

EAST CENTRAL COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

EAST CENTRAL COMMUNITY COLLEGE

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EAST CENTRAL COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**



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

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, and schedule of college contributions on pages 4 through 13, 47 and 48, 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 March 19, 2018, 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 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
March 19, 2018

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, 2017**

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, 2017. 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 2016. 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.

For years beginning after June 15, 2014, GASB 68 requires the liability of the present value of projected benefit payments for defined benefit pension plans to be presented as a liability on the College's financial statements. The College's net pension liability at June 30, 2017 was \$31,080,745.

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, 2017**

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, 2017 and 2016**

	2017		2016	
	Amount	Percent	Amount	Percent
Assets				
Current Assets	\$ 9,093,583	20.76%	\$ 9,422,545	26.50%
Noncurrent Assets:				
Capital, Net	31,776,723	72.56%	25,166,377	70.78%
Other	2,923,243	6.68%	965,105	2.71%
Total Assets	<u>43,793,549</u>	<u>100%</u>	<u>35,554,027</u>	<u>100%</u>
Deferred outflows of resources:				
Pension related deferred outflows	6,376,715	100%	6,227,489	100%
Total Deferred Outflows of Resources	<u>6,376,715</u>	<u>100%</u>	<u>6,227,489</u>	<u>100%</u>
Total Assets & Deferred Outflows	<u>50,170,264</u>	<u>100%</u>	<u>41,781,516</u>	<u>100%</u>
Liabilities				
Current Liabilities	1,989,545	4.85%	1,183,957	4.19%
Noncurrent Liabilities	39,006,104	95.15%	27,094,233	95.81%
Total Liabilities	<u>40,995,649</u>	<u>100%</u>	<u>28,278,190</u>	<u>100%</u>
Deferred inflows of resources:				
Pension related deferred inflows	611,610	100%	3,333,445	100%
Total Deferred Inflows of Resources	<u>611,610</u>	<u>100%</u>	<u>3,333,445</u>	<u>100%</u>
Net Position				
Net Investment in Capital Assets	24,211,135	282.74%	25,166,377	247.46%
Restricted:				
Expendible	3,104,193	36.25%	1,474,118	14.49%
Unrestricted	(18,752,323)	-218.99%	(16,470,614)	-161.95%
Total Net Position	<u>\$ 8,563,005</u>	<u>100%</u>	<u>\$ 10,169,881</u>	<u>100%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 50,170,264</u>	<u>100%</u>	<u>41,781,516</u>	<u>100%</u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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 \$5,544,488 at June 30, 2017. This represents a decrease of \$700,186 from the balance of \$6,244,674 on June 30, 2016.

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 \$2,244,302 at June 30, 2017. This represents an increase of \$403,570 from the balance of \$1,840,732 at June 30, 2016.

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 \$464,226 at June 30, 2017. This represents a decrease of \$79,494 from the balance of \$543,720 at June 30, 2016.

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, 2017. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$31,776,723 at June 30, 2017. This represents an increase of \$6,610,346 from the balance of \$25,166,377 at June 30, 2016.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,735,716 at June 30, 2017. This represents an increase of \$578,209 from the balance of \$1,157,507 at June 30, 2016.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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 \$27,347 at June 30, 2017. This represents an increase of \$897 from the balance of \$26,450 at June 30, 2016.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that will be paid during the 2017 fiscal year. The current portion of long-term debt was \$168,124 at June 30, 2017, which represents an increase of \$168,124. There were no amounts reported as current portion of long-term debt at June 30, 2016. The College is in the process of building a new women's dormitory. The project has a total estimated cost of approximately \$6.8 million that is financed by \$7,330,000 Mississippi Development Bank Special Obligation Bonds.

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 \$273,952 at June 30, 2017, an increase of \$14,430 compared to the balance of \$259,522 at June 30, 2016.

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, 2017 was \$253,942. This represents an increase of \$7,039 from the balance of \$246,903 at June 30, 2016.

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 \$7,397,465 at June 30, 2017, which represents an increase of \$7,397,465. There were no amounts reported as non-current portion of long-term debt at June 30, 2016.

