

EAST CENTRAL COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

EAST CENTRAL COMMUNITY COLLEGE

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EAST CENTRAL COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of East Central Community College
P.O. Box 129
Decatur, Mississippi 39327

Report on the Financial Statements

We have audited the accompanying financial statements of East Central Community College and East Central Community College Foundation, Inc., a discretely presented component unit of East Central Community College, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the college's basic financial statements as listed in the 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 opinions 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. The financial statements of East Central Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 auditors consider 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of East Central Community College as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the college's proportionate share of the net pension liability - PERS, schedule of college contributions- PERS, schedule of the college's proportionate share of the net OPEB liability and schedule of college contributions - OPEB on pages 4 through 13, 55, 56, 57 and 58, respectively 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 opinions on the financial statements that collectively comprise East Central Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the responsibility of management and was derived from and relates 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above 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 June 16, 2020, on our consideration of East Central Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Central 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 Central Community College's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
June 16, 2020

Watkins Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

This section of the East Central Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. We have included in this discussion comparative data for 2018. 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 those 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.

The College is required to present the liability of the present value of projected benefit payments for defined benefit pension plans and the present value of projected OPEB payments as a liability on the College's financial statements. The College's net pension liability at June 30, 2019 was \$27,943,391 and the net OPEB liability was \$1,358,017.

One of the most important questions asked is whether the College's financial position has improved or deteriorated during the fiscal year. 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 and 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.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

**Condensed Statement of Net Position
June 30, 2019 and 2018**

	2019		2018	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Assets				
Current Assets	\$ 10,853,701	23.55%	\$ 10,925,088	24.34%
Noncurrent Assets:				
Capital, Net	34,421,563	74.68%	33,451,989	74.54%
Other	813,553	1.77%	502,794	1.12%
Total Assets	<u>46,088,817</u>	<u>100%</u>	<u>44,879,871</u>	<u>100%</u>
Deferred outflows of resources:				
Pension related deferred outflows	2,201,438	96.68%	3,347,379	97.81%
OPEB related deferred outflows	75,648	3.32%	74,963	2.19%
Total Deferred Outflows of Resources	<u>2,277,086</u>	<u>100%</u>	<u>3,422,342</u>	<u>100%</u>
Total Assets & Deferred Outflows	<u>48,365,903</u>	<u>100%</u>	<u>48,302,213</u>	<u>100%</u>
Liabilities				
Current Liabilities	1,551,825	4.06%	1,179,734	2.96%
Noncurrent Liabilities	36,690,481	95.94%	38,675,358	97.04%
Total Liabilities	<u>38,242,306</u>	<u>100%</u>	<u>39,855,092</u>	<u>100%</u>
Deferred inflows of resources:				
Pension related deferred inflows	1,997,303	92.91%	835,390	91.93%
OPEB related deferred inflows	152,335	7.09%	73,329	8.07%
Total Deferred Inflows of Resources	<u>2,149,638</u>	<u>100%</u>	<u>908,719</u>	<u>100%</u>
Net Position				
Net Investment in Capital Assets	27,192,222	341.01%	26,054,524	345.62%
Restricted:				
Expendable	1,929,382	24.20%	2,528,358	33.54%
Unrestricted	(21,147,645)	-265.21%	(21,044,480)	-279.16%
Total Net Position	<u>\$ 7,973,959</u>	<u>100%</u>	<u>\$ 7,538,402</u>	<u>100%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 48,365,903</u>	<u>100%</u>	<u>48,302,213</u>	<u>100%</u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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 was \$7,867,946 at June 30, 2019. This represents an increase of \$182,288 from the balance of \$7,685,658 on June 30, 2018.

Accounts Receivable

Accounts receivable consists of several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. The College's receivables totaled \$1,610,791 at June 30, 2019. This represents a decrease of \$303,416 from the balance of \$1,914,207 at June 30, 2018.

Inventories

The College maintains inventories of resale merchandise within the college bookstore. Books, student supplies, sportswear, gift items and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$509,402 at June 30, 2019. This represents an decrease of \$9,874 from the balance of \$519,276 at June 30, 2018.

Non-Current Assets

Capital Assets, Net

Capital assets, net, consists of land, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2019. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$34,421,563 at June 30, 2019. This represents an increase of \$969,574 from the balance of \$33,451,989 at June 30, 2018.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,235,203 at June 30, 2019. This represents an increase of \$365,893 from the balance of \$869,310 at June 30, 2018.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Unearned Revenue

Unearned revenue represents revenue that was received by the College prior to the fiscal year end that has not been earned. The unearned revenue totaled \$25,048 at June 30, 2019. This represents an increase of \$1,698 from the balance of \$23,350 at June 30, 2018.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that will be paid during the 2019 fiscal year. The current portion of long-term debt was \$173,124 at June 30, 2019.

Non-Current Liabilities

Deposits

Deposits represents the deposits paid by students for reservation and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon check-out at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$166,575 at June 30, 2019, a decrease of \$73,768 compared to the balance of \$240,343 at June 30, 2018.

Accrued Leave

This liability consists of accrued compensated absence balances that represent the amount payable to employees for earned but unpaid vacation. The total amount of the non-current portion of accrued compensated balances on June 30, 2019 was \$227,975. This represents a decrease of \$9,347 from the balance of \$237,322 at June 30, 2018.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. The non-current portion of long-term debt totaled \$7,056,217 at June 30, 2019, which represents an decrease of \$173,124 compared to the balance of \$7,229,341 at June 30, 2018.

Changes Related To Implementation of GASB 68/75 (PERS and OPEB Liability)

The college is required to report their proportional share of the net pension liability associated with PERS and OPEB. This requirement significantly alters the financial position reported on the statement of net position. The college reported pension related deferred outflows of \$2,201,438 and OPEB related deferred outflows of \$75,648 at June 30, 2019. The college reported a net pension liability of \$27,943,391 and a net OPEB liability of \$1,358,017 at June 30, 2019. The net pension liability represents the college's proportionate share of the overall net pension liability of the PERS system as a whole. The net OPEB liability represents the college's proportionate share of the net OPEB liability related to group health insurance costs of the system as a whole. Pension related deferred inflows of \$1,997,303 and OPEB related deferred inflows of \$152,335 were reported at June 30, 2019.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Net Position

Net Position represents the difference between the College's assets and deferred outflows less liabilities and deferred inflows. Total Net Position at June 30, 2019 was \$7,973,959. This represents an increase of \$435,557, net of a prior period adjustment of (\$5,965) for changes in the amounts reported as accruals on the prior year financial statements, from the balance of \$7,538,402 on June 30, 2018, as reflected on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2018.

Analysis of Net Position

Restricted expendable Net Position consists of unemployment funds, grants from third party agencies with expenditure restrictions, local appropriations restricted for capital projects and debt retirement.

