EAST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

C O N T E N T S

EAST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT

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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, 2020, 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, 2020, 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 pages 48-49 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, 2020, 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, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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, 2020. 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, 2020		June 30, 2019	
	Amount	Percent	Amount	Percent
ASSETS				
Current assets	$ 25,484,028	19.53%	$ 24,538,228	19.60%
Non-current assets:				
Capital, net	102,989,994	78.94%	99,265,951	79.29%
Other	1,994,354	1.53%	1,389,115	1.11%
Total assets	$ 130,468,376	100.00%	$ 125,193,294	100.00%
DEFERRED OUTFLOWS	$ 3,868,667	100.00%	$ 6,339,985	100.00%
LIABILITIES				
Current liabilities	$ 4,763,096	5.95%	$ 4,588,091	5.72%
Non-current liabilities	75,304,483	94.05%	75,620,492	94.28%
Total liabilities	$ 80,067,579	100.00%	$ 80,208,583	100.00%
DEFERRED INFLOWS	$ 2,959,528	100.00%	$ 5,453,373	100.00%
NET POSITION				
Net investment in capital assets	$ 74,353,331	144.91%	$ 69,256,363	150.98%
Restricted:				
Nonexpendable	213,784	0.42%	224,190	0.49%
Expendable	6,996,749	13.63%	7,059,722	15.39%
Unrestricted	(30,253,928)	-58.96%	(30,668,952)	-66.86%
Total net position	$ 51,309,936	100.00%	$ 45,871,323	100.00%

Management's Discussion and Analysis (continued)

ASSETS

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College's financial statements were $20,591,009 at June 30, 2020, and $18,534,620 at June 30, 2019.

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 $4,095,289 at June 30, 2020, and $5,254,373 at June 30, 2019.

Prepaid Expense

The College had prepaid expense in the amount of $225,991 for June 30, 2020, and $238,634 for June 30, 2019.

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 $571,739 at June 30, 2020, and $510,601 at June 30, 2019.

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. The amount of cash and cash equivalents considered non-current totaled $132,824 in endowment funds at June 30, 2020, and $132,358 in endowment funds at June 30, 2019.

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 $1,861,530 at June 30, 2020, and $1,256,757 at June 30, 2019.

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 $102,989,994 at June 30, 2020, and $99,265,951 at June 30, 2019.

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 $3,868,667 at June 30, 2020, and $6,339,985 at June 30, 2019.

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2020 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $2,426,312 at June 30, 2020, and $2,060,519 at June 30, 2019.

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 $834,227 at June 30, 2020, and $1,068,663 at June 30, 2019.

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 $1,395,000 at June 30, 2020, and $1,350,000 at June 30, 2019. The amount of bond premium to be recognized as current was $22,925 at June 30, 2020, and $22,925 at June 30, 2019. The amount of OPEB liability to be recognized as current was $84,632 at June 30, 2020, and $85,984 at June 30, 2019.

Non-current Liabilities

Deposits Refundable

This liability consists of refundable housing deposits. The refundable deposits were $23,180 at June 30, 2020, and $54,672 at June 30, 2019.

Long-term Liabilities

Long-term liabilities consist of bonds payable that are due beyond the next fiscal year. The long-term liabilities were $26,875,000 at June 30, 2020, and $28,270,000 at June 30, 2019.

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 $343,738 at June 30, 2020, and $366,663 at June 30, 2019.

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, 2020, the amount was $45,972,751 and at June 30, 2019, the amount was $44,989,692.

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, 2020, the amount was $2,089,814 and at June 30, 2019, the amount was $1,939,465.

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 $2,959,528 at June 30, 2020, and $5,453,373 at June 30, 2019.

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 $51,309,936 at June 30, 2020, and $45,871,323 at June 30, 2019.