Changes Related To Implementation of GASB 68/71 (PERS Liability)

During the fiscal year ended June 30, 2015 the college was required to report the proportional share of the net pension liability associated with PERS. This requirement significantly altered the financial position reported on the statement of net position. The college reported deferred outflows of \$6,376,715 at June 30, 2017. \$1,799,168 of the \$6,376,715 of the deferred outflows reported at June 30, 2017 represents the college's contribution to the retirement plan after the measurement date of the liability (June 30, 2016). The college reported a net pension liability of \$31,080,745 at June 30, 2017. This represents the college's proportionate share of the overall net pension liability of the PERS system as a whole. The college's proportionate share of the net pension liability is .174 percent for the June 30, 2016 PERS reporting year. The college reported deferred inflows of \$611,610 at June 30, 2017.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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, 2017 was \$8,563,005. This represents a decrease of \$1,606,876 from the balance of \$10,169,881 on June 30, 2016, as reflected on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2016.

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:

	June 30, 2017	June 30, 2016
	Amount	Amount
Unemployment Funds	\$ 46,901	\$ 46,854
Capital Projects	2,069,711	326,530
Grants and Contracts	987,581	1,100,734
Total Restricted Expendable Net Position	\$ 3,104,193	\$ 1,474,118

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:

	June 30, 2017	June 30, 2016
	Amount	Amount
Unrestricted General Fund	\$ (21,833,173)	\$ (20,322,762)
Unrestricted Auxiliary Fund	3,080,850	3,852,148
Total Unrestricted Net Position	\$ (18,752,323)	\$ (16,470,614)

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (18,752,323)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	25,315,640
Unrestricted net position, exclusive of the net pension liability effect	\$ 6,563,317

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2017 and 2016**

	\$	<u>2017</u>	\$	<u>2016</u>
Operating Revenues:				
Tuition and Fees		1,024,441		880,733
Grants and Contracts		9,177,711		10,194,222
Auxiliary Enterprises		3,618,389		3,926,245
Other Operating Revenue		<u>290,897</u>		<u>311,390</u>
Total Operating Revenues		<u>14,111,438</u>		<u>15,312,590</u>
Operating Expenses		<u>28,925,865</u>		<u>28,000,153</u>
Operating Loss		<u>(14,814,427)</u>		<u>(12,687,563)</u>
Nonoperating Revenues:				
State Appropriations		10,735,614		11,002,390
Local Appropriations		2,619,126		2,545,814
Investment Income		30,651		21,514
Interest Expense on Capital Related Debt		(409,081)		(13,074)
Other Nonoperating Revenues (Expenses)		<u>(38,985)</u>		<u>(504,987)</u>
Net Nonoperating Revenues		<u>12,937,325</u>		<u>13,051,657</u>
Income(Loss) Before Other Revenues		<u>(1,877,102)</u>		<u>364,094</u>
Appropriations restricted for Capital Purpose		253,951		2,094,454
Capital Grants and Gifts		<u>16,275</u>		<u>-</u>
Total Restricted Appropriations and Grants		<u>270,226</u>		<u>2,094,454</u>
Total Increase (Decrease) in Net Position		<u>(1,606,876)</u>		<u>2,458,548</u>
Net Position				
Net Position at Beginning of Year		<u>10,169,881</u>		<u>7,711,333</u>
Net Position at End of Year	\$	<u>8,563,005</u>	\$	<u>10,169,881</u>

The total operating loss for the fiscal year 2017 was \$(14,814,427), an increase of \$2,126,864 from the loss for fiscal year 2016 of \$(12,687,563). 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, 2017**

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 2017 were \$14,111,438. Tuition and fees were \$1,024,441. The tuition discount allocated to tuition and fees and auxiliary services was \$4,191,416 and \$536,733, respectively. Operating expenses, including depreciation of \$1,001,958, totaled \$28,925,865.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$5,215,857. The tuition discount allocated to tuition and fees for the 2017 fiscal year was \$4,191,416.

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 \$290,397 for the 2017 fiscal year. This represents a decrease of \$18,718 from the balance of \$309,115 for the 2016 fiscal year.

Sales and Services, Net

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

Operating Expenses

Operating expenses totaled \$28,925,865. This includes salaries and benefits of \$16,971,361, utilities of \$1,001,242, supplies of \$3,419,735, services of \$2,841,067, and depreciation of \$1,001,958.

