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**EAST MISSISSIPPI COMMUNITY COLLEGE  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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



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**INDEPENDENT AUDITORS' REPORT**

TO DR RICK YOUNG PRESIDENT  
AND BOARD OF TRUSTEES  
EAST MISSISSIPPI COMMUNITY COLLEGE  
SCOOBA MISSISSIPPI

We have audited the accompanying financial statements of East Mississippi Community College as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of East Mississippi Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38 – *Certain Financial Statement Note Disclosures*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Mississippi Community College as of June 30, 2005 and the results of operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the financial statements, Community College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, for the year ended June 30, 2005.

In accordance with *Government Auditing Standards* we have also issued our report dated November 2, 2005 on our consideration of East Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 are not required parts of the general purpose financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of East Mississippi Community College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
November 2, 2005

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

## EAST MISSISSIPPI COMMUNITY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

This section of the East Mississippi Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2005. 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*.

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 Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets 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 Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies State appropriations and gifts as non-operating revenues. The College's dependency on State aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

Management's Discussion and Analysis (continued)

Condensed Statement of Net Assets

	June 30, 2005		June 30, 2004	
	Amount	Percent	Amount	Percent
<b>ASSETS</b>				
Current Assets	\$ 9,473,554	32.29	\$ 6,485,978	24.70
Noncurrent Assets:				
Capital, net	19,665,510	67.04	19,574,246	74.56
Other	197,317	.67	194,161	.74
<b>Total assets</b>	<u>\$29,336,381</u>	<u>100.00</u>	<u>\$26,254,385</u>	<u>100.00</u>
<b>LIABILITIES</b>				
Current Liabilities	\$ 1,945,064	31.98	\$ 1,788,826	27.06
Noncurrent Liabilities	4,133,920	68.02	4,821,153	72.94
<b>Total liabilities</b>	<u>\$ 6,078,984</u>	<u>100.00</u>	<u>\$ 6,609,979</u>	<u>100.00</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net	\$14,856,857	63.88	\$14,112,193	71.84
Restricted:				
Nonexpendable	208,079	0.90	204,228	1.02
Expendable	1,398,334	6.00	1,254,121	6.40
Unrestricted	6,794,127	29.22	4,073,864	20.74
<b>Total net assets</b>	<u>\$23,257,397</u>	<u>100.00</u>	<u>\$19,644,406</u>	<u>100.00</u>

## Management's Discussion and Analysis (continued)

### ASSETS

#### Current Assets

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$6,855,219 at June 30, 2005 and \$4,585,860 at June 30, 2004.

##### Accounts Receivable

Accounts receivable relate 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 \$2,082,675 at June 30, 2005 and \$1,555,279 at June 30, 2004.

##### Inventories

The College maintains inventories of merchandise for resale to students. This inventory is made up of books, student supplies, and institutional memorabilia. Inventories totaled \$535,660 at June 30, 2005 and \$344,839 at June 30, 2004.

#### Non-current Assets

##### Cash and Cash Equivalents

Cash and cash equivalents are those funds that are on deposit in the College's bank accounts. The cash and cash equivalents that are considered noncurrent are cash in endowment funds. The amount of cash and cash equivalents considered noncurrent totaled \$31,722 at June 30, 2005 and \$31,015 at June 30, 2004.

##### Other Investments

Other long-term investments include certificates of deposit and marketable securities. These investments are recorded at fair market value. The fair market value was \$165,595 at June 30, 2005 and \$163,146 at June 30, 2004.

##### Capital Assets, Net

Capital assets, net, consists of land, infrastructure, buildings, equipment, and library holdings at June 30, 2005. The amount reported is net of accumulated depreciation. Capital assets, net, totaled \$19,665,510 at June 30, 2005 and \$19,574,246 at June 30, 2004.

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

### **LIABILITIES**

#### Current Liabilities

##### Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2005 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$867,956 at June 30, 2005 and \$782,063 at June 30, 2004.

##### Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not earn until the next fiscal year. The deferred revenue totaled \$389,337 at June 30, 2005 and \$353,363 at June 30, 2004.

##### Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of notes payable and lease purchases payable within the next fiscal year. The amount of the current portion was \$687,771 at June 30, 2005 and \$653,400 at June 30, 2004.