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, 2020 Amount	June 30, 2019 Amount
Endowment funds	$ 138,283	$ 149,766
Unemployment reserve	75,501	74,424
Restricted for capital projects	1,457,931	1,617,578
Debt service funds	3,690,567	3,067,271
Other	1,848,251	2,374,873
Total restricted net position	$ 7,210,533	$ 7,283,912

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, 2020 Amount	June 30, 2019 Amount
Unrestricted general fund	$ (40,288,026)	$ (41,366,171)
Unrestricted auxiliary fund	9,805,536	10,468,646
Other unrestricted funds	228,562	228,573
Total unrestricted net position	$ (30,253,928)	$ (30,668,952)

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	June 30, 2020 Amount	June 30, 2019 Amount
Operating revenues		
Tuition and fees, net	$ 7,752,248	$ 7,806,048
Grants and contracts	18,571,060	18,583,317
Auxiliary enterprises	3,502,876	4,289,492
Other operating revenues	320,303	373,770
Total operating revenues	$ 30,146,487	$ 31,052,627
Operating expenses	$ 46,536,467	$ 48,332,542
Operating loss	$(16,389,980)	$(17,279,915)
Non-operating revenues (expenses)		
State appropriations	$ 13,092,540	$ 12,450,530
County appropriations	5,982,710	5,764,294
Investment income, net	141,197	99,785
Interest expense	(1,036,244)	(1,078,522)
Other non-operating expenses	(48,711)	(11,773)
Net non-operating revenues	$ 18,131,492	$ 17,224,314
Income (loss) before other items	$ 1,741,512	$ (55,601)
Capital appropriations	$ 3,387,181	$ 251,418
Capital grants	309,920	3,003,993
Total other revenues	$ 3,697,101	$ 3,255,411
Change in net position	$ 5,438,613	$ 3,199,810
Net position		
Net position at beginning of year, as previously reported	$ 45,871,323	$ 42,671,513
Net position at end of year	$ 51,309,936	$ 45,871,323

Total operating loss was $16,389,980 for fiscal year 2020, and $17,279,915 for fiscal year 2019. Since neither the State of Mississippi appropriation nor the appropriations from within the College district are included within operating revenue per GASB No. 35, the College shows an operating loss each year.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2020 were $30,146,487, and $31,052,627 for 2019. Tuition and fees were $7,752,248 for 2020 and $7,806,048 for 2019. This is net of the tuition discount, which was $5,575,030 in 2020, and $5,399,356 in 2019. Operating expenses, including depreciation of $2,412,983, totaled $46,536,467 for year 2020. Of the 2020 total, $15,867,148 or 34% was for instruction. Operating expenses, including depreciation of $2,425,275 totaled $48,332,542 for 2019. Of the 2019 total, $17,288,103 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 $7,752,248 for 2020. The tuition discount for the 2020 fiscal year was $5,575,030. The net total was $7,806,048 for 2019. The tuition discount for the 2019 fiscal year was $5,399,356.

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, 2020 and June 30, 2019:

	June 30, 2020 Amount	June 30, 2019 Amount
Federal sources		
Department of Education	$ 14,171,155	$ 12,454,913
State sources		
State Board for Community & Junior Colleges	4,051,276	4,759,594
Other sources	348,629	1,368,810
Total all sources	$ 18,571,060	$ 18,583,317

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $93,921 for the 2020 fiscal year, and $107,636 for the 2019 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, 2020, include the College's bookstore in the amount of $1,254,750 student housing in the amount of $1,342,114 and the golf course and club in the amount of $906,012. 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.

Operating Expenses

Operating expenses for fiscal year 2020, totaling $46,536,467, include salaries and benefits of $24,274,537, scholarships and fellowships of $6,166,869, utilities of $1,576,468, services of $6,733,285, supplies of $5,236,188, travel of $136,137, and depreciation of $2,412,983. Operating expenses for fiscal year 2019, totaling $48,332,542, included 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.