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Expenses by Function:		
Instruction	\$ 10,514,194	\$ 10,103,858
Public Service	977,813	898,059
Academic Support	518,960	472,530
Student Services	2,961,677	2,847,076
Institutional Support	3,221,515	2,808,777
Operations and Maintenance Of Plant	2,846,303	2,743,713
Student Financial Aid	3,439,957	3,772,895
Auxiliary Enterprises	3,443,488	3,500,400
Depreciation	<u>1,001,958</u>	<u>852,845</u>
Total Operating Expenses By Function	<u>\$ 28,925,865</u>	<u>\$ 28,000,153</u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Non-operating Revenues (Expenses)

State Appropriation

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$10,735,614 for the 2016-2017 fiscal year. This represents a decrease of \$266,776 from the amount received for operations in the previous year. State appropriations for capital projects of \$184,523 were paid on behalf of the College during the 2017 fiscal year. During the previous year the college received \$2,020,793 of state appropriations for capital projects.

Local Appropriations

The College also receives revenue from Leake, Neshoba, Newton, Scott and Winston Counties. The College received \$2,688,554 for the 2017 fiscal year of which \$2,619,126 was for operating purposes. This represents an increase of \$69,079 from the previous year. The remaining \$69,428 was received in fiscal year 2017 for capital projects.

Investment Income, Net

This includes interest income earned on cash in the bank accounts and certificates of deposit. A total of \$30,651 was earned during the 2017 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The college received \$184,523 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2017 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.

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
	<u>Amount</u>	<u>Amount</u>
Cash and Cash Equivalents provided by (used in):		
Operating Activities	\$ (12,605,997)	\$ (11,903,594)
Non-Capital Financing Activities	13,057,464	13,708,744
Capital and related financing activities	780,361	(1,336,830)
Investing Activities	<u>26,124</u>	<u>18,831</u>
Net Increase (Decrease) in cash and cash equivalents	\$ 1,257,952	\$ 487,151
Cash and cash equivalents - beginning of year	<u>7,209,754</u>	<u>6,722,603</u>
Cash and cash equivalents - end of year	<u><u>\$ 8,467,706</u></u>	<u><u>\$ 7,209,754</u></u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

The major source of cash inflows included in operating activities for the 2017 fiscal year includes student tuition and fees, \$727,490, auxiliary enterprises, \$3,636,759 and grants and contracts, \$9,427,182. The major cash outflows of funds for the 2017 fiscal year were payments made to and for employees, \$15,388,332, scholarships and fellowships, \$3,439,957, service providers, \$1,001,242 and suppliers, \$6,845,679.

The largest inflow of cash in the non-capital financing activities group is the State appropriation of \$10,472,353.

Significant Capital Asset Transactions

The primary increase in capital assets was the increase in construction financed with revenue set aside through the state from the sale of State revenue bonds and the proceeds of the Mississippi Development Bank Special Obligation Bonds. The total increase in construction on these various projects was \$7,211,979.

Factors Impacting Future Periods

The College is heavily dependent on funding from the State of Mississippi. There are indications that there will be a decrease in State funding in 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, 2017

Assets and Deferred Outflows of Resources

Current Assets:

Cash and cash equivalents	\$	5,544,488
Short-term investments		619,133
Accounts receivable, net		2,244,302
Inventories		464,226
Prepaid expenses		221,434
Total Current Assets		9,093,583

Non-Current Assets:

Restricted cash and cash equivalents		2,923,218
Student note receivables, net		25
Capital assets, net of accumulated depreciation		31,776,723
Total Non-Current Assets		34,699,966
Total Assets		43,793,549

Deferred Outflows of Resources:

Pension related deferred outflows		6,376,715
Total Deferred Outflows of Resources		6,376,715
Total Assets and Deferred Outflows of Resources	\$	50,170,264

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$	1,735,716
Unearned revenue		27,347
Accrued interest payable		58,358
Long-term liabilities- current portion		168,124
Total Current Liabilities		1,989,545

Non-Current Liabilities:

Accrued leave liability		253,942
Deposits refundable		273,952
Long-term debt, net of current portion		7,397,465
Net pension liability		31,080,745
Total Non-Current Liabilities		39,006,104
Total Liabilities		40,995,649

Deferred Inflows of Resources:

Pension related deferred inflows		611,610
Total Deferred Inflows of Resources		611,610

Net Position:

Net investment in capital assets		24,211,135
Restricted for:		
Expendable:		
Capital projects		2,069,711
Grants and contracts		987,581
Unemployment		46,901
Unrestricted (deficit)		(18,752,323)
Total Net Position		8,563,005
Total Liabilities, Deferred Inflows of Resources and Net Position	\$	50,170,264

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, 2017

Assets

Current Assets:

Cash	\$ 447,626
Investments	1,008,209
Contributions receivable	14,898
Other receivables	7,288
Total Current Assets	<u>1,478,021</u>