##### Noncurrent Liabilities

##### Long-term Liabilities

This liability consists of refundable housing deposits, and notes payable and lease purchases payable beyond the next fiscal year. The refundable deposits were \$13,038 and the noncurrent balance on debt was \$4,120,882 at June 30, 2005. The refundable deposits were \$12,500 and the noncurrent balance on debt was \$4,808,653 at June 30, 2004.

### **NET ASSETS**

Net assets represents the difference between the College's assets and liabilities. Total net assets were \$23,257,397 at June 30, 2005 and \$19,644,406 at June 30, 2004.

#### Analysis of Net Assets

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

Restricted expendable net assets 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 assets:

	June 30, 2005 Amount	June 30, 2004 Amount
Endowment funds	\$ 148,191	\$ 145,400
Unemployment reserve	59,888	58,828
Restricted for capital projects	223,929	190,245
Debt service funds	481,385	457,862
Other	896	21,236
Center for manufacturing technology	692,124	584,778
Total restricted net assets	<u>\$ 1,606,413</u>	<u>\$ 1,458,349</u>

Unrestricted net assets represent 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 assets:

	June 30, 2005 Amount	June 30, 2004 Amount
Unrestricted general fund	\$ 4,755,340	\$ 2,445,081
Unrestricted auxiliary fund	1,929,120	1,523,687
Other unrestricted funds	109,667	105,096
Total unrestricted net assets	<u>\$ 6,794,127</u>	<u>\$ 4,073,864</u>

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

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**  
For the Year Ended June 30, 2005

	June 30, 2005 <u>Amount</u>	June 30, 2004 <u>Amount</u>
<b>Operating revenues:</b>		
Tuition and fees	\$ 4,883,100	\$ 3,490,041
Grants and contracts	14,813,936	12,596,345
Auxiliary enterprises	2,198,697	1,962,262
Other operating revenues	<u>310,880</u>	<u>183,510</u>
Total operating revenues	<u>\$ 22,206,613</u>	<u>\$ 18,232,158</u>
Operating expenses	<u>\$ 29,958,112</u>	<u>\$ 27,296,197</u>
Operating loss	<u>\$ (7,751,499)</u>	<u>\$ (9,064,039)</u>
<b>Non-operating revenues:</b>		
State appropriations	\$ 8,763,347	\$ 8,462,260
County appropriations	2,712,971	2,619,494
Non-capital grants and gifts	-	-
Investment income, net	91,278	61,914
Other non-operating expenses	<u>(203,106)</u>	<u>(234,999)</u>
Net non-operating revenues	<u>\$ 11,364,490</u>	<u>\$ 10,908,669</u>
Income before other items	<u>\$ 3,612,991</u>	<u>\$ 1,844,630</u>
Capital appropriations	\$ -	\$ -
Capital grants	<u>-</u>	<u>-</u>
Total other revenues	<u>\$ -</u>	<u>\$ -</u>
Total increase in net assets	<u>\$ 3,612,991</u>	<u>\$ 1,844,630</u>
<b>Net assets</b>		
Net assets at beginning of year, as restated	<u>\$ 19,644,406</u>	<u>\$ 17,799,776</u>
Net assets at end of year	<u>\$ 23,257,397</u>	<u>\$ 19,644,406</u>

Total operating loss was \$7,751,499 for fiscal year 2005 and \$9,064,039 for fiscal year 2004. Since neither the State of Mississippi appropriation nor the appropriations from within the college district are included within operating revenue per GASB No. 35, beginning with fiscal year 2004 and going forward, the College will show a significant operating loss.

## Management's Discussion and Analysis (continued)

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

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

Total operating revenues for fiscal year 2005 were \$22,206,613 and \$18,232,158 for 2004. Tuition and fees were \$4,883,100 for 2005 and \$3,490,041 for 2004. This is net of the tuition discount, which was \$3,005,903 in 2005 and \$2,333,991 in 2004. Operating expenses, including depreciation of \$1,075,655, totaled \$29,958,112 for year 2005. Of the 2005 total \$10,878,180 or 36% was for instruction. Operating expenses, including depreciation of \$1,053,139, totaled \$27,296,197 for year 2004. Of the 2004 total \$9,998,672 or 37% was for instruction.