	June 30, 2020 Amount	June 30, 2019 Amount
Expenses by functions		
Instruction	$15,867,148	$17,288,103
Academic support	354,574	341,064
Student services	4,794,384	5,052,306
Institutional support	6,375,951	6,171,185
Operations and maintenance of plant	5,944,948	6,007,698
Student financial aid	6,166,869	5,328,242
Auxiliary enterprises	4,619,610	5,718,669
Depreciation	2,412,983	2,425,275
Total operating expenses by function	$ 46,536,467	$ 48,332,542

Management's Discussion and Analysis (continued)

Non-operating Revenues (Expenses)

State Aid

The College received $13,092,540 for 2019-2020 fiscal year, of which $12,708,625 was used for operations, and $383,915 was Capital Expense Funding (CEF) used to replace the roof on the science building on the Scooba Campus. 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'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 $2,263,058 for maintenance funds, and $3,719,652 for plant funds and debt service for the 2020 fiscal year from the counties. 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. 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, 2020 was $141,197. The investment income for the year ended June 30, 2019 was $99,785.

Interest Expense

This consists of the interest expense on the bonds payable of $1,036,244 for the year ended June 30, 2020 and $1,078,522 for the year ended June 30, 2019.

Other Non-Operating Expenses

This consists of a loss on the sale of fixed assets of $40,211 and bond administration costs of $8,500 for the year ended June 30, 2020, and 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.

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, 2020 and 2019

	June 30, 2020 Amount	June 30, 2019 Amount
Cash and cash equivalents provided by (used in)		
Operating activities	$ (11,948,921)	$ (14,707,584)
Non-capital financing activities	16,471,082	15,527,397
Capital and related financing activities	(2,606,463)	(2,158,698)
Investing activities	141,157	99,662
Net increase (decrease) in cash and cash equivalents	$ 2,056,855	$ (1,239,223)
Cash and cash equivalents - beginning of the year	18,666,978	19,906,201
Cash and cash equivalents - end of the year	$ 20,723,833	$ 18,666,978

In fiscal year 2020, the major sources of funds included in operating activities were: student tuition and fees, $7,560,949; auxiliary enterprises, $3,774,878; and grants and contracts, $19,320,823. The major uses of funds were payments made to employees of $23,178,699, scholarships and fellowships of $6,166,869, and payments to suppliers of $11,922,681.

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.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was $13,166,950 in fiscal year 2020 and $12,420,295 in fiscal year 2019.

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 2020 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 27% 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, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
Current Assets	
Cash and cash equivalents	$ 20,591,009
Accounts receivables, net	4,095,289
Prepaid expense	225,991
Inventories	571,739
Total current assets	$ 25,484,028
Non-current Assets	
Restricted cash and cash equivalents	$ 132,824
Other investments	1,861,530
Capital assets, net of accumulated depreciation	102,989,994
Total non-current assets	$ 104,984,348
Total assets	$ 130,468,376
Deferred Outflows	
Deferred outflows - pensions	$ 3,563,758
Deferred outflows - OPEB	304,909
Total deferred outflows	$ 3,868,667

LIABILITIES

Current Liabilities	
Accounts payable and accrued liabilities	$ 2,426,312
Unearned revenues	834,227
Current portion of long-term liabilities	1,395,000
Current portion of bond premium	22,925
Current portion of net OEPB liabilities	84,632
Total current liabilities	$ 4,763,096
Non-current Liabilities	
Deposits refundable (housing)	$ 23,180
Long-term liabilities	26,875,000
Bond premium, net of amortization	343,738
Net pension liabilities	45,972,751
Net OPEB liabilities	2,089,814
Total noncurrent liabilities	$ 75,304,483
Total liabilities	$ 80,067,579
Deferred Inflows	
Deferred inflows - pensions	$ 2,733,055
Deferred inflows - OPEB	226,473
Total deferred inflows	$ 2,959,528