Non-Current Assets:

Investments	6,581,987
Contributions receivable	77,172
Total Non-Current Assets	<u>6,659,159</u>

Total Assets	<u><u>8,137,180</u></u>
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 11,957
Total Liabilities	<u>11,957</u>

Net Assets:

Unrestricted	13,332
Temporarily restricted	1,276,047
Permanently restricted	6,835,844
Total Net Assets	<u>8,125,223</u>
Total Liabilities and Net Assets	<u><u>\$ 8,137,180</u></u>

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, 2017

Operating Revenues:

Tuition and fees, (net of scholarship allowances of \$4,191,416)	\$ 1,024,441
Federal grants and contracts	6,978,568
State grants and contracts	2,043,380
Nongovernmental grants and contracts	155,763
Sales and services of educational departments	290,397
Auxiliary enterprises:	
Student housing, (net of scholarship allowances of \$242,358)	635,987
Food Services, (net of scholarship allowances of \$294,375)	822,472
Bookstore	2,012,334
Athletics	35,855
Other auxiliary revenues	111,741
Other operating revenues	500
Total Operating Revenues	<u>14,111,438</u>

Operating Expenses:

Salaries and wages	11,793,850
Fringe benefits	5,177,511
Travel	250,545
Contractual services	2,841,067
Utilities	1,001,242
Scholarships and fellowships	3,439,957
Commodities	3,419,735
Depreciation expense	1,001,958
Total Operating Expense	<u>28,925,865</u>

Operating Loss (14,814,427)

Non-Operating Revenues (Expenses):

State appropriations	10,735,614
Local appropriations	2,619,126
Investment income	30,651
Other non-operating revenues	11,015
Interest expense on capital asset related debt	(409,081)
Other uses	(50,000)
Total Net Non-Operating Revenues (Expenses)	<u>12,937,325</u>

Income Before Other Revenues, Expenses, Gains and Losses (1,877,102)

Other Revenues, Expenses, Gains and Losses:

State appropriations restricted for capital purposes	184,523
Local appropriations restricted for capital purposes	69,428
Capital gifts and donations	16,275
Total Other Revenues, Expenses, Gains and Losses	<u>270,226</u>

Change in Net Position (1,606,876)

Net Position:

Net Position-Beginning of Year	10,169,881
Net Position - End of Year	<u>\$ 8,563,005</u>

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

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues, and Reclassifications:				
Contributions	\$ 96,337	\$ 609,176	\$ 186,068	\$ 891,581
Interest and dividends	4	22,239	134,364	156,607
Gain on sale of assets	-	110,762	-	110,762
Net assets released from restrictions:	373,140	(373,140)	-	-
Total Public Support, Revenues, and Reclassifications	469,481	369,037	320,432	1,158,950
Expenses:				
Scholarships	112,957	-	-	112,957
Other program expenses	339,130	-	-	339,130
Management and general	34,460	-	-	34,460
Donations to East Central Community College	60,598	-	-	60,598
Total Expenses	547,145	-	-	547,145
Other Income:				
Unrealized holding gains on marketable securities available for sale	-	16,181	-	16,181
Excess (deficiency) of revenues over expenses before capital additions	(77,664)	385,218	320,432	627,986
Capital Additions:				
Unrealized holding gains on marketable securities available for sale - endowment funds	-	-	79,977	79,977
Excess (deficiency) of revenues over expenses after capital additions	(77,664)	385,218	400,409	707,963
Net Assets, Beginning of year	23,774	1,099,835	6,293,651	7,417,260
Fund Transfers In (Out)	67,222	(209,006)	141,784	-
Net Assets, End of Year	\$ 13,332	\$ 1,276,047	\$ 6,835,844	\$ 8,125,223

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, 2017

Cash Flows from Operating Activities:

Tuition and fees	\$ 727,490
Grants and contracts	9,427,182
Payments to suppliers	(6,845,679)
Payments to employees for salaries and benefits	(15,388,332)
Payments for utilities	(1,001,242)
Payments for scholarship and fellowships	(3,439,957)
Auxilliary enterprise charges:	
Student housing	654,357
Food services	822,472
Bookstore	2,012,334
Athletics	35,855
Other auxilliary enterprises	111,741
Sales and services of educational departments	290,397
Other receipts(payments)	(12,615)
Net Cash Used by Operating Activities	<u>(12,605,997)</u>

Cash Flows from Non-Capital Financing Activities:

State appropriations	10,472,353
Local appropriations	2,583,317
Federal loan program receipts	1,582,554
Federal loan program disbursements	(1,582,554)
Other receipts	1,794
Net Cash Provided by Non-Capital Financing Activities	<u>13,057,464</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds from capital related debt	7,565,589
Cash paid for capital assets	(6,718,214)
Capital appropriations and donations received	270,226
Proceeds received from the sale of capital assets	13,484
Interest paid on capital debt and leases	(350,724)
Net Cash Provided by Capital and Related Financing Activities	<u>780,361</u>

Cash Flows from Investing Activities:

Interest received	<u>26,124</u>
Net Cash Provided by Investing Activities:	<u>26,124</u>
Net Increase in Cash and Cash Equivalents	1,257,952
Cash and Cash Equivalents - Beginning of the Year	7,209,754
Cash and Cash Equivalents - End of the Year	<u>\$ 8,467,706</u>

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

Cash and cash equivalents - current assets	\$ 5,544,488
Restricted cash and cash equivalents - non-current assets	2,923,218
Total Cash and Cash Equivalents	<u>\$ 8,467,706</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, 2017

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (14,814,427)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,001,958
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(57,553)
Inventories and prepaid items	36,340
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(409,519)
Deferred revenues	897
Deposits refundable	14,431
Other liabilities	1,621,876
Total Adjustments	<u>2,208,430</u>
Net Cash Used by Operating Activities	<u>\$ (12,605,997)</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, 2017

Cash Flows from Operating Activities:

Excess revenues over expenses	\$	707,963
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:		
Gain on sale of assets		(110,762)
Decrease in contribution receivables		821
Increase in other receivables		(3,746)
Increase in accounts payable		471
Interest and dividends restricted for reinvestment		(22,239)
Interest and dividends restricted for long-term investment		(134,364)
Unrealized holding gains on securities		48,719
Cash contributions restricted for endowments		(186,068)
Non-cash contributions		60,598
Non-cash expenses		(60,598)
Net Cash Provided by Operating Activities		<u>300,795</u>

Cash Flows from Investing Activities:

Proceeds from sale of assets		2,056,926
Interest and dividends restricted for reinvestment		22,239
Purchase of investments		(3,007,088)
Net Cash Used by Investing Activities		<u>(927,923)</u>

Cash Flows from Financing Activities:

Proceeds from contributions restricted for:		
Investments in endowments		186,068
Other financing activities:		
Interest and dividends restricted for long-term investments		134,364
Net Cash Provided by Financing Activities		<u>320,432</u>

Net Decrease in Cash		(306,696)
Cash - Beginning of the Year		754,322
Cash - End of the Year	\$	<u><u>447,626</u></u>

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

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

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, 2017, the Foundation distributed \$112,957 in scholarships and \$60,598 in books and 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

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

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. The College has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 12 for further details.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

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. The College has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 12 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, 2017, is reported in the Statement of Net Position as a long-term liability in the amount of \$253,942. 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

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. 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 \$(18,752,323) at June 30, 2017, includes \$3,080,850 in an unrestricted auxiliary fund.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

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, 2017, the College had \$8,467,706 in cash and cash equivalents and \$619,133 in short-term investments.

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 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. However, the Mississippi State Treasurer manages the risk on behalf of the College. As of June 30, 2017, none of the College's bank balance of \$9,420,557 was exposed to custodial credit risk.

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, 2017</u>
Short Term Investments	<u>\$ 619,133</u>

The following table summarizes the categorization of investments at June 30, 2017:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	Less than 1 year	\$ 619,133	Not Rated
Total Investments		<u>\$ 619,133</u>	

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.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 2 - Cash and Investments (Continued).

B. Investments (Continued)

The college has the following recurring fair value measurements as of June 30, 2017:

- Certificates of deposit type of investments of \$619,133 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, 2017, the college did not have any investments to which this would apply.

Note 3 - Accounts Receivable.

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

Student Tuition and Fees	\$ 4,589,899
Federal, State, Private Grants and Contracts	501,925
State Appropriations	576,143
Local Appropriations	112,345
Accrued Interest	2,078
Other	292,467
Total Accounts Receivable	<u>6,074,857</u>
Less: Allowance for Doubtful accounts	<u>(3,830,555)</u>
Net Accounts Receivable	<u><u>\$ 2,244,302</u></u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

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, 2017:

	Interest Rates	June 30, 2017	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		(32,236)	-	(32,236)
Net Notes Receivable		<u>\$ 25</u>	<u>-</u>	<u>25</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 5 - Capital Assets.