### REVENUES

#### Operating Revenues

##### Tuition and Fees

This category includes all tuition and fees assessed for educational purposes. The net total was \$4,883,100 for 2005. The tuition discount for the 2005 fiscal year was \$3,005,903. The net total was \$3,490,041 for 2004. The tuition discount for the 2004 fiscal year was \$2,333,991.

##### 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, 2005 and June 30, 2004:

	<u>June 30, 2005</u> Amount	<u>June 30, 2004</u> Amount
Federal sources:		
Department of Education	\$ 11,689,168	\$ 10,401,822
State sources:		
State Board for Community & Junior Colleges	2,913,735	2,083,260
Other sources	<u>211,033</u>	<u>111,263</u>
Total all sources	<u>\$ 14,813,936</u>	<u>\$ 12,596,345</u>

## Management's Discussion and Analysis (continued)

### Sales and Services from Educational Activities

Other operating revenues consists of income from educational activities that totaled \$117,504 for the 2005 fiscal year and \$77,057 for the 2004 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 include the College's bookstore, as well as student housing, and food services.

### Operating Expenses

Operating expenses for fiscal year 2005, totaling \$29,958,112 include salaries and benefits of \$13,673,673, scholarships and fellowships of \$7,251,266, utilities of \$712,331, services of \$3,860,200, supplies of \$3,190,320, travel of \$183,475, depreciation of \$1,075,655, and other expenses of \$11,192. Operating expenses for fiscal year 2004, totaling \$27,296,197 include salaries and benefits of \$13,069,711, scholarships and fellowships of \$6,574,018, utilities of \$741,576, services of \$2,950,466, supplies of \$2,752,487, travel of \$154,800, and depreciation of \$1,053,139.

	<u>June 30, 2005</u> Amount	<u>June 30, 2004</u> Amount
Expenses by functions:		
Instruction	\$ 10,878,180	\$ 9,998,672
Academic support	339,904	335,338
Student services	2,030,219	1,882,052
Institutional support	2,968,644	2,739,094
Operations and maintenance of plant	2,552,672	2,130,081
Student financial aid	7,251,266	6,574,018
Auxiliary enterprises	2,861,572	2,583,803
Depreciation	<u>1,075,655</u>	<u>1,053,139</u>
Total operating expenses by function	<u>\$ 29,958,112</u>	<u>\$ 27,296,197</u>

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

### Non-operating Revenues (Expenses)

#### State Aid

The College received \$8,763,347 for 2004-2005 fiscal year, of which \$8,613,347 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. The College received \$8,462,260 for the 2003-2004 fiscal year of which \$8,312,260 was used for operations, and \$150,000 was earmarked for the Center of Manufacturing Technology Excellence.

#### County Appropriations

The College also receives revenue from the six counties that comprise the college district. The College uses the maintenance levy for operational purposes, including salaries and benefits. The enlargement and improvement levy is accounted for in the College's plant fund. Also, the College receives a special levy dedicated for debt service. The appropriation is received monthly, beginning in July of each year, since the fiscal year begins July 1. The College received \$1,445,386 for maintenance funds and \$1,267,585 for plant funds and debt service for the 2005 fiscal year from the counties. This appropriation was fully recorded by the College during the fiscal year. The College received \$1,395,109 for maintenance funds and \$1,224,385 for plant funds and debt service for the 2004 fiscal year from the counties.

#### 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, 2005 was \$91,278. The investment income for the year ended June 30, 2004 was \$61,914.

#### Other Non-Operating Expenses

This consists of the interest paid on scheduled debt service during the 2005 fiscal year. The amount paid in fiscal year 2005 totaled \$203,106. The amount paid in fiscal year 2004 totaled \$234,999.

#### 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.

## Management's Discussion and Analysis (continued)

### Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year Ended June 30, 2005

	June 30, 2005 Amount	June 30, 2004 Amount
Cash and Cash Equivalents Provided by (used in):		
Operating activities	\$ (7,141,279)	\$ (7,780,614)
Non-capital financing activities	10,663,045	10,470,920
Capital and related financing activities	(1,340,369)	(1,533,602)
Investing activities	88,669	33,920
Net decrease in cash and cash equivalents	\$ 2,270,066	\$ 1,190,624
Cash and cash equivalents - beginning of the year	4,616,875	3,426,251
Cash and cash equivalents - end of the year	\$ 6,886,941	\$ 4,616,875

In fiscal year 2005 the major sources of funds included in operating activities were: student tuition and fees, \$4,648,938; auxiliary enterprises, \$2,219,979; and grants and contracts, \$14,702,848. The major uses of funds were payments made to employees, \$13,674,417, scholarships and fellowships of \$7,251,266, and payments to suppliers, \$8,087,049.