The following is a breakdown of the restricted expendable net position:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>Amount</u>	<u>Amount</u>
Unemployment Funds	\$ 46,999	\$ 46,948
Capital Projects	728,244	1,444,216
Grants and Contracts	954,139	1,012,194
Other Projects	200,000	25,000
Total Restricted Expendable Net Position	\$ 1,929,382	\$ 2,528,358

Unrestricted Net Position represents those balances from operational activities that are not restricted by external parties 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:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>Amount</u>	<u>Amount</u>
Unrestricted General Fund	\$ (25,088,649)	\$ (25,034,843)
Unrestricted Auxiliary Fund	3,941,004	3,990,363
Total Unrestricted Net Position	\$ (21,147,645)	\$ (21,044,480)

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions and OPEB, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (21,147,645)
Less unrestricted deficit in net position resulting from recognition of the net pension and OPEB liability	29,173,960
Unrestricted net position, exclusive of the net pension liability effect	\$ 8,026,315

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Tuition and Fees	\$ 1,492,623	\$ 1,545,456
Grants and Contracts	11,451,958	11,122,419
Auxiliary Enterprises	3,696,936	3,885,633
Other Operating Revenue	269,685	304,933
	<u>16,911,202</u>	<u>16,858,441</u>
Total Operating Revenues		
Operating Expenses	<u>28,362,534</u>	<u>28,636,052</u>
Operating Loss	<u>(11,451,332)</u>	<u>(11,777,611)</u>
Nonoperating Revenues:		
State Appropriations	8,822,252	8,611,866
Local Appropriations	3,060,769	2,923,219
Investment Income	46,498	29,369
Interest Expense on Capital Related Debt	(219,572)	(222,875)
Other Nonoperating Revenues (Expenses)	<u>(308,862)</u>	<u>(521,749)</u>
Net Nonoperating Revenues	<u>11,401,085</u>	<u>10,819,830</u>
Income(Loss) Before Other Revenues	<u>(50,247)</u>	<u>(957,781)</u>
Appropriations restricted for Capital Purpose	77,028	1,264,295
Capital Grants and Gifts	414,741	94,888
	<u>491,769</u>	<u>1,359,183</u>
Total Restricted Appropriations and Grants		
Total Increase (Decrease) in Net Position	<u>441,522</u>	<u>401,402</u>
Net Position		
Net Position at Beginning of Year	7,538,402	8,563,005
Prior Period Adjustment	(5,965)	(1,426,005)
Net Position at End of Year	<u>\$ 7,973,959</u>	<u>\$ 7,538,402</u>

The total operating loss for the fiscal year 2019 was \$(11,451,332), a decrease of \$326,279 from the loss for fiscal year 2018 of \$(11,777,611). Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and forward, the College will show a significant operating loss.

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

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

Total operating revenues for fiscal year 2019 were \$16,911,202. Tuition and fees were \$1,492,623. The tuition discount allocated to tuition and fees and auxiliary services was \$5,011,933 and \$606,720, respectively. Operating expenses, including depreciation of \$1,246,747 totaled \$28,362,534.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes at a gross amount totaling \$6,504,556. The tuition discount allocated to tuition and fees for the 2019 fiscal year was \$5,011,933.

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.

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$269,695 for the 2019 fiscal year. This represents a decrease of \$34,361 from the balance of \$304,056 for the 2018 fiscal year.

Sales and Services, Net

Auxiliary enterprises include the College bookstore, food services and housing.

Operating Expenses

Operating expenses totaled \$28,362,534. This includes salaries and benefits of \$15,578,504, utilities of \$987,826, supplies of \$3,151,333, contractual services of \$3,525,096, and depreciation of \$1,246,747.

	<u>2019</u>	<u>2018</u>
	<u>Amount</u>	<u>Amount</u>
Expenses by Function:		
Instruction	\$ 9,807,746	\$ 10,060,210
Public Service	907,770	1,095,024
Academic Support	535,173	525,185
Student Services	2,745,346	2,648,550
Institutional Support	2,967,980	3,100,722
Operations and Maintenance		
Of Plant	3,004,688	2,867,313
Student Financial Aid	3,580,935	3,551,401
Auxiliary Enterprises	3,566,149	3,614,848
Depreciation	1,246,747	1,172,799
Total Operating Expenses	<u>28,362,534</u>	<u>28,636,052</u>
By Function	<u>\$ 28,362,534</u>	<u>\$ 28,636,052</u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Non-operating Revenues (Expenses)

State Appropriation

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$8,822,252 for the 2018-2019 fiscal year. This represents an increase of \$210,386 from the amount received for operations in the previous year. State appropriations for capital projects of \$47,861 were paid on behalf of the College during the 2019 fiscal year. During the previous year the college received \$1,229,295 of state appropriations for capital projects.

Local Appropriations

The College also receives revenue from Leake, Neshoba, Newton, Scott and Winston Counties. The College received \$3,089,936 for the 2019 fiscal year of which \$3,060,769 was for operating purposes. This represents an increase of \$131,717 from the previous year. The remaining \$29,167 was received in fiscal year 2019 for capital projects.

Investment Income, Net

This includes interest income earned on cash in the bank accounts and certificates of deposit. A total of \$46,498 was earned during the 2019 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The college received \$47,861 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2019 fiscal year.

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 the reporting 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
- The need for external financing.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<u>Amount</u>	<u>Amount</u>
Cash and Cash Equivalents provided by (used in):		
Operating Activities	\$ (9,554,230)	\$ (9,348,486)
Non-Capital Financing Activities	12,123,192	11,818,583
Capital and related financing activities	(2,113,840)	(2,770,633)
Investing Activities	<u>37,925</u>	<u>21,257</u>
Net Increase (Decrease) in cash and cash equivalents	\$ 493,047	\$ (279,279)
Cash and cash equivalents - beginning of year	<u>8,188,427</u>	<u>8,467,706</u>
Cash and cash equivalents - end of year	<u>\$ 8,681,474</u>	<u>\$ 8,188,427</u>

The major source of cash inflows included in operating activities for the 2019 fiscal year includes student tuition and fees, \$1,239,724, auxiliary enterprises, \$3,623,168 and grants and contracts, \$11,440,020. The major cash outflows of funds for the 2019 fiscal year were payments made to and for employees, \$14,689,924, scholarships and fellowships, \$3,580,935, service providers, \$987,826 and suppliers, \$6,869,831.

The largest inflow of cash in the non-capital financing activities group is the State appropriation of \$9,035,670.

Factors Impacting Future Periods

The College is heavily dependent on funding from the State of Mississippi. There are indications that State funding will remain level for the near future which would likely necessitate an increase in student tuition and fees. There is also the likelihood that the College will have to utilize some of the College's cash reserves for future construction and major facilities maintenance such as roof replacements. However, current cash reserves should allow for these items with no negative impact on the College's normal operations.

Contacting East Central Community College's Management

If there are any questions regarding this report, please contact East Central Community College's business office at Post Office Box 129, Decatur, Mississippi 39327.

EAST CENTRAL COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY COLLEGE
Statement of Net Position
June 30, 2019

Assets and Deferred Outflows of Resources

Current Assets:	
Cash and cash equivalents	\$ 7,867,946
Short-term investments	631,578
Accounts receivable, net	1,610,791
Inventories	509,402
Prepaid expenses	233,984
Total Current Assets	<u>10,853,701</u>
Non-Current Assets:	
Restricted cash and cash equivalents	813,528
Student note receivables, net	25
Capital assets, net of accumulated depreciation	34,421,563
Total Non-Current Assets	<u>35,235,116</u>
Total Assets	<u>46,088,817</u>
Deferred Outflows of Resources:	
Pension related deferred outflows	2,201,438
OPEB related deferred outflows	75,648
Total Deferred Outflows of Resources	<u>2,277,086</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 48,365,903</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,235,203
Unearned revenue	25,048
Accrued interest payable	56,756
Long-term liabilities- current portion	173,124
Net OPEB liability- current portion	61,694
Total Current Liabilities	<u>1,551,825</u>
Non-Current Liabilities:	
Accrued leave liability	227,975
Deposits refundable	166,575
Long-term debt, net of current portion	7,056,217
Net pension liability	27,943,391
Net OPEB liability - non-current portion	1,296,323
Total Non-Current Liabilities	<u>36,690,481</u>
Total Liabilities	<u>38,242,306</u>
Deferred Inflows of Resources:	
Pension related deferred inflows	1,997,303
OPEB related deferred inflows	152,335
Total Deferred Inflows of Resources	<u>2,149,638</u>
Net Position:	
Net investment in capital assets	27,192,222
Restricted for:	
Expendable:	
Capital projects	728,244
Grants and contracts	954,139
Unemployment	46,999
Other projects	200,000
Unrestricted (deficit)	(21,147,645)
Total Net Position	<u>7,973,959</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 48,365,903</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Financial Position
June 30, 2019