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

	Beginning Balance	Additions	Deletions	Reclasses	Ending Balance
<u>Nondepreciable Capital Assets:</u>					
Land	\$ 274,570	\$ 30,000	\$ -	\$ -	\$ 304,570
Construction in progress	2,590,941	7,211,979	-	(3,573,926)	6,228,994
Total Nondepreciable Capital Assets	2,865,511	7,241,979	-	(3,573,926)	6,533,564
<u>Depreciable Capital Assets:</u>					
Buildings	28,209,123	134,000	-	2,155,530	30,498,653
Improvements other than buildings	3,939,653	-	-	1,418,396	5,358,049
Books and Films	576,200	12,354	(20,824)	-	567,730
Furniture and Equipment	5,353,247	228,236	(76,159)	-	5,505,324
Total Depreciable Capital Assets	38,078,223	374,590	(96,983)	3,573,926	41,929,756
<u>Less Accumulated Depreciation for</u>					
Buildings	9,544,752	529,191	-	-	10,073,943
Improvements other than buildings	1,234,166	209,388	-	-	1,443,554
Books and Films	507,013	15,435	(20,824)	-	501,624
Furniture and Equipment	4,491,426	247,944	(71,894)	-	4,667,476
Total Accumulated Depreciation	15,777,357	1,001,958	(92,718)	-	16,686,597
Total Depreciable Capital Assets	22,300,866	(627,368)	(4,265)	3,573,926	25,243,159
Total Capital Assets, net	\$25,166,377	\$ 6,614,611	\$ (4,265)	\$ -	\$ 31,776,723

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

Note 6 - Long-term Liabilities.

Long-term liabilities of the college consist of bonds payable that are expected to be liquidated at least one year from June 30, 2017. 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, 2017, 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, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonded Debt								
Mississippi Development Bank Special Obligation Bonds, Series 2016 (Dormitory Construction)	\$ 7,330,000	2%-4%	2046	\$ -	\$ 7,330,000	\$ -	\$ 7,330,000	\$ 160,000
Premium On Bond Issuance				-	235,589	-	235,589	8,124
Total Bonded Debt				-	<u>7,565,589</u>	-	<u>7,565,589</u>	<u>168,124</u>
Other Long-Term Liabilities								
Accrued Leave				246,903	7,039	-	253,942	-
Total Other Long-Term Liabilities				<u>246,903</u>	<u>7,039</u>	-	<u>253,942</u>	-
Total Long Term Liabilities				<u>\$ 246,903</u>	<u>\$ 7,572,628</u>	<u>\$ -</u>	<u>\$ 7,819,531</u>	<u>\$ 168,124</u>

The aggregate maturities of long-term liabilities for the years subsequent to June 30, 2017 are as follows:

Years Ending June 30	Bonded Debt	Premium	Interest	Total
2018	\$ 160,000	\$ 8,124	\$ 231,825	\$ 399,949
2019	160,000	8,124	228,625	396,749
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
2023-2027	940,000	40,619	1,015,575	1,996,194
2028-2032	1,125,000	40,618	834,625	2,000,243
2033-2037	1,365,000	40,619	591,350	1,996,969
2038-2042	1,600,000	40,618	356,044	1,996,662
2043-2046	1,470,000	32,495	93,750	1,596,245
Total	<u>\$ 7,330,000</u>	<u>\$ 235,589</u>	<u>\$ 4,017,769</u>	<u>\$ 11,583,358</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 7 - Operating Expenses.

The Community College's operating expenses by functional classifications were as follows for the year ended June 30, 2017.

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation	Total
Instruction	\$ 6,266,034	2,736,513	82,943	906,460	14,230	-	508,014	-	10,514,194
Public Service	709,091	214,929	6,610	11,924	118	-	35,141	-	977,813
Academic Support	335,474	151,781	6,493	2,136	846	-	22,230	-	518,960
Student Services	1,658,936	773,577	86,531	197,739	1,103	-	243,791	-	2,961,677
Institutional Support	1,772,676	780,216	63,453	461,450	1,914	-	141,806	-	3,221,515
Operation of Plant	768,679	399,832	1,160	258,524	607,608	-	810,500	-	2,846,303
Student Aid	-	-	-	-	-	3,439,957	-	-	3,439,957
Auxiliary Enterprises	282,960	120,663	3,355	1,002,834	375,423	-	1,658,253	-	3,443,488
Depreciation	-	-	-	-	-	-	-	1,001,958	1,001,958
Total Operating Expenses	\$ 11,793,850	5,177,511	250,545	2,841,067	1,001,242	3,439,957	3,419,735	1,001,958	28,925,865