In fiscal year 2004 the major sources of funds included in operating activities were: student tuition and fees, \$3,507,598; auxiliary enterprises, \$1,870,717; and grants and contracts, \$12,866,040. The major uses of funds were payments made to employees, \$13,054,527, scholarships and fellowships of \$6,574,018, and payments to suppliers, \$6,579,934.

The largest inflow of cash in the non-capital financing activities group is the State appropriation which was \$8,605,003 in fiscal year 2005 and \$8,441,429 in fiscal year 2004.

#### Significant Capital Asset Transactions

Driven by steady enrollment increases, East Mississippi Community College embarked on a capital projects building program early in fiscal 2001-2002. The primary financing for the building program was secured with a ten-year note issue that provided \$5.1 million in funding. These resources enabled the College to complete construction of almost \$3.7 million in buildings and infrastructure during the fiscal year ending June 30, 2003. Construction in progress at that date amounted to a \$1.2 million Student Services Building.

The College used state capital project funding to construct a Women's Honors Dorm which was completed in the fiscal year ending June 30, 2005. Construction on this project during the year amounted to \$710,916.

The capital project funding that was approved for fiscal year 2004 during the special session of the Legislature in November, 2004 was approximately \$3,100,000. Plans are being developed

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

at this time to use this funding to construct a Humanities and Fine Arts complex at the Golden Triangle Campus.

### Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2005 financial situation. The level of State support, compensation increases, student tuition and fee increases, and energy 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 thirty-eight percent 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.

An on-line registration module has been developed and will be used to aid and expedite registration in the future. It is believed that this convenience will enhance the admissions operation and allow for even more enrollment growth.

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 ASSETS**

June 30, 2005

## LIABILITIES

### Current Liabilities:

Accounts payable and accrued liabilities	\$ 867,956
Deferred revenues	389,337
Long-term liabilities-current portion	687,771
Other current liabilities	<u>-</u>

**Total current liabilities** \$ 1,945,064

### Noncurrent Liabilities:

Deposits refundable (housing)	\$ 13,038
Long-term liabilities	4,120,882
Other noncurrent liabilities	<u>-</u>

**Total noncurrent liabilities** \$ 4,133,920

**Total liabilities** \$ 6,078,984

## NET ASSETS

Invested in capital assets, net of related debt \$ 14,856,857

### Restricted for:

#### Nonexpendable:

Endowment funds	\$ 148,191
Unemployment fund	59,888

#### Expendable:

Capital projects	223,929
Debt service	481,385
Other	896
CMTE funds	692,124

Unrestricted 6,794,127

**Total net assets** \$ 23,257,397

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2005

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2005

**Operating Revenues**

Tuition and fees (net of scholarship allowances of \$3,005,903)	\$ 4,883,100
Federal appropriations	
Federal grants and contracts	11,689,168
State grants and contracts	2,913,735
Nongovernmental grants and contracts	211,033
Sales and services of educational departments	117,504
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$130,484)	211,971
Food services (net of scholarship allowances of \$200,315)	325,414
Bookstore (net of scholarship allowances of \$1,022,656)	1,661,312
Other auxiliary revenues	-
Other operating revenues	<u>193,376</u>
Total operating revenues	<u>\$ 22,206,613</u>

**Operating Expenses**

Salaries and wages	\$ 11,097,009
Fringe benefits	2,576,664
Travel	183,475
Contractual services	3,860,200
Utilities	712,331
Scholarships and fellowships	7,251,266
Commodities	3,190,320
Depreciation expense	1,075,655
Other operating expense	<u>11,192</u>
Total operating expenses	<u>\$ 29,958,112</u>
Operating loss	<u>\$ (7,751,499)</u>