Assets

Current Assets:

Cash	\$ 470,197
Investments	1,039,309
Contributions receivable	4,904
Total Current Assets	1,514,410

Non-Current Assets:

Investments	7,027,928
Contributions receivable	46,262
Total Non-Current Assets	7,074,190

Total Assets	\$ 8,588,600
--------------	--------------

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 4,261
Total Liabilities	4,261

Net Assets:

Without donor restrictions	126,493
With donor restrictions	8,457,846
Total Net Assets	8,584,339
Total Liabilities and Net Assets	\$ 8,588,600

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues:	
Tuition and fees, (net of scholarship allowances of \$5,011,933)	\$ 1,492,623
Federal grants and contracts	7,819,007
State grants and contracts	3,547,566
Nongovernmental grants and contracts	85,385
Sales and services of educational departments	269,685
Auxiliary enterprises:	
Student housing, (net of scholarship allowances of \$283,393)	848,332
Food Services, (net of scholarship allowances of \$323,327)	937,009
Bookstore	1,734,063
Athletics	33,437
Other auxiliary revenues	144,095
Total Operating Revenues	<u>16,911,202</u>
Operating Expenses:	
Salaries and wages	11,442,583
Fringe benefits	4,135,921
Travel	292,093
Contractual services	3,525,096
Utilities	987,826
Scholarships and fellowships	3,580,935
Commodities	3,151,333
Depreciation expense	1,246,747
Total Operating Expense	<u>28,362,534</u>
Operating Loss	<u>(11,451,332)</u>
Non-Operating Revenues (Expenses):	
State appropriations	8,822,252
Local appropriations	3,060,769
Investment income	46,498
Other non-operating revenues	10,275
Interest expense on capital asset related debt	(219,572)
Other uses	(319,137)
Total Net Non-Operating Revenues (Expenses)	<u>11,401,085</u>
Income Before Other Revenues, Expenses, Gains and Losses	(50,247)
Other Revenues, Expenses, Gains and Losses:	
State appropriations restricted for capital purposes	47,861
Local appropriations restricted for capital purposes	29,167
Capital gifts and donations	414,741
Total Other Revenues, Expenses, Gains and Losses	<u>491,769</u>
Change in Net Position	<u>441,522</u>
Net Position:	
Net Position-Beginning of Year	7,538,402
Prior Period Adjustment	(5,965)
Net Position-Beginning of Year, as Restated	<u>7,532,437</u>
Net Position - End of Year	<u>\$ 7,973,959</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Contributions	\$ 421,214	\$ 288,327	\$ 709,541
Interest and dividends	47	217,040	217,087
Gain on sale of assets	-	92,578	92,578
Total Public Support, Revenues, and Reclassifications	421,261	597,945	1,019,206
Operating Expenses:			
Program expense	114,433	585,694	700,127
Management & general expense	11,662	-	11,662
Fund raising expense	230,209	-	230,209
Total Expenses	356,304	585,694	941,998
Change in net assets before other revenues and expenses	64,957	12,251	77,208
Other Revenues and Expenses:			
Unrealized holding gains (losses) on marketable securities available for sale	-	36,155	36,155
Unrealized holding gains (losses) on marketable securities available for sale - endowment funds	-	119,931	119,931
Transfers	(13,644)	13,644	-
Total Other Revenues (Expenses)	(13,644)	169,730	156,086
Change in Net Assets	51,313	181,981	233,294
Net Assets, Beginning,	75,180	8,275,865	8,351,045
Net Assets, End of Year	\$ 126,493	\$ 8,457,846	\$ 8,584,339

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

Description:	Program Expenses			Support Services			Total Expenses
	Without Restrictions	With Restrictions	Total Program Services	Management	Fund Raising	Total Support Services	
Awards	-	10,350	10,350	-	-	-	10,350
Scholarships	-	168,180	168,180	-	-	-	168,180
College Support - Grants:							
Football Operations Center	-	354,580	354,580	-	-	-	354,580
Donated Vehicles	28,678	-	28,678	-	-	-	28,678
Donated Library Books	3,367	-	3,367	-	-	-	3,367
Donated Equipment & Supplies	1,733	-	1,733	-	-	-	1,733
Program Expense:							
Culinary Arts	-	958	958	-	-	-	958
Burton Library	-	1,113	1,113	-	-	-	1,113
President's Office Fund	-	2,188	2,188	-	-	-	2,188
Cultural Arts	-	693	693	-	-	-	693
Coaches 20	-	16,959	16,959	-	-	-	16,959
Utility Lineman	-	8,944	8,944	-	-	-	8,944
Book Sales	16	-	16	-	-	-	16
Warrior Club Athletics	76,487	-	76,487	-	-	-	76,487
Diamond Darlings	4,152	-	4,152	-	-	-	4,152
Faculty Excellence	-	21,729	21,729	-	-	-	21,729
Administrative:							
Bank Fees	-	-	-	-	-	29	29
Meals & Entertainment	-	-	-	1,652	-	1,652	1,652
Other	-	-	-	410	-	410	410
Postage	-	-	-	4,311	-	4,311	4,311
Sales Tax	-	-	-	692	-	692	692
Shipping	-	-	-	286	-	286	286
Supplies	-	-	-	4,282	-	4,282	4,282
Fundraiser Program:							
Baseball	-	-	-	-	86,462	86,462	86,462
Cheerleader	-	-	-	-	5,107	5,107	5,107
Football	-	-	-	-	3,871	3,871	3,871
Men's Basketball	-	-	-	-	32,866	32,866	32,866
Men's Soccer	-	-	-	-	11,201	11,201	11,201
Men's Tennis	-	-	-	-	3,013	3,013	3,013
Softball	-	-	-	-	36,259	36,259	36,259
Women's Basketball	-	-	-	-	17,765	17,765	17,765
Women's Soccer	-	-	-	-	30,856	30,856	30,856
Women's Tennis	-	-	-	-	2,809	2,809	2,809
	<u>114,433</u>	<u>585,694</u>	<u>700,127</u>	<u>11,662</u>	<u>230,209</u>	<u>241,871</u>	<u>941,998</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities:

Tuition and fees	\$ 1,239,724
Grants and contracts	11,440,020
Payments to suppliers	(6,869,831)
Payments to employees for salaries and benefits	(14,689,924)
Payments for utilities	(987,826)
Payments for scholarship and fellowships	(3,580,935)
Auxilliary enterprise charges:	
Student housing	774,564
Food services	937,009
Bookstore	1,734,063
Athletics	33,437
Other auxilliary enterprises	144,095
Sales and services of educational departments	269,685
Other receipts(payments)	1,689
Net Cash Used by Operating Activities	<u>(9,554,230)</u>

Cash Flows from Non-Capital Financing Activities:

State appropriations	9,035,670
Local appropriations	3,082,937
Federal loan program receipts	1,520,122
Federal loan program disbursements	(1,520,122)
Other receipts	4,585
Net Cash Provided by Non-Capital Financing Activities	<u>12,123,192</u>

Cash Flows from Capital and Related Financing Activities:

Cash paid for capital assets	(2,225,237)
Capital appropriations and donations received	491,769
Principal paid on capital debt and leases	(160,000)
Interest paid on capital debt and leases	(220,372)
Net Cash Provided by Capital and Related Financing Activities	<u>(2,113,840)</u>

Cash Flows from Investing Activities:

Interest received	37,925
Net Cash Provided by Investing Activities:	<u>37,925</u>
 Net Increase in Cash and Cash Equivalents	 493,047
 Cash and Cash Equivalents - Beginning of the Year	 8,188,427
 Cash and Cash Equivalents - End of the Year	 <u>\$ 8,681,474</u>

Reconciliation of Cash and Cash Equivalents to Statement of Net Position:

Cash and cash equivalents - current assets	\$ 7,867,946
Restricted cash and cash equivalents - non-current assets	813,528
Total Cash and Cash Equivalents	<u>\$ 8,681,474</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2019

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (11,451,332)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,246,747
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(264,606)
Inventories and prepaid items	(44,905)
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	372,583
Deferred revenues	1,458
Deposits refundable	(73,768)
Other liabilities	659,593
Total Adjustments	<u>1,897,102</u>
Net Cash Used by Operating Activities	<u>\$ (9,554,230)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2019

Cash Flows from Operating Activities:

Excess revenues over expenses	\$ 233,294
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
Gain on sale of assets	(92,578)
Decrease in contribution receivables	4,093
Increase in other receivables	7,959
Decrease in accounts payable	(3,130)
Interest and dividends restricted for reinvestment	(217,040)
Unrealized holding gains on securities	(156,086)
Cash contributions restricted for endowments	(126,431)
Non-cash contributions	388,358
Non-cash expenses	(388,358)
Net Cash Used by Operating Activities	<u>(349,919)</u>

Cash Flows from Investing Activities:

Proceeds from sale of assets	2,346,746
Interest and dividends restricted for reinvestment	217,040
Purchase of investments	<u>(2,397,910)</u>
Net Cash Provided by Investing Activities	<u>165,876</u>

Cash Flows from Financing Activities:

Proceeds from contributions restricted for:	
Investments in endowments	<u>126,431</u>
Net Cash Provided by Financing Activities	<u>126,431</u>

Net Decrease in Cash	(57,612)
Cash - Beginning of the Year	527,809
Cash - End of the Year	<u>\$ 470,197</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies.

A. Financial Reporting Entity

East Central Community College was founded in 1928 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of East Central Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

East Central Community College is governed by a 29-member board of trustees, selected by the boards of supervisors of Leake, Neshoba, Newton, Scott and Winston Counties who support the College through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, East Central Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

In accordance with Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14 East Central Community College reports the following discretely presented component unit:

East Central Community College Foundation – The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501 (c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to East Central Community College in support of its programs.

Although the college does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to support the activities of the College.

During the year ended June 30, 2018, the Foundation distributed \$168,180 in scholarships, \$383,258 in capital improvements, \$3,367 in books and \$1,733 supplies to the college. Significant note disclosures applicable to the Foundation's financial statements are presented at the end of the College's notes to financial statements.

B. 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 look at the college's financial activities.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

C. Measurement Focus and Basis of Accounting

The basic financial statements of the college have been prepared using the economic resources measurement focus and the accrual basis of accounting 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, which is in accordance with accounting principles generally accepted in the United States of America.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the College are charges to students for tuition sales and services and grants and contracts. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The College deposits excess funds in the financial institutions selected by the Board of Trustees. State statutes specify how these depositories are to be selected.

E. Short-term Investments

Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments. The College can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100 percent of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

F. Accounts Receivables, Net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts, which is based on historical losses and an analysis of currently outstanding amounts.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

G. Student Notes Receivables, Net

Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of Net Position as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Position.

H. Inventories and Prepaid Items

Inventories consist of bookstore, physical plant and printing supplies. These inventories are valued at the lower of cost or market, on the first-in, first-out ("FIFO") basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

I. Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.

J. Capital Assets, Net of Accumulated Depreciation

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 costs are charged to operating expense in the year in which the expense was 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. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

K. Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

L. 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.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

L. Deferred outflows/inflows of resources (Continued)

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 that time.

See Note 14 for further details.

M. Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 10 days per year. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 30 days of accrued leave. The liability for accrued leave at June 30, 2019, is reported in the Statement of Net Position as a long-term liability in the amount of \$227,975. See Note 6 for additional details.

N. Classification of Revenues

The college has classified its revenues as either operating or nonoperating 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 most federal, state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating 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, local appropriations and investment income.

O. State Appropriations

East Central Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. This formula is based entirely on full-time equivalent calculations.

P. Local Appropriations

East Central Community College receives funds from ad valorem taxes levied by the counties within the College's levying district for general support, maintenance, and capital improvements. Ad Valorem taxes are levied by the governing authority of each applicable county within the College's levying district. East Central Community College's levying district includes Leake, Neshoba, Newton, Scott and Winston Counties.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

Q. 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 and federal direct lending, 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 on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid not considered to be third party aid.

R. 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.

S. Postemployment Benefits Other than Pensions (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 State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefit come due. Investments are reported at fair value as determined by the state.

T. Net Position

GASB Statement No. 63, *Financial Reporting of Unearned Outflows of Resources, Unearned Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Net Assets". Net position is classified in three categories:

- a. Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- b. Restricted expendable net position is noncapital assets (net of related liabilities) that must be used for a particular purpose as specified by creditors, grantors, or donors.
- c. Unrestricted net position is the remaining net position not restricted for any particular purpose.

The unrestricted net position balance of \$(21,147,645) at June 30, 2019, includes \$3,941,004 in an unrestricted auxiliary fund.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 2 - Cash and Investments.

A. Cash, Cash Equivalents and Short-term Investments

Investment policies as set forth by policy and state statute authorize the college to invest 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. For the year ended June 30, 2018, the College had \$8,681,474 in cash and cash equivalents and \$631,578 in short-term investments.

Deposits. The collateral for public entities' deposits in financial institutions is 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, Miss. Code Ann. (1972). Under this program, the college's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits of collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. 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.

B. Investments

Investment policies as set forth by policy and state statute also authorize the college to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

The following table summarizes the carrying values of the college's investments reported on the statement of net position:

	<u>June 30, 2019</u>
Short Term Investments	<u>\$ 631,578</u>

The following table summarizes the categorization of investments at June 30, 2019:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	Less than 1 year	<u>\$ 631,578</u>	Not Rated
Total Investments		<u>\$ 631,578</u>	

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 2 - Cash and Investments (Continued).

B. Investments (Continued)

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 the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The college has the following recurring fair value measurements as of June 30, 2019:

- Certificates of deposit type of investments of \$631,578 are valued using a matrix pricing model (Level 2 inputs)

Interest Rate Risk. The college does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss Code Ann. (1972). The college does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college will not be able to recover the value of its investment. The college does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2019, the college did the following investments to which this would apply.

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Bank of Forest	\$ <u>631,578</u>	100%

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 3 - Accounts Receivable.