NET POSITION

Net investment in capital assets	$ 74,353,331
Restricted for:	
Nonexpendable:	
Endowment funds	$ 138,283
Unemployment fund	75,501
Expendable:	
Capital projects	1,457,931
Debt service	3,690,567
CMTE	1,496,418
Other	351,833
Total restricted	$ 7,210,533
Unrestricted	$ (30,253,928)
Total net position	$ 51,309,936

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, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2020

OPERATING REVENUES	
Tuition and fees (net of scholarship allowances of $5,575,030)	$ 7,752,248
Federal grants and contracts	14,171,155
State grants and contracts	4,051,276
Nongovernmental grants and contracts	348,629
Sales and services of educational departments	93,921
Auxiliary enterprises:	
Student housing and food (net of scholarship allowances of $965,183)	1,342,114
Bookstore (net of scholarship allowances of $902,353)	1,254,750
Golf course and club	906,012
Other operating revenues	226,382
Total operating revenues	$ 30,146,487
OPERATING EXPENSES	
Salaries and wages	$ 17,650,031
Fringe benefits	6,624,506
Travel	136,137
Contractual services	6,733,285
Utilities	1,576,468
Scholarships and fellowships	6,166,869
Commodities	5,236,188
Depreciation expense	2,412,983
Total operating expenses	$ 46,536,467
Operating loss	$ (16,389,980)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)
For the Year Ended June 30, 2020

NON-OPERATING REVENUES (EXPENSES)	
State appropriations	$ 13,092,540
Local appropriations	5,982,710
Investment income, net	141,197
Interest expense	(1,036,244)
Other non-operating expenses	(48,711)
Total net non-operating revenues	$ 18,131,492
Income before other revenues, expenses, gains and losses	$ 1,741,512
State appropriations restricted for capital purposes	3,387,181
Federal grants for capital purposes	309,920
Change in net position	$ 5,438,613
NET POSITION	
Net position - beginning of year	$ 45,871,323
Net position - end of year	$ 51,309,936

See Accompanying Notes to Financial Statements.

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 7,560,949
Grants and contracts	19,320,823
Sales and services of educational departments	93,921
Payments to suppliers	(11,922,681)
Payments to employees for salaries and benefits	(23,178,699)
Payments for utilities	(1,657,625)
Payments for scholarships and fellowships	(6,166,869)
Auxiliary enterprise charges:	
Student housing and food service	1,310,622
Bookstore	1,573,069
Golf course and club	891,187
Other receipts	226,382
Net cash used in operating activities	$ (11,948,921)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	$ 13,166,950
County appropriations	3,304,132
Net cash provided by non-capital financing activities	$ 16,471,082
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	$ (6,573,936)
Capital appropriations received	6,054,079
Grants and contracts for capital items	309,920
Amoritzation bond premium	(22,925)
Payment on bond principal	(1,350,000)
Interest on bonds payable	(1,023,601)
Net cash used in capital and related financing activities	$ (2,606,463)

EAST MISSISSIPPI COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2020

CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	$	141,157
Net cash provided by investing activities	$	141,157
Net increase in cash and cash equivalents	$	2,056,855
Cash and cash equivalents - beginning of the year		18,666,978
Cash and cash equivalents - end of year	$	20,723,833
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(16,389,980)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation expense		2,412,983
Changes in assets and liabilities:		
Receivables, net		1,096,394
Inventories		(61,138)
Accounts payables and accrued liabilities		149,219
Unearned revenues		(234,436)
Deposits refundable		(31,492)
Net pension liability		983,059
Net OPEB Liability		148,997
Changes in deferred inflow/outflows of resources:		
Deferred inflow of resources		(2,493,845)
Deferred outflow of resources		2,471,318
Net cash used in operating activities	$	(11,948,921)

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 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 $(30,253,928) at June 30, 2020, includes $9,805,536 for auxiliary operations, $228,562 designated for student groups, and a remaining amount of $(40,288,026).