**Nonoperating Revenues (Expenses)**

State appropriations	\$ 8,763,347
Local appropriations	2,712,971
Investment Income	91,278
Interest expense on capital asset-related debt	(203,106)
Other nonoperating revenues (expenses)	<u>-</u>

Total Net Nonoperating revenues (expenses) \$ 11,364,490

Income before other revenues, expenses, gains and losses \$ 3,612,991

Capital grants and gifts	-
State appropriations restricted for capital purposes	-
Additions to permanent endowments	-
Other additions (deletions), net	<u>-</u>

Change in net assets \$ 3,612,991

**Net Assets**

Net assets - beginning of year \$ 19,644,406

Net assets - end of year \$ 23,257,397

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2005

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2005

**Cash Flows from Operating Activities**

Tuition and fees	\$ 4,648,938
Grants and contracts	14,702,848
Sales and services of educational departments	117,504
Payments to suppliers	(7,375,644)
Payments to employees for salaries and benefits	(13,674,417)
Payments for utilities	(711,405)
Payments for scholarships and fellowships	(7,251,266)
Auxiliary enterprise charges:	
Student housing	212,509
Food services	325,414
Bookstore	1,682,056
Other receipts (payments)	<u>182,184</u>
Net cash used in operating activities	<u>\$ (7,141,279)</u>

**Cash Flows from Noncapital Financing Activities**

State appropriations	\$ 8,605,003
County appropriations	2,058,042
Private gifts for endowment purposes	-
Federal loan program receipts	-
Federal loan program disbursements	-
Other sources (uses)	<u>-</u>
Net cash provided by noncapital financing activities	<u>\$ 10,663,045</u>

**Cash Flows from Capital and Related Financing Activities**

Proceeds from capital debt	\$ -
Cash paid for capital assets	(1,130,383)
Capital appropriations received	646,520
Capital grants and contracts received	-
Proceeds from sales of capital assets	-
Principal paid on capital debt and leases	(653,400)
Interest paid on capital debt and leases	(203,106)
Other sources (uses)	<u>-</u>
Net cash used in capital and related financing activities	<u>\$ (1,340,369)</u>

**Cash Flows from Investing Activities**

Proceeds from sales and maturities of investments	\$ (2,449)
Interest received on investments	91,118
Purchases of investments	<u>-</u>

Net cash provided by investing activities \$ 88,669

Net increase (decrease) in cash and cash equivalents \$ 2,270,066

**Cash and cash equivalents - beginning of the year** 4,616,875

**Cash and cash equivalents - end of year** \$ 6,886,941

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating loss \$ (7,751,499)

Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:

Depreciation expense 1,075,655

Other -

Changes in assets and liabilities:

Receivables, net (360,480)

Inventories (190,821)

Prepaid expenses -

Other assets -

Accounts payables and accrued liabilities 49,354

Deferred revenues 35,974

Deposits refundable 538

Other liabilities -

**Cash Flows Reported in Other Categories**

Interest in investments -

Net cash used in operating activities \$ (7,141,279)

See Accompanying Notes to Financial Statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2005

**Note 1. Summary of Significant Accounting Policies**

Reporting entity

The financial statements presented are for the 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 and Meridian Naval Air Station.

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and – Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management’s Discussion and Analysis of Public College and Universities, issued in June and November, 1999, respectively. The College now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College’s financial activities.

Basis of accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Cash equivalents

For the purpose of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The College accounts for their investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

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

Accounts receivable, net

Accounts receivable consists of tuition and fee charges to students. Accounts receivable also includes amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts. Accounts receivable is recorded net of an allowance for doubtful accounts.

Inventories

Inventories consists of books and supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (FIFO) basis.

Non-current cash and investments

Cash and investments that are restricted for endowment fund purposes and for the unemployment reserve are classified as non-current assets in the statement of net assets.

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 6 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred.

Deferred revenues

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

Accrued leave

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

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

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 assets

GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of obligations. Non-expendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended and unemployment reserve investment. Expendable restricted net assets represent funds for capital projects, debt service and the Center for Manufacturing Technology Excellence.

The unrestricted net asset balance of \$6,794,127 at June 30, 2005, includes \$1,929,120 for auxiliary operations, \$109,667 designated for student groups, and a remaining amount of \$4,755,340.

