount used to calculate the figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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, 2019, and 2018

	2019	2018
Contractually required contribution	$ 87,158	$ 90,158
Contributions in relation to the contractually required contribution	87,158	90,158
Contributions deficiency (excess)	$ -	$ -
College's covered employee payroll	$ 15,040,238	$ 15,206,448
Contributions as a percentage of covered-employee payroll	0.58%	0.59%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year end June 30, 2018, and until a full 10-year trend is compiled, the College has only presented information for the years in which information is available. The amount used to calculate the figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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

OPEB Schedules

(1) Changes in assumptions

2017
The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

2018
The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.

(2) Changes in benefit provisions

2017: None

2018: None

(3) Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer Contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market value of assets
Price Inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare supplement claims:	
Pre-Medicare	7.75%
Ultimate health care cost trend rates: medicare supplement claims	
Pre-Medicare	5.00%
Year of ultimate trend rates, medicare supplement claims, pre-medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

EAST MISSISSIPPI COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
Student Financial Aid Cluster					
U.S. Department of Education					
PELL grant program	84.063		$ 9,949,661	$ -	$ 9,949,661
College work-study	84.033		109,216	-	109,216
SEOG	84.007		150,256	-	150,256
Federal direct student loans	84.268		5,674,235	-	5,674,235
Total U.S. Department of Education			$ 15,883,368	$ -	$ 15,883,368
Total student financial aid cluster			$ 15,883,368	$ -	$ 15,883,368
Other Programs					
U.S. Department of Labor					
Trade adjustment assistance	17.282		$ -	$ -	$ -
U.S. Department of Agriculture					
Passed through M.D.H.S.					
SNAP E & T Pilot	10.596		$ 395,452	$ -	$ 395,452
U.S. Department of Human Services					
Passed through M.D.H.S./ICC					
TANF/Social Services	93.667		$ 138,539	$ -	$ 138,539
NSF					
National Science Foundation/MSU	47.076		$ 34,803	$ -	$ 34,803
ARC					
Appalachian Regional Commission	23.002		$ 127,209	$ -	$ 127,209
Appalachian Regional Commission	23.011		381,670		381,670
Appalachian Regional Commission	23.011		3,003,993	-	3,003,993
Total ARC			$ 3,512,872	$ -	$ 3,512,872
WIA cluster					
Youth grant					
Passed through Southern MS PDD	17.259		$ 198,930	$ -	$ 198,930
Youth grant	17.259		$ 252,708	$ -	$ 252,708
WIO adult	17.258		521,494	-	521,494
WIOA dislocated worker	17.278		171,034	-	171,034
Passed through Three Rivers PDD			$ 945,236	$ -	$ 945,236
Total WIA cluster			$ 1,144,166	$ -	$ 1,144,166

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2019

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	$ 367,802	$ 115,372	$ 483,174
Basic grants to states	84.048	V0000718830	264,364	-	264,364
Basic grants to states	17.258		55,757	-	55,757
Basic grants to states	93.558		38,125	-	38,125
Basic grants to states	93.575		181,206	-	181,206
			$ 907,254	$ 115,372	$ 1,022,626
Total other programs			$ 6,133,086	$ 115,372	$ 6,248,458
Total expenditures of federal awards			$ 22,016,454	$ 115,372	$ 22,131,826

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) The College allocates indirect costs related to grant programs in accordance with, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The College has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

(3) 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	$ 22,016,454
Student loans	5,674,235
Federal grants and contracts	$ 16,342,219

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*

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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. David Scott Alsobrooks, 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, 2019, 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 December 30, 2019.

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
December 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

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

RSGS

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

To Dr. David Scott Alsobrooks, 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, 2019. 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, 2019.

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
December 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

RSGS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To Dr. David Scott Alsobrooks, 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, 2019, and have issued our report thereon dated December 30, 2019. 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, the Office of the State Auditor, 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
December 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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:

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

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.