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, 2020:

Investment	Valuation Inputs	Maturities	Total
Certificates of deposit	Level 2	1 year	$ 86,661
Funds held on deposit with trustee			
State & Local Government Securities	Level 2	5/1/2027	1,774,799
Money Market - Treasury Fund	N/A	Less than 1 year	70
			$ 1,861,530

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, 2020:

Student tuition	$ 2,587,513
Auxiliary enterprises and other operating activities	71,002
Federal, state, and private grants and contracts	2,296,419
State and county appropriations	290,859
Accrued interest	286
Total accounts receivable	$ 5,246,079
Less allowance for doubtful accounts	(1,150,790)
Net accounts receivable	$ 4,095,289

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020, is presented as follows:

Changes in capital assets For the fiscal year ended June 30, 2020	07/01/19 Beginning Balance	Increases	Decreases	06/30/20 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 2,866,522	$ -	$ -	$ 2,866,522
Construction in-progress	47,510,345	6,104,299	2,095,582	51,519,062
Total capital assets, non-depreciable	$ 50,376,867	$ 6,104,299	$ 2,095,582	$ 54,385,584
Capital assets, depreciable:				
Buildings	$ 58,111,926	$ 387,400	$ -	$ 58,499,326
General infrastructure	9,185,172	454,166	-	9,639,338
Furniture, fixtures, and equipment	10,417,120	1,282,452	631,923	11,067,649
Vehicles	1,309,774	43,435	21,744	1,331,465
Books and film	1,199,763	18,970	54,988	1,163,745
Total capital assets, depreciable	$ 80,223,755	$ 2,186,423	$ 708,655	$ 81,701,523
Total capital assets	$130,600,622	$ 8,290,722	$ 2,804,237	$136,087,107
Less accumulated depreciation for:				
Buildings	$ 17,665,879	$ 1,081,067	$ -	$ 18,746,946
General infrastructure	3,741,516	357,030	-	4,098,546
Furniture, fixtures, and equipment	7,793,887	881,770	591,639	8,084,018
Vehicles	1,038,750	63,892	3,914	1,098,728
Books and film	1,094,639	29,224	54,988	1,068,875
Total accumulated depreciation	$ 31,334,671	$ 2,412,983	$ 650,541	$ 33,097,113
Capital assets, net of depreciation	$ 99,265,951	$ 5,877,739	$ 2,153,696	$102,989,994

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, 2020. Information regarding original issue amounts, interest rates and maturity dates for bonds included in the long-term liabilities at June 30, 2020, 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 7/1/2019	Additions	Reductions	Ending Balances 6/30/2020	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	$ 11,650,000	$ -	$ 575,000	$ 11,075,000	$ 605,000	$ 10,470,000
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	12,455,000	-	530,000	11,925,000	540,000	11,385,000
Special obligation bonds,series 2017- capital projects, SC campus dorm original issue- $6,000,000 interest rate- 2.0%-3.375%	6/1/2037	5,515,000	-	245,000	5,270,000	250,000	5,020,000
Premium on bonds		389,588	-	22,925	366,663	22,925	343,738
Total debt		$ 30,009,588	$ -	$ 1,372,925	$ 28,636,663	$ 1,417,925	$ 27,218,738

Note 6. Long-term Liabilities (continued)

The debt service requirements as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
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
2025	1,585,000	804,044	2,389,044
2026-2030	8,805,000	3,140,556	11,945,556
2031-2035	9,475,000	1,424,968	10,899,968
2036-2037	2,535,000	131,963	2,666,963
Total	$ 28,270,000	$ 9,202,331	$ 37,472,331

Note 7. Operating Lease

Leased property as of June 30, 2020, is composed of office equipment and modular building leases. Future minimum rental payments at June 30, 2020 are as follows:

2021	$ 124,305
2022	$ 43,989
2023	$ 1,721

Rental expense for operating lease at June 30, 2020 (except those with terms of less than a month not renewed) was $155,982.