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

Changes in accounting standards

Community College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, in the current fiscal year as required. However, the Community College Foundation does not meet the significance requirement and has not been incorporated into the financial statements and accompanying notes.

**Note 2. Cash and Investments**

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

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

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

**Note 3. Investments**

The carrying value of the College's investments is summarized in the following table as reported on the statement of net assets:

Endowment investments	\$ 117,928
Other investments	<u>47,667</u>
Total	<u>\$ 165,595</u>

In accordance with the GASB Statement No. 3, investments are classified into the following categories of custodial risk:

Category 1 Investments that are insured or registered, or securities held by the College or by its agent in the College's name.

**Note 3. Investments (continued)**

- Category 2 Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the College's name.
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the College's name.
- Not Categorized Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The following summarizes the categorizations of investments at June 30, 2005:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Non Categorized</u>	<u>Total</u>
Investments:					
Investment management	\$ -	\$ -	\$ -	\$ -	\$ -
Funds	-	2,193	-	-	2,193
Certificates of deposit	<u>163,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,402</u>
Total investments	<u>\$ 163,402</u>	<u>\$ 2,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,595</u>

**Note 4. Accounts Receivable**

Accounts receivable consists of the following at June 30, 2005

Student tuition	\$ 1,328,130
Auxiliary enterprises and other operating activities	190,521
Federal, state and private grants and contracts	567,324
State and county appropriations	377,944
Accrued interest	760
Other	<u>-</u>
Total accounts receivable	\$ 2,464,679
Less allowance for doubtful accounts	<u>382,004</u>
Net accounts receivable	<u>\$ 2,082,675</u>

**Note 5. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2005, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2005	07/01/04 Beginning Balances	Increases	Decreases	06/30/05 Year-end Balance
<b>Capital assets, non-depreciable:</b>				
Land	\$ 328,242	\$ 53,600	\$ -	\$ 381,842
Construction in progress	983,987	710,916	1,680,836	14,067
Total capital assets, non-depreciable	\$ 1,312,229	\$ 764,516	\$ 1,680,836	\$ 395,909
<b>Capital assets, depreciable:</b>				
Buildings	\$ 21,953,809	\$ 1,680,836	\$ -	\$ 23,634,645
General infrastructure	1,471,739	-	-	1,471,739
Furniture, fixtures and equipment	4,144,685	324,592	135,858	4,333,419
Vehicles	422,132	28,400	24,935	425,597
Books and film	1,176,430	48,926	73,935	1,151,421
Total capital assets, depreciable	\$ 29,168,795	\$ 2,082,754	\$ 234,728	\$ 31,016,821
Total capital assets	\$ 30,481,024	\$ 2,847,270	\$ 1,915,564	\$ 31,412,730
Less accumulated depreciation for:				
Buildings	\$ 6,504,464	\$ 518,837	\$ -	\$ 7,023,301
General infrastructure	335,559	56,716	-	392,275
Furniture, fixtures and equipment	2,894,778	401,628	132,802	3,163,604
Vehicles	275,822	31,766	22,442	285,146
Books and film	896,155	66,708	79,969	882,894
Total accumulated depreciation	\$ 10,906,778	\$ 1,075,655	\$ 235,213	\$ 11,747,220
Capital assets, net of depreciation	\$ 19,574,246	\$ 1,771,615	\$ 1,680,351	\$ 19,665,510

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 notes payable and capital lease obligations that are expected to be liquidated at least one year from June 30, 2005. Information regarding original issue amounts, interest rates and maturity dates for notes and capital lease included in the long-term liabilities balance at June 30, 2005 is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Note Issue	Beginning	Additions	Reductions	Ending	Analysis of Year-end Balance	
	Balances 7/1/2004			Balances 6/30/2005	Due Within One Year	Noncurrent Portion
Notes Payable:						
\$1,500,000 Trustmark Fixed rate, 4.70%	\$ 823,000	\$ -	\$ 152,000	\$ 671,000	\$ 159,000	\$ 512,000
\$5,100,000 BanCorp South Fixed rate, 4.11%	4,260,000	-	455,000	3,805,000	480,000	3,325,000
<b>Total Notes Payable</b>	<b>5,083,000</b>	<b>-</b>	<b>607,000</b>	<b>4,476,000</b>	<b>639,000</b>	<b>3,837,000</b>
Lease-Purchase:						
Energy Impr. Trustmark Fixed Rate, 5.11% Original amount, \$507,618	<u>379,053</u>	<u>-</u>	<u>46,400</u>	<u>332,653</u>	<u>48,771</u>	<u>283,882</u>
<b>Total Debt</b>	<b><u>\$ 5,462,053</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 653,400</u></b>	<b><u>\$ 4,808,653</u></b>	<b><u>\$ 687,771</u></b>	<b><u>\$ 4,120,882</u></b>