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

Student Tuition and Fees	\$ 5,262,727
Federal, State, Private Grants and Contracts	727,660
State Appropriations	96,858
Local Appropriations	75,604
Accrued Interest	6,319
Other	124,529
Total Accounts Receivable	<u>6,293,697</u>
Less: Allowance for Doubtful accounts	<u>(4,682,906)</u>
Net Accounts Receivable	<u>\$ 1,610,791</u>

Note 4 - Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2019:

	Interest Rates	June 30, 2019	Current Portion	Non- Current Portion
Perkins Student Loans	3% - 9%	\$ 32,261	-	32,261
Total Notes Receivable		32,261	-	32,261
Less: Allowance for Doubtful Accounts		<u>(32,236)</u>	-	<u>(32,236)</u>
Net Notes Receivable		<u>\$ 25</u>	-	<u>25</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 5 - Capital Assets.

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

	Beginning Balance	Additions	Deletions	*Adjustments	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 320,792	\$ 45,000	\$ -	\$ -	\$ 365,792
Construction in progress	1,319,158	1,605,576	-	(1,639,470)	1,285,264
Total Nondepreciable Capital Assets	1,639,950	1,650,576	-	(1,639,470)	1,651,056
Depreciable Capital Assets:					
Buildings	37,770,441	-	-	-	37,770,441
Improvements other than buildings	5,389,079	116,576	-	1,639,470	7,145,125
Books and Films	546,252	9,770	(12,279)	-	543,743
Furniture and Equipment	5,920,479	448,315	(94,760)	-	6,274,034
Total Depreciable Capital Assets	49,626,251	574,661	(107,039)	1,639,470	51,733,343
Less Accumulated Depreciation for					
Buildings	10,744,883	663,817	-	-	11,408,700
Improvements other than buildings	1,652,433	263,442	-	-	1,915,875
Books and Films	486,575	13,969	(12,279)	-	488,265
Furniture and Equipment	4,930,321	305,519	(85,844)	-	5,149,996
Total Accumulated Depreciation	17,814,212	1,246,747	(98,123)	-	18,962,836
Total Depreciable Capital Assets	31,812,039	(672,086)	(8,916)	1,639,470	32,770,507
Total Capital Assets, net	\$33,451,989	\$ 978,490	\$ (8,916)	\$ -	\$ 34,421,563

* Adjustments column includes completed construction transferred to a depreciable capital asset category.

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:

	Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 Years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 Years	1 - 10%	5,000
Library books	10 Years	0%	-

See description of construction commitments at Note 8.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 6 - Long-term Liabilities.

Long-term liabilities of the college consist of bonds payable that are expected to be liquidated at least one year from June 30, 2019. Bond premiums are amortized over the life of the bonds using the straight line method.

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

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonded Debt								
Mississippi Development Bank Special Obligation Bonds, Series 2016 (Dormitory Construction)	\$ 7,330,000	2%-4%	2046	\$ 7,170,000	\$ -	\$ (160,000)	\$ 7,010,000	\$ 165,000
Premium On Bond Issuance				227,465	-	(8,124)	219,341	8,124
Total Bonded Debt				<u>7,397,465</u>	<u>-</u>	<u>(168,124)</u>	<u>7,229,341</u>	<u>173,124</u>
Other Long-Term Liabilities								
Accrued Leave				237,322	-	(9,347)	227,975	-
Total Other Long-Term Liabilities				<u>237,322</u>	<u>-</u>	<u>(9,347)</u>	<u>227,975</u>	<u>-</u>
Total Long Term Liabilities				<u>\$ 7,634,787</u>	<u>\$ -</u>	<u>\$ (177,471)</u>	<u>\$ 7,457,316</u>	<u>\$ 173,124</u>

The aggregate maturities of long-term liabilities for the years subsequent to June 30, 2019 are as follows:

Years Ending June 30	Bonded Debt	Premium	Interest	Total
2020	165,000	8,124	225,375	398,499
2021	170,000	8,124	222,025	400,149
2022	175,000	8,124	218,575	401,699
2023	175,000	8,124	214,200	397,324
2024	180,000	8,124	208,875	396,999
2025-2029	1,005,000	40,619	953,150	1,998,769
2030-2034	1,220,000	40,618	740,926	2,001,544
2035-2039	1,460,000	40,619	495,800	1,996,419
2040-2044	1,700,000	40,618	254,489	1,995,107
2045-2046	760,000	16,247	23,907	800,154
Total	<u>\$ 7,010,000</u>	<u>\$ 219,341</u>	<u>\$ 3,557,322</u>	<u>\$ 10,786,663</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 7 - Operating Expenses.

The Community College's operating expenses by functional classifications were as follows for the year ended June 30, 2019.

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation	Total
Instruction	\$ 5,982,095	2,162,277	100,239	983,899	16,682	-	562,554	-	9,807,746
Public Service	691,566	173,239	15,567	4,791	110	-	22,497	-	907,770
Academic Support	348,063	127,985	4,745	1,651	101	-	52,628	-	535,173
Student Services	1,663,631	630,500	108,238	199,339	1,059	-	142,579	-	2,745,346
Institutional Support	1,726,374	617,158	59,732	479,249	2,092	-	83,375	-	2,967,980
Operation of Plant	705,229	310,980	3,572	508,738	796,686	-	679,483	-	3,004,688
Student Aid	-	-	-	-	-	3,580,935	-	-	3,580,935
Auxiliary Enterprises	325,625	113,782	-	1,347,429	171,096	-	1,608,217	-	3,566,149
Depreciation	-	-	-	-	-	-	-	1,246,747	1,246,747
Total Operating Expenses	\$ 11,442,583	4,135,921	292,093	3,525,096	987,826	3,580,935	3,151,333	1,246,747	28,362,534

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 8 - Construction Commitments and Financing.

The college is in the process of completing three construction projects. The estimated costs to complete these projects and the sources of funding are presented below:

<u>Project Title</u>	<u>State Sources</u>	<u>Other</u>	<u>Sources of Funding</u>
Band Hall Addition	\$ 996,080	\$ -	Office of Buildings, Grounds & Real Property Management
Football Operations Center	-	<u>665,581</u>	College and Private Donations
Total	<u>996,080</u>	<u>665,581</u>	

Note 9 - Defined Benefit Pension Plan.

General Information about the Pension Plan:

Plan Description. The 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 report is available at 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 colleges. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 9 - Defined Benefit Pension Plan (Continued).

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' Authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the State of Mississippi Legislature. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$1,738,657, \$1,692,159, and \$1,799,168, 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, 2019, the college reported a liability of \$27,943,391 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2019 net pension liability was .168 percent, which was based on a measurement date of June 30, 2018. This was a decrease of .01 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$2,400,261. At June 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 125,922	\$ 124,807
Net difference between projected and actual earnings on pension plan investments	-	600,418
Changes of assumptions	17,467	15,985
Changes in proportion and difference between College contributions and proportionate share of contributions	319,392	1,256,093
College contributions subsequent to the measurement date	1,738,657	-
Total	<u>\$ 2,201,438</u>	<u>\$ 1,997,303</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 9 - Defined Benefit Pension Plan (Continued).

\$1,738,657 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 130,152
2021	(460,242)
2022	(1,078,770)
2023	(125,662)

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27	%	4.60	%
International Equity	18		4.50	
Emerging Markets Equity	4		4.75	
Global	12		4.75	
Fixed Income	18		0.75	
Real Assets	10		3.50	
Private Equity	8		5.10	
Emerging Debt	2		2.25	
Cash	1		0.00	
Total	<u>100</u>	<u>%</u>		

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 9 - Defined Benefit Pension Plan (Continued).