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2020:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$ 10,209,469	$ 3,759,902	$ 77,471	$ 1,145,013	$ 22,354	$ -	$ 652,939	$ -	$ 15,867,148
Academic support	220,080	94,594	-	32,499	-	-	7,401	-	354,574
Student services	2,466,534	981,494	31,270	692,370	-	-	622,716	-	4,794,384
Institutional support	2,892,262	1,129,685	26,159	1,875,376	-	-	452,469	-	6,375,951
Operation of plant	944,847	400,856	430	1,440,440	1,554,114	-	1,604,261	-	5,944,948
Student aid	-	-	-	-	-	6,166,869	-	-	6,166,869
Auxiliary enterprises	916,839	257,975	807	1,547,587	-	-	1,896,402	-	4,619,610
Depreciation	-	-	-	-	-	-	-	2,412,983	2,412,983
Total operating expenses	$ 17,650,031	$ 6,624,506	$ 136,137	$ 6,733,285	$ 1,576,468	$ 6,166,869	$ 5,236,188	$ 2,412,983	$ 46,536,467

Note 9. Subsequent Events

Management has evaluated subsequent events through December 30, 2020, the date on which the financial statements were available to be issued and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

The College has as of October, 2020, done a taxable advance refunding relating to the 2014 bond issue. The call date of the refunded bonds is January 1, 2024. The original issue amount of the refunding bonds is $9,849,000, with a final maturity date of January 1, 2034.

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

Note 10. Pension Plan (continued)

death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries.

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, 2020 was 17.4% 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, 2020, 2019, and 2018 were $2,888,437, $2,680,589, and $2,715,025, respectively, which equaled the required contributions for each year.

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

At June 30, 2020, East Mississippi Community College reported a liability of $45,972,751 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020, net pension liability was 0.261328%, which was based on a measurement date of June 30, 2019. This was a decrease of 0.009157% from its proportionate share used to calculate the June 30, 2019, net pension liability, which was based on a measurement date of June 30, 2018.

Note 10. Pension Plan (continued)

For the year ended June 30, 2020, East Mississippi Community College recognized pension expense of $3,957,389. At June 30, 2020, 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	$ 28,148	$ 53,328
Net difference between projected and actual earnings on investments	-	618,031
Changes of assumptions	451,261	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	195,912	2,061,696
ER contributions subsequent to the measurement date	2,888,437	-
Total	$ 3,563,758	$ 2,733,055

$2,888,437 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, 2021. 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:	
2021	$ (510,952)
2022	(1,572,065)
2023	(184,606)
2024	209,889
Total	$ (2,057,734)

Actuarial assumptions−the total pension liability as of June 30, 2019 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	2.75%
Salary increase	3.00-18.25%, 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 PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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 most recent 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
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
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 (17.40%). 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	$ 60,432,774	$ 45,972,751	$ 34,037,300

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 $79,157 for the year ended June 30, 2020.

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

At June 30, 2020, the College reported a liability of $2,174,446 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the College's proportion was 0.25625702%. This was a decrease of 0.00558107% from the proportionate share as of the measurement date of June 30, 2018.

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

For the year ended June 30, 2020, the College recognized OPEB expense of $119,732. At June 30, 2020, 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	$ 3,288	$ 31,125
Changes of assumptions	162,111	112,756
Net difference between projected and actual earnings on OPEB plan investments	41	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	60,312	82,592
ER contributions subsequent to the measurement date	79,157	-
Total	$ 304,909	$ 226,473

$79,157 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, 2021. 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:	
2021	$ (4,302)
2022	(4,302)
2023	(4,302)
2024	(3,801)
2025	9,166
Thereafter	6,820
Total	$ (721)

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

Actuarial assumptions- The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00-18.25%, including wage inflation
Municipal Bond Index rate	
Measurement date	3.50%
Prior measurement date	3.89%
Year FNP is projected to be depleted	
Measurement date	2019
Prior measurement date	2018
Single equivalent interest rate, net of OPEB plan investment expense, including inflation	
Measurement date	3.50%
Prior measurement date	3.89%
Health care cost trends	
Medicare supplement claims Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investments is 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, 2019 was 3.50%. Since the prior measurement date, the discount rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of $1,000,000. As of June 30, 2020, the trust has $1,017,904. 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, 2018 and the June 30, 2019.