Fiscal Year	Note Payable \$1,500,000 Trustmark	Note Payable \$5,100,000 BanCorp South	Lease Payable \$507,618 Trustmark	Total
	2006	\$ 159,000	\$ 480,000	\$ 48,771
2007	164,000	500,000	51,263	715,263
2008	171,000	525,000	53,882	749,882
2009	177,000	540,000	56,637	773,637
2010		565,000	59,530	624,530
2011-2013	-	1,195,000	62,570	1,257,570
<b>Total</b>	<b><u>\$ 671,000</u></b>	<b><u>\$ 3,805,000</u></b>	<b><u>\$ 332,653</u></b>	<b><u>\$4,808,653</u></b>

**Note 7. Operating Lease**

Leased property under operating leases is composed of office equipment. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year ending June 30	
2006	\$ 37,948
2007	30,739
2008	11,946
2009	<u>5,736</u>
Total minimum payments required	<u>\$ 86,369</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2005 was \$30,606.

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

The College's operating expenses by functional classification were as follows for the year ended June 30, 2005:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 7,740,317	\$ 1,665,605	\$ 101,862	\$ 1,064,495	\$ -	\$ -	\$ 294,709	\$ -	\$ 11,192	\$ 10,878,180
Research	-	-	-	-	-	-	-	-	-	-
Public Service	-	-	-	-	-	-	-	-	-	-
Academic Support	215,392	59,195	397	51,244	-	-	13,676	-	-	339,904
Student Services	1,192,737	323,256	28,761	311,906	-	-	173,559	-	-	2,030,219
Institutional Support	1,155,153	311,507	50,277	1,214,751	-	-	233,272	-	3,684	2,968,644
Operation of Plant	613,535	185,468	1,712	676,200	712,331	-	367,110	-	(3,684)	2,552,672
Student Aid	-	-	-	-	-	7,251,266	-	-	-	7,251,266
Auxiliary Enterprises	179,875	31,633	466	541,604	-	-	2,107,994	-	-	2,861,572
Depreciation	-	-	-	-	-	-	-	1,075,655	-	1,075,655
Hospital	-	-	-	-	-	-	-	-	-	-
Loan Fund Expenses	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Plant and Endowment Ops.	-	-	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>\$ 11,097,009</b>	<b>\$ 2,576,664</b>	<b>\$ 183,475</b>	<b>\$ 3,860,200</b>	<b>\$ 712,331</b>	<b>\$ 7,251,266</b>	<b>\$ 3,190,320</b>	<b>\$ 1,075,655</b>	<b>\$ 11,192</b>	<b>\$ 29,958,112</b>

**Note 9. Construction Commitments and Financing**

The College is rerouting the main building at the Golden Triangle campus through the Mississippi Bureau of Buildings at a cost of \$354,879. This project is scheduled to be completed in November 2005.

**Note 10. Pension Plan**

Plan description - East Mississippi Community College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy – PERS members are required to contribute 7.25% of their annual covered salary, and East Mississippi Community College is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. East Mississippi Community College's contributions to PERS for the years ending June 30, 2005, 2004, and 2003 were \$963,509, \$925,589, and \$858,297, respectively, equal to the required contributions for each year.

**Note 11. 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. This foundation is separately audited and has not been included in these financial statements.