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

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>
Women's Dorm	\$ -	\$ 615,924	Mississippi Development Bank Bonds
Underground Utilities Project	1,396,402	-	Office of Buildings, Grounds & Real Property Management
Band Hall Addition	996,080	-	Office of Buildings, Grounds & Real Property Management
Total	<u>\$ 2,392,482</u>	<u>\$ 615,924</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 may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

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, 2017 was 15.75% of annual covered payroll. 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, 2017, 2016 and 2015 were \$1,799,168, \$1,757,602 and \$1,688,561, 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, 2017, the college reported a liability of \$31,080,745 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2017 net pension liability was .174 percent, which was based on a measurement date of June 30, 2016. This was an increase of .002 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of \$3,421,044. At June 30, 2017 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	\$ 865,512	\$ -
Net difference between projected and actual earnings on pension plan investments	2,065,607	-
Changes of assumptions	1,448,372	82,591
Changes in proportion and difference between District contributions and proportionate share of contributions	198,056	529,019
District contributions subsequent to the measurement date	1,799,168	-
Total	<u>\$ 6,376,715</u>	<u>\$ 611,610</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 9 - Defined Benefit Pension Plan (Continued).

\$1,799,168 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,160,376
2019	1,067,047
2020	1,124,511
2021	614,003

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 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 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

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 and that Employer contributions will be made at the current employer contribution rate. 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	\$ 39,852,483	\$ 31,080,745	\$ 23,803,045

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 - 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.

Note 11 - 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.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 12 - Effect of Deferred Amounts on Net Position.

The unrestricted net position amount of \$(18,752,323) includes the effect of deferring the recognition of expenses resulting from deferred outflow from pensions. The \$4,577,547 balance of the deferred outflow of resources at June 30, 2017 will be recognized as expenses and decrease unrestricted net position over the next 4 years. The remaining balance of \$1,799,168 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, 2018.

The unrestricted net position amount of \$(18,752,323) includes the effect of deferring the recognition of revenue resulting from deferred inflow from pensions. The \$611,610 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 3 years.

Note 13 - 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 March 19, 2018, and determined that no subsequent event occurred which would require disclosure in the notes to financial statements.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

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 an eleven 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. This has been accomplished by classification of net assets and transactions into three classes: permanently restricted, temporarily restricted, and unrestricted as follows:

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the foundation. 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 East Central Community College.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. To the extent that restricted resources from multiple donors are available for the same purpose, the Foundation expenses such gifts on a "first in, first out" basis.

Unrestricted net assets - net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

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

D. Basis of Accounting (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net assets 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 net assets released from restrictions.

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 permanently restricted net assets are reported as follows:

As increases (decreases) in permanently restricted net assets 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;

As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;

As increases (decreases) in unrestricted net assets in all other cases.

E. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. When a stipulated time restriction ends or when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Revenues, Expenses and Changes in Net Assets as "net assets released from 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

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

F. Public Support and Revenue (Continued)

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 restricted support unless the donor has restricted the donated assets to a specific purpose.

G. Investment Earnings Allocation

Restricted and unrestricted funds are co-mingled in the investment funds. Allocation of earnings is made to each restricted and unrestricted fund based on the pro-rata share of earnings to the funds invested.

H. Donated Assets

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

I. 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.

J. 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.

K. Fair Value of Financial Instruments

The carrying amounts at June 30, 2017 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

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

L. 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.

M. 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. This policy was adopted for the year ended June 30, 2017 and was not applied retroactively.

N. 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, 2015, June 30, 2016 and June 30, 2017 are still subject to examination as of the date of this report.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

Note 2 - Temporarily Restricted Net Assets.

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

	<u>2017</u>
Purpose restriction accomplished:	
Scholarship programs	\$ 34,010
Other program services	<u>339,130</u>
	<u>\$ 373,140</u>

Net assets were temporarily restricted for the following purposes at June 30:

Scholarships	\$ 638,380
Other program services	<u>637,667</u>
	<u>\$ 1,276,047</u>

Note 3 - Permanently Restricted Net Assets.