The discount rate used to measure the total OPEB liability at June 30, 2019 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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% decrease 2.50%	Current discount rate 3.50%	1% increase 4.50%
EMCC net OPEB liability	$ 2,415,430	$ 2,174,446	$ 1,968,261

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	$ 2,014,959	$ 2,174,446	$ 2,355,117

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 $30,253,928. 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. Construction Commitments and Financing

At June 30, 2020, East Mississippi Community College is close to completing construction of an advanced manufacturing training facility near the Golden Triangle campus and a new dormitory on the Scooba campus. Funding sources for the advanced training facility includes the State of Mississippi, Appalachian Regional Commission, and bonds issued by the college with debt service commitments from Lowndes, Oktibbeha and Clay counties. The dormitory is funded by local bond issue funds and State of Mississippi funds. The estimated cost to complete these projects are presented below:

		Funded by		
Project Title	Total Cost to Complete	State Sources	ARC Funds	Institutional Funds
Advanced Traning Facility	$ 42,200,000	$ 18,000,000	$ 10,700,000	$ 13,500,000
Dormitory	10,000,000	4,000,000	-	6,000,000

Note 14. 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.

Note 15. Risks and Uncertainties

As a result of the spread of COVID-19, coronavirus, economic uncertainties have arisen which could have a material adverse impact on economic and market conditions. While potential impact is unknown at this time, the outbreak presents uncertainty and risk with respect to the College, its performance, and its financial results.

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, 2020, 2019, 2018, 2017, 2016, and 2015

	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability (asset)	0.261328%	0.270485%	0.281612%	0.27%	0.28%	0.28%
College's proportionate share of the net pension liability (asset)	$ 45,972,751	$44,989,692	$ 46,813,472	$ 48,228,742	$43,282,478	$33,986,873
College's covered payroll	$ 17,019,613	$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	270.12%	260.99%	258.99%	277.77%	251.04%	197.39%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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, 2020, 2019, 2018, 2017, 2016, and 2015

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,888,437	$ 2,680,589	$ 2,715,025	$ 2,846,859	$ 2,734,608	$ 2,715,513
Contributions in relation to the contractually required contribution	2,888,437	2,680,589	2,715,025	2,846,859	2,734,608	2,715,513
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Colleges covered payroll	$ 16,600,213	$ 17,019,613	$ 17,238,254	$ 18,075,295	$ 17,362,590	$ 17,241,352
Contributions as a percentage of covered payroll	17.40%	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

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%.

2019
The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The price inflation assumption was reduced from 3.00% to 2.75%. The wage inflation assumption was reduced from 3.25% to 3.00%. Withdrawal rates, pre-retirement mortality 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 7% to 9%.

(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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	3.25% to 18.50% 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, 2020, 2019 and 2018

	2020	2019	2018
College's proportion of the net OPEB liability (asset)	0.25625702%	0.26183809%	0.26953702%
College's proportionate share of the net OPEB liability (asset)	$ 2,174,446	$ 2,025,449	$ 2,114,812
College's covered employee payroll	$ 11,735,101	$ 11,842,759	$ 12,109,557
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	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, 2020, 2019, and 2018

	2020	2019	2018
Actuarially determined contribution	$ 79,157	$ 87,158	$ 90,158
Contributions in relation to the actuarilly determined contribution	79,157	87,158	90,158
Contributions deficiency (excess)	$ -	$ -	$ -
College's covered employee payroll	$ 14,854,616	$ 15,040,238	$ 15,206,448
Contributions as a percentage of covered-employee payroll	0.53%	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. Prior year information is based on historical amounts reported in prior year report(s).