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$ 36,793,428	\$ 27,943,391	\$ 20,587,842

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 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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/>.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 10 – Other Postemployment Benefits (OPEB) (Continued):

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 \$61,694 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the College reported a liability of \$1,358,017 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the College's proportion was .17555649 percent. This was a decrease of .798784 percent from the proportionate share as of the measurement date of June 30, 2017.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 10 – Other Postemployment Benefits (OPEB) (Continued):

For the year ended June 30, 2019, the District recognized OPEB expense of \$59,684. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,765	\$ -
Changes of assumptions	-	96,761
Changes in proportion and differences between College contributions and proportionate share of contributions	11,189	55,574
College contributions subsequent to the measurement date	61,694	-
Total	\$ <u>75,648</u>	\$ <u>152,335</u>

\$61,694 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2020	\$ (26,913)
2021	(26,913)
2022	(26,913)
2023	(26,913)
2024	(23,932)
Thereafter	(6,797)

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 10 – Other Postemployment Benefits (OPEB) (Continued):

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

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75 percent by 2028

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

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

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

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 10 – Other Postemployment Benefits (OPEB) (Continued):

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

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

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,505,328	\$ 1,358,017	\$ 1,231,325

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
Net OPEB liability	\$ 1,257,973	\$ 1,358,017	\$ 1,471,639

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 11 - Contingencies.

Federal Grants- the College has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the College.

The College is involved in litigation and other matters, many of which occur in the normal course of business. It is not possible at the present time to estimate the outcome or liability, if any, of the College with respect to the various proceedings. However, based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the College's future financial position or on the results of its future operations.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 12 - Risk Management.

The college is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees; and natural disasters. The college carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – Prior Period Adjustments.

A summary of significant Net Position adjustments is as follows:

Statement of Revenues, Expenses and Changes in Net Position

<u>Explanation</u>	<u>Amount</u>
1. Errors in amount reported as accruals in the previous year	\$ <u>(5,965)</u>

Note 14 - Effect of Deferred Amounts on Net Position.

The unrestricted net position amount of \$(21,147,645) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The total deferred outflows from pensions is \$2,201,438 at June 30, 2019. \$462,781 of the balance of the deferred outflow of resources at June 30, 2018 will be recognized as expenses and decrease unrestricted net position over the next 3 years. The remaining balance of \$1,738,657 in deferred outflows represents contributions made by the college into PERS after the measurement date and will be recognized as a reduction in the net pension liability in the fiscal year ended June 30, 2020.

The unrestricted net position amount of \$(21,147,645) includes the effect of deferring the recognition of expenses resulting from deferred outflow from OPEB. The total deferred outflows from OPEB is \$75,648 at June 30, 2019. \$13,954 of the balance of the deferred outflow of resources at June 30, 2019 will be recognized as expenses and decrease unrestricted net position over the next 6 years. The remaining balance of \$61,694 in deferred outflows represents contributions made by the college into the OPEB plan after the measurement date and will be recognized as a reduction in the net OPEB liability in the fiscal year ended June 30, 2020.

The unrestricted net position amount of \$(21,147,645) includes the effect of deferring the recognition of revenue resulting from deferred inflow from pensions. The \$1,997,303 balance of the deferred inflow of resources at June 30, 2019 will be recognized as revenue and increase unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(21,147,645) includes the effect of deferring the recognition of revenue resulting from deferred inflow from OPEB. The \$152,335 balance of the deferred inflow of resources at June 30, 2019 will be recognized as revenue and increase unrestricted net position over the next 6 years.

Note 15 – Vocational School Consortium

The college has entered into a Vocational Educational Agreement dated August 17, 1982 creating the Philadelphia-Neshoba Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Neshoba County School District, Philadelphia Public School District and East Central Community College.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 15 – Vocational School Consortium (Continued):

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba Vocational-Technical Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Philadelphia-Neshoba Vocational-Technical Center.

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

Revenues

Local sources:

Tuition from other LEA's within the state:

Philadelphia Public School District	\$	171,083
Neshoba Central School District		256,626
Total tuition from other LEA's within the state		427,709

Interest		3,690
Total local sources		431,399

State sources		307,120
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Federal sources		89,777
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Total Revenues		828,296
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Expenditures

Salaries	529,815
Employee benefits	171,652
Purchased property services	5,554
Other purchased services	36,858
Supplies	33,406
Property	33,014
Other	10,408
Total Expenditures	820,707

Excess (Deficiency) of Revenues Over (Under) Expenditures	7,589
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Net Change in Fund Balance	7,589
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Fund Balance:

July 1, 2018,	304,981
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June 30, 2019	\$ 312,570
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EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements
For the Year Ended June 30, 2019

Note 16 - Subsequent Events.

Events that occur after the statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition of financial statement disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of Net Position date require disclosure in the accompanying notes. Management of East Central Community College evaluated the activity of the College through June 16, 2020, and determined that the following subsequent event has occurred which would require disclosure in the notes to financial statements.

- As of the date of this report the world is enduring the COVID-19 virus. This pandemic has caused extreme havoc in all areas of society to include governmental entities and colleges. The Governor of the State of Mississippi has called for all Mississippi schools to close through the end of the academic school year and colleges have gone to online only classes. The long term effects of the closures are unknown as of the date of this report.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies.

A. Description of Business Activities

The East Central Community College Foundation, Inc. is a nonprofit organization organized for the purpose of assisting individuals in pursuing their collegiate education and training by providing scholarships and awards to individuals on the basis of academic achievement and need. East Central Community College Foundation, Inc. provides leadership in attracting private investment to East Central Community College. The Foundation is exempt from federal income tax in accordance with Section 501(c) (3) of the Internal Revenue Code.

B. Form of Governance

The foundation is governed by a fourteen member board at this time. The President of the college and the President of the Board of Trustees serve on the board. The Vice President of the Business Operations of the college also serves on the board. All board members are appointed to the board by current foundation board members. The By-Laws of the foundation state that the board can have no more than thirty members. Board members serve on the board for an indefinite time period.

C. Reporting Entity

For financial reporting purposes, the Foundation is considered to be a component unit of East Central Community College.

D. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Net assets without donor restrictions include contributions designated to a particular program or unit for which the use or purpose is unrestricted.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and or the passage of time. Net assets in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the College.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

D. Basis of Accounting (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of net assets with donor restrictions are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund, or any other donor restricted net assets if the terms of the gift impose restrictions on their use;
- As increases (decreases) net assets without donor restrictions in all other cases.

E. Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is received. All other donor – restricted support is reported as an increase in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

F. Public Support and Revenue

Monthly and annual contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long term promises to give and are recorded at net present value of their net realizable value applicable to the years in which the promises are received to discount the amounts.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

F. Public Support and Revenue (Continued)

Endowment contributions and investments are permanently restricted by the donor. Investments earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions based on the nature of the restrictions.

Contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Contributions of property, equipment, marketable securities and other non-cash donations are recorded as contributions at their estimated fair values in the period received. Such contributions are reported as without donor restricted support unless the donor has restricted the donated assets to a specific purpose.

G. Donated Assets

Donated assets are recorded at fair market value at the date of gift.

H. Cash

The Foundation recognizes all demand deposit accounts as cash and cash equivalents. It is the policy of the Foundation to consider money market accounts with brokers as other short-term investments.

I. Investments

Investments are recorded at fair value. The fair values of all investments other than real estate are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. Both realized and unrealized gains and losses are reflected in the accompanying statement of activities based on restrictions put in place by the donor.