**EAST MISSISSIPPI COMMUNITY COLLEGE  
SUPPLEMENTAL INFORMATION**

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2005

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For the Year Ended June 30, 2005

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass-through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
<b>Student Financial Aid:</b>					
U.S. Department of Education					
PELL Grant Program	84.063		\$ 10,270,300	-	\$ 10,270,300
College Work-study	84.033		185,670	-	185,670
SEOG	84.007		133,503	-	133,503
LEAP (SSIG)	84.069		3,112	6,872	9,984
Federal Family Education Loans (FFEL)	84.032		9,080,326	-	9,080,326
<b>Total student financial aid</b>			<b>\$ 19,672,911</b>	<b>\$ 6,872</b>	<b>\$ 19,679,783</b>
<b>Other Programs:</b>					
Direct Programs					
Title III Planning Grant	84.031		\$ 23,906	-	\$ 23,906
Passed through State					
SBCJC/MDA					
WIA Equipment	17.207		\$ 41,526	-	\$ 41,526
Adult Basic Education	84.002	V002A6005	375,739	93,033	468,772
Department of Education					
Basic Grants to States	84.048	V0000718830	541,632	-	541,632
Tech Prep	84.243	V0000718830	96,681	-	96,681
<b>Total other programs</b>			<b>\$ 1,079,484</b>	<b>\$ 93,033</b>	<b>\$ 1,172,517</b>
<b>Total expenditures of federal awards</b>			<b>\$ 20,752,395</b>	<b>\$ 99,905</b>	<b>\$ 20,852,300</b>

Notes to Schedule

- (1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- (2) For purposes of this schedule, loans made to students under the Federal Family Education Loan Program (CFDA # 84.032) 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	\$ 20,752,395
Stafford loans	<u>9,080,326</u>
Federal grants and contracts	<u>\$ 11,672,069</u>

**EAST MISSISSIPPI COMMUNITY COLLEGE**

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



**REA, SHAW, GIFFIN & STUART, LLP**  
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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TO DR RICK YOUNG 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, 2005 and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Mississippi Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 and other matters that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered East Mississippi Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, entities with accreditation overview and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
November 2, 2005

**EAST MISSISSIPPI COMMUNITY COLLEGE**

**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER**  
**COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TO DR RICK YOUNG PRESIDENT  
AND BOARD OF TRUSTEES  
EAST MISSISSIPPI COMMUNITY COLLEGE  
SCOOBA MISSISSIPPI

**Compliance**

We have audited the compliance of East Mississippi Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2005. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of East Mississippi Community College's management. Our responsibility is to express an opinion on East Mississippi Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non - Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis evidence about East Mississippi Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Mississippi Community College's compliance with those requirements.

In our opinion, East Mississippi Community College complied, in all material aspects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of East Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Mississippi Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, entities with accreditation overview and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
November 2, 2005

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



**REA, SHAW, GIFFIN & STUART, LLP**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

TO DR RICK YOUNG 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, 2005 and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit; and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, entities with accreditation overview and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
November 2, 2005

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2005**

**EAST MISSISSIPPI COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2005

**Section I. Summary of Auditors' Results**

1. Type of auditors' report issued on the financial statements  
Unqualified
2. Internal control - GAS audit  
No reportable conditions
3. Compliance - GAS audit  
No noncompliance reported
4. Internal control - major federal program  
No reportable conditions
5. Type of auditors' report issued on compliance for major programs  
Unqualified - The College complied in all material aspects with the requirements for major programs
6. Compliance - major federal program  
There were no audit findings or questioned costs required to be reported, as defined in OMB Circular A-133, Section 510
7. Audit findings required to be reported  
There were no audit findings or questioned costs required to be reported, as defined in OMB Circular A-133, Section 510
8. Identification of major program  
East Mississippi Community College had three major programs:
  1. Student Financial Aid Cluster- Department of Education

Pell Grant Program	CFDA #84.063
College Workstudy	CFDA #84.033
SEOG	CFDA #84.007
LEAP (SSIG)	CFDA #84.069
Stafford Loans	CFDA #84.032
  2. Adult Basic Education - Department of Education  
CFDA #84.002
  3. Basic Grants to States – Department of Education  
CFDA #84.048

**Schedule of findings and questioned costs (continued)**  
For the year ended June 30, 2005

9. Type A dollar threshold statement

The dollar threshold used to distinguish a Type A Program was \$300,000.

10. Low-risk auditee statement

The auditee did qualify as a low-risk auditee.

**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 reportable conditions.

**Section III. Reporting on Federal Awards**

No findings.