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.

2019
The discount rate was changed from 3.89% for the prior measurement date to 3.50% for the current measurement date.

(2) Changes in benefit provisions

2017: None

2018: None

2019: 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, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

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	7.25%

Ultimate health care cost trend rates: medicare supplement claims	
Pre-Medicare	4.75%
Year of ultimate trend rates, medicare supplement claims, pre-medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

EAST MISSISSIPPI COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

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		$ 9,438,560	$ -	$ 9,438,560
College work-study	84.033		130,939	-	130,939
SEOG	84.007		122,334	-	122,334
COVID-19 Education Stabilization Fund					
CARES Act Student Emergency Grants	84.425E		1,017,900	-	1,017,900
Federal direct student loans	84.268		4,816,745	-	4,816,745
Total U.S. Department of Education			$ 15,526,478	$ -	$15,526,478
Total student financial aid cluster			$ 15,526,478	$ -	$15,526,478
Other Programs					
U.S. Department of Education					
COVID-19 Education Stabilization Fund					
CARES Act Emergency Funds	84.425F		$ 432,411	$ -	$ 432,411
U.S. Department of Agriculture					
Rural Development	10.780		$ 25,526	$ -	$ 25,526
U.S. Department of Agriculture					
Passed through M.D.H.S.					
SNAP E & T Pilot	10.596		$ 72,014	$ -	$ 72,014
U.S. Department of Human Services					
Passed through M.D.H.S./ICC					
TANF/Social Services	93.67		$ 11,766	$ -	$ 11,766
NSF					
National Science Foundation/MSU	47.08		$ 10,269	$ -	$ 10,269
NIH					
National Institute of Health/MSU	93.86		$ 8,347	$ -	$ 8,347
ARC					
Appalachian Regional Commission	23.002		$ 3,190	$ -	$ 3,190
Appalachian Regional Commission	23.011		148,784	-	148,784
Appalachian Regional Commission	23.011		256,545	-	256,545
Appalachian Regional Commission	23.011		309,920	-	309,920
Total ARC			$ 718,439	$ -	$ 718,439
WIA cluster					
Youth grant					
Passed through Southern MS PDD	17.259		$ 170,899	$ -	$ 170,899
Youth grant	17.259		$ 290,309	$ -	$ 290,309
WIO adult	17.258		412,107	-	412,107
WIOA dislocated worker	17.278		197,281	-	197,281
Passed through Three Rivers PDD			$ 899,697	$ -	$ 899,697
Total WIA cluster			$ 1,070,596	$ -	$ 1,070,596

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2020

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	$ 410,414	$ 198,468	$ 608,882
Basic grants to states	84.048	V0000718830	313,780	-	313,780
Basic grants to states	17.258		71,857	-	71,857
Basic grants to states	93.558		4,986	-	4,986
Basic grants to states	93.434		200,915	-	200,915
Basic grants to states	93.675		252,834	-	252,834
			$ 1,254,786	$ 198,468	$ 1,453,254
Total other programs			$ 3,604,154	$ 198,468	$ 3,802,622
Total expenditures of federal awards			$ 19,130,632	$ 198,468	$ 19,329,100

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	$ 19,130,632
Student loans	4,816,745
Federal grants and contracts	$ 14,313,887

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, 2020, 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, 2020.

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, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

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

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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, 2020. 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, 2020.

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, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Richard L. James
R. Benton Moulds
O. Keith Evans
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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, 2020, and have issued our report thereon dated December 30, 2020. 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, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

EAST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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
84.425	CARES Act Student Emergency Grants

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 and Questioned Costs

No findings.