J. Fair Value of Financial Instruments

The carrying amounts at June 30, 2019 for cash and cash equivalents, investments, pledges receivable, and accounts payable, approximate their fair values. See Note 7 for investments.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued).

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

L. Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are reported at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Management has determined that no allowance for uncollectible accounts is necessary.

M. Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation. The Foundation files its Form 990 annually with the Internal Revenue Service. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's Form 990's are subject to examination by the Internal Revenue Service generally for three years after they were filed. The returns for the fiscal years ended June 30, 2016, June 30, 2017, June 30, 2018 and June 30, 2019 are still subject to examination as of the date of this report.

N. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 2 – Availability and Liquidity

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships. In addition, the Foundation receives support without donor restrictions; with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, and fundraising expenses. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 470,197
Unconditional promises to give (net)	51,166
Investments	<u>8,067,237</u>
Total financial assets	<u>8,588,600</u>
Less amounts not available to be used within one year:	
Endowment Investments	7,027,928
Unconditional promises to give (net) - due after one year	<u>46,262</u>
	<u>7,074,190</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,514,410</u>

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 3 – Net Assets with Donor Restrictions.

Net assets were released from donor restriction by incurring expenses satisfying the purpose specified by donors as follows at June 30:

	<u>2019</u>
Purpose restriction accomplished:	
Scholarship programs	\$ 168,180
Other program services	<u>417,514</u>
	<u>\$ 585,694</u>

Net assets with donor restrictions were for the following purposes at June 30:

	<u>2019</u>
Scholarships	\$ 6,823,297
Other program services	<u>1,634,549</u>
	<u>\$ 8,457,846</u>

Note 4 - Concentration of Credit Risk.

The Foundation maintains cash balances at one financial institution. The account at the institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the Foundation did have cash in excess of the insurance limit. As of June 30, 2019, the bank balance of cash held in financial institutions was \$447,613. These deposits are insured up to \$250,000 which leaves a balance of \$197,613 as uncollateralized and uninsured deposits.

The Foundation maintains a significant portion of its investments with one brokerage firm.

Note 5- Non-Cash Contributions.

The Foundation receives a variety of non-cash contributions. For the year ended June 30, 2019, non-cash contributions totaled \$113,778, and were included in revenue.

For the year ended June 30, 2019, the foundation received \$113,778 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Equipment and Supplies	\$ 30,411
Books	3,367
Services	<u>80,000</u>
Total	<u>\$ 113,778</u>

Note 6 - Contingencies.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 - Investments.

The Foundation's investments recorded at market value consist of the following at June 30, 2019:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Merril Lynch - Cash / Money Market Fund	\$ 678,071	\$ 678,071	\$ -
Merril Lynch - Corporate Bonds	1,239,274	1,303,254	63,980
Merril Lynch - Mutual Funds	3,161,044	3,613,383	452,339
Merril Lynch - Govt. and Agency Securities	1,176,410	1,216,223	39,813
Merril Lynch - Equity Securities	1,110,412	1,168,106	57,694
Community Bancshares	60,900	88,200	27,300
Total	<u>\$ 7,426,111</u>	<u>\$ 8,067,237</u>	<u>\$ 641,126</u>
Current Investments		\$ 1,039,309	
Noncurrent Investments		7,027,928	
Total		<u>\$ 8,067,237</u>	

Due to the level of risk associated with certain securities, it is at least possible that changes in values in investments will occur in the near term and that such changes could materially affect the amount reported in the statement of financial position.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 8 - Fair Value Measurements.

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy established in FASB ASC 820-10 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 Inputs to valuation methodology include:
 Quoted prices for similar assets or liabilities in active markets.
 Quoted prices for identical or similar assets or liabilities in inactive markets.
 Inputs other than quoted prices that are observable for the asset or liability.
 Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2019:

June 30, 2019	Level 1	Level 2	Level 3	Total
Cash / Money Market	\$ 678,071	\$ -	\$ -	\$ 678,071
Corporate Bonds	1,303,254	-	-	1,303,254
Mutual Funds	3,613,383	-	-	3,613,383
Govt. and Agency Securities	1,216,223	-	-	1,216,223
Equity Securities	1,168,106	88,200	-	1,256,306
Total	\$ 7,979,037	\$ 88,200	\$ -	\$ 8,067,237

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 9 - Contributions Receivable.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Contributions receivable at June 30, 2019, amounted to \$60,000, and are due in increments of \$5,000 through the fiscal year ended June 30, 2031. These receivables have been discounted at 3% which is the estimated annual rate of return on an annuity at June 30, 2019.

A breakdown of the calculation of the net present value of contributions receivable due is as follows:

Fiscal Year Ended June 30:	Total Amount to be Received	Discounted Present Value	Discounted Value
2020	\$ 5,000	\$ (96)	\$ 4,904
2021	5,000	(1,389)	3,611
2022	5,000	(1,280)	3,720
2023	5,000	(1,168)	3,832
2024	5,000	(1,053)	3,947
Thereafter	35,000	(3,848)	31,152
Total	<u>\$ 60,000</u>	<u>\$ (8,834)</u>	<u>\$ 51,166</u>

Note 10 - Economic Dependence and Concentration.

The organization receives its contributions mainly from Leake, Neshoba, Newton, Scott and Winston counties in East Central Mississippi which is the area served by East Central Community College.

Note 11 - Subsequent Events.

Events that occur after the statement of financial position date, but before the financial statements are available to be issued, must be evaluated for recognition of financial statement disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management of East Central Community College Foundation, Inc. evaluated the activity of the foundation through June 16, 2020, and determined that the following subsequent event has occurred which would require disclosure in the notes to financial statements.

- As of the date of this report the world is enduring the COVID-19 virus. This pandemic has caused extreme havoc in all areas of society to include governmental entities and colleges. The Governor of the State of Mississippi has called for all Mississippi schools to close through the end of the school academic year and colleges have gone to online only classes. The long term effects of the closures are unknown as of the date of this report. The market has reacted to recent unpredictability associated from the COVID-19 virus with large drops. As of the date of this report, the fair market value of investments held by the foundation is \$7,433,426, which represents a decrease of \$633,811 or approximately 8% from the balance held at June 30, 2019.

EAST CENTRAL COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY COLLEGE
Required Supplementary Information
Schedule Of The College's Proportionate Share Of The Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability (asset)	0.168%	0.178%	0.174%	0.172%	0.177%
College's proportionate share of the net pension liability (asset)	\$ 27,943,391	\$ 29,589,641	\$ 31,080,745	\$ 26,587,808	\$ 21,484,559
College's covered payroll	\$ 10,743,867	\$ 11,423,308	\$ 11,159,369	\$ 10,721,023	\$ 10,818,398
College's proportionate share of the net pension liability as a percentage of its covered payroll	260.09%	259.03%	278.52%	248.00%	198.59%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of June 30th 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 FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

EAST CENTRAL COMMUNITY COLLEGE
Required Supplementary Information
Schedule of College Contributions
PERS
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,738,657	\$ 1,692,159	\$ 1,799,168	\$ 1,757,602	\$ 1,688,561
Contribution in relation to the contractually required contribution	\$ 1,738,657	\$ 1,692,159	\$ 1,799,168	\$ 1,757,602	\$ 1,688,561
Contribution deficiency (excess)	\$ -	\$ -	-	-	-
College's covered payroll	11,039,087	10,743,867	11,423,308	11,159,369	10,721,023
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

The notes to required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

EAST CENTRAL COMMUNITY COLLEGE
Required Supplementary Information
Schedule Of The College's Proportionate Share Of The Net OPEB Liability
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability	0.17555649%	0.18354433%
College's proportionate share of the net OPEB liability	\$ 1,358,017	1,440,105
College's covered-employee payroll	\$ 11,095,972	11,584,200
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.24%	12.43%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

The notes to required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

EAST CENTRAL COMMUNITY COLLEGE
Required Supplementary Information
Schedule of College Contributions (OPEB)
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 61,694	\$ 61,394
Contribution in relation to the actuarially determined contribution	61,694	61,394
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
College's covered-employee payroll	11,442,583	11,095,972
Contributions as a percentage of covered-employee payroll	0.54%	0.55%

The notes to required supplementary information are an integral part of this schedule.

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2019, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

EAST CENTRAL COMMUNITY COLLEGE
Notes To Required Supplementary Information
For the Year Ended June 30, 2019

Note 1 – Pension Schedules

A. Changes of 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.

The 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%.

B. Changes of benefit terms

2016:

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

EAST CENTRAL COMMUNITY COLLEGE
Notes To Required Supplementary Information
For the Year Ended June 30, 2019

C. Method and Assumptions Used in Calculations of Actuarially Determined Contributions.

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Note 2 – OPEB Schedules

A. Changes of 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.

B. Changes in benefit provisions

2017: None

2018: None

EAST CENTRAL COMMUNITY COLLEGE
Notes To Required Supplementary Information
For the Year Ended June 30, 2019

C. Methods and assumptions used in calculations of Actuarially Determined Contributions.

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

EAST CENTRAL COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY COLLEGE
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019
Federal Grantor/
Pass-through Grantor/
Program Title

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	84.063		\$ 6,360,833	-	\$ 6,360,833
Federal Pell Grant Program	84.033		67,623	-	67,623
Federal Work-Study Program	84.007		94,637	-	94,637
Federal Supplemental Educational Opportunity Grants	84.268		1,520,122	-	1,520,122
Federal Direct Student Loans			8,043,215	-	8,043,215
Total U.S. Department of Education			8,043,215	-	8,043,215
Total Student Financial Aid Cluster					
Other Programs:					
US Department of Labor:					
WIA Cluster:					
Passed Through Mississippi Department of Employment Security:					
WIOA Adult Program	17.258		44,149	-	44,149
Passed Through Mississippi Department of Employment Security:					
WIOA Dislocated Worker Formula Grants	17.278		37,778	-	37,778
Passed Through Mississippi Community College Board:					
WIOA Dislocated Worker Formula Grants	17.278		49,000	-	49,000
Passed Through Southern Mississippi Planning and Development District:					
WIOA Dislocated Worker Formula Grants	17.278	17-3367-17-569	203,304	-	203,304
WIOA Dislocated Worker Formula Grants	17.278	18-3528-17-701	15,899	-	15,899
WIOA Dislocated Worker Formula Grants	17.278	18-3528-17-571	2,400	-	2,400
WIOA Dislocated Worker Formula Grants	17.278	18-3528-17-570	53,528	-	53,528
WIOA Dislocated Worker Formula Grants	17.278	18-3528-17-110	2,716	-	2,716
WIOA Dislocated Worker Formula Grants	17.278	18-3528-17-569	24,902	-	24,902
Total WIA Cluster			433,676	-	433,676
Passed Through the Montgomery Institute:					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26437-14-60-A-28	33,159	-	33,159
Total U.S. Department of Labor			466,835	-	466,835
Appalachian Regional Commission					
Passed Through Holmes Community College					
Appalachian Area Development	23.002		4,901	-	4,901
Total Appalachian Regional Commission			4,901	-	4,901
U.S. Department of Education:					
Passed Through Mississippi Department of Education:					
Adult Education - Basic Grants to States	84.002	V002A180025	393,165	-	393,165
Career and Technical Education - Basic Grants to States	84.048	V048A180024	273,997	-	273,997
Total Passed through Mississippi Department of Education			667,162	-	667,162
Passed Through Mississippi Department of Rehabilitation Services:					
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		13,026	-	13,026
Total U.S. Department of Education			680,188	-	680,188
U.S. Department of Health & Human Services:					
Passed Through Mississippi Community College Board:					
Child Care and Development Block Grants	93.575		122,773	-	122,773
Total U.S. Department of Health and Human Services			122,773	-	122,773
Total Other Programs			1,274,697	-	1,274,697
Total Expenditures of Federal Awards			9,317,912	-	9,317,912

The accompanying notes to the Supplementary Information are an integral part of this schedule.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Supplementary Information
For the Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of East Central Community College under programs of the federal and state governments for the year ended June 30, 2019. The schedule presents only a selected portion of the operations of East Central Community College and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the College.

Note 2 – Basis of Accounting

The schedule is prepared on the same basis of accounting as East Central Community College's financial statements. The College uses the economic resources measurement focus and the accrual basis of accounting whereby all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the accrual basis of accounting. Entire program costs, including the College's portion, are more than shown. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

Note 4 – Indirect Cost Rate

The College has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 – Federal Direct Student Loan

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	\$	8,043,215
Less: Student Loans		<u>1,520,122</u>
Federal grants and contracts	\$	<u>6,523,093</u>

EAST CENTRAL COMMUNITY COLLEGE

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
S. Keith Winfield, CPA	Thomas A. Davis, CPA
William B. Stagers, CPA	Anita L. Goodrum, CPA
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Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	Edward A. Maxwell, CPA
Thomas J. Browder, CPA	

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 the Board of Trustees of East Central Community College
 P.O. Box 129
 Decatur, Mississippi 39327

We have audited the financial statements of East Central Community College, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise East Central Community College's basic financial statements and have issued our report thereon dated June 16, 2020. We conducted our audit 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 Central Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the East Central Community College Foundation, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Central 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 Central Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of East Central 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Central 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.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
June 16, 2020

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

To the Board of Trustees of East Central Community College
P.O. Box 129
Decatur, Mississippi 39327

Report on Compliance for Each Major Federal Program

We have audited East Central Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on East Central Community College's major federal program for the year ended June 30, 2019. East Central Community College's major federal program is identified in the summary of auditor's 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 each of East Central 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 Central 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 Central Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, East Central Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of East Central 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 Central Community College's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 Central 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.

Purpose of this Report

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.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
June 16, 2020

Watkins Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

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



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Stephen D. Flake, CPA
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
 WITH STATE LAWS AND REGULATIONS**

Board of Trustees of East Central Community College
 P. O. Box 129
 Decatur, Mississippi 39327

We have audited the financial statements of East Central Community College as of and for the year ended June 30, 2019, which collectively comprise East Central Community College's basic financial statements and have issued our report thereon dated June 16, 2020. We conducted our audit in accordance with 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 the East Central Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

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 the Board of Trustees and management, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC

Watkins Ward and Stafford, PLLC

Louisville, Mississippi
 June 16, 2020

EAST CENTRAL COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST CENTRAL COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditors' report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified that are not considered to be a material weakness | None Reported |
| 3. Noncompliance material to the financial statements? | None |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be a material weakness | None Reported |
| 5. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit finding(s) disclosed that are reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Federal programs identified as major programs: | |
| a. Student financial aid cluster: | |
| CFDA #84.007 Federal Supplemental Educational Opportunity Grants | |
| CFDA #84.033 Federal Work-Study Program | |
| CFDA #84.063 Federal Pell Grant Program | |
| CFDA #84.268 Federal Direct Student Loans | |
| 8. The dollar threshold used to distinguish between type A and B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

EAST CENTRAL COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.