Net assets were permanently restricted for the following purposes at June 30:

	<u>2017</u>
Scholarships	\$ 5,661,348
Other program services	<u>1,174,496</u>
	<u>\$ 6,835,844</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, 2017, the Foundation did have cash in excess of the insurance limit. As of June 30, 2017, the bank balance of cash held in financial institutions was \$453,237. These deposits are insured up to \$250,000 which leaves a balance of \$203,237 as uncollateralized and uninsured deposits. Management does not consider the uninsured deposits a significant credit risk.

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, 2017, non-cash contributions totaled \$60,598, and were included in revenue.

For the year ended June 30, 2017, the foundation received \$60,598 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Supplies	\$ 58,325
Books	<u>2,273</u>
	<u>\$ 60,598</u>

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

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.

Note 7 - Investments.

The Foundation's investments recorded at market value consist of the following at June 30, 2017:

	Cost	Market	Unrealized Appreciation (Depreciation)
Merrill Lynch - Cash/Money Market Fund	\$ 1,052,496	\$ 1,052,496	\$ -
Merrill Lynch - Corporate Bonds	1,106,630	1,140,892	34,262
Merrill Lynch - Mutual Funds	2,799,118	3,130,831	331,713
Merrill Lynch - Govt. and Agency Securities	1,200,893	1,200,372	(521)
Merrill Lynch - Equities Securities	870,359	997,665	127,306
Weyerhaeuser Stock	3,342	7,040	3,698
Community Bancshares	60,900	60,900	-
Total	<u>\$ 7,093,738</u>	<u>\$ 7,590,196</u>	<u>\$ 496,458</u>

Current Investments	\$ 1,008,209
Noncurrent Investments	<u>6,581,987</u>
Total	<u>\$ 7,590,196</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.

The following schedule summarizes the investment return and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends / Interest	\$ 4	\$ 27,414	\$ 167,148	\$ 194,566
Fees Charged	-	(5,175)	(32,784)	(37,959)
Unrealized Gains (Losses)	-	16,181	79,977	96,158
Total	<u>\$ 4</u>	<u>\$ 38,420</u>	<u>\$ 214,341</u>	<u>\$ 252,765</u>

The foundation nets its fees out of investment income and does not report them separately.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

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, 2017:

June 30, 2017	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 1,140,892			\$ 1,140,892
Corporate stocks	7,040	-	-	7,040
Equity securities	997,665	60,900	-	1,058,565
Govt and Agency Securities	1,200,372			1,200,372
Mutual funds	3,130,831	-	-	3,130,831
Other short-term investments	1,052,496	-	-	1,052,496
	<u>\$ 7,529,296</u>	<u>60,900</u>	<u>-</u>	<u>\$ 7,590,196</u>

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

Note 9 - Net Asset Classifications of Endowment Funds.

The FASB issued FASB ASC 958, Not-for-Profit Entities, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

The Foundation's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined that its donor agreements for permanent endowments provide for the preservation of the original gift of the donor-restricted endowment funds. As a result, the Foundation classifies as permanently restricted net assets the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until the amounts are expended in accordance with the donor agreements.

The Foundation has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income greater than the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The Board and Joint Committee on investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during the periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The primary performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, in excess of the inflation and spending rate.

The Foundation's spending policy is designed to instill confidence that the positive growth in the market value of the endowment is sufficient to offset reasonable spending over an extended period of time. The spending policy is approved by Board of Directors of the Foundation. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund was established. The objective is to provide relatively stable spending allocations. No portion of the original gift value of the endowed assets will be allocated for spending.

Changes in donor-restricted endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment net assets, June 30, 2016	\$ -	\$ -	\$ 6,293,651	\$ 6,293,651
Contributions to endowment	-	-	405,689	405,689
Appropriation for expenditures	-	-	(77,837)	(77,837)
Investment return:				
Investment income	-	-	134,364	134,364
Net appreciation (depreciation)	-	-	79,977	79,977
Donor-restricted endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,835,844</u>	<u>\$ 6,835,844</u>

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

Note 10 - 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions receivable at June 30, 2017, amounted to \$100,000, and are due in increments of \$15,000 through the fiscal year ended June 30, 2020 and then increments of \$5,000 through the fiscal year ended June 30, 2031. These receivables have been discounted at 1.75% which is the estimated annual rate of return on an annuity at June 30, 2017.

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	Discount to Present Value	Discounted Value
2018	\$ 15,000	\$ (101)	\$ 14,899
2019	15,000	(1,354)	13,646
2020	15,000	(1,113)	13,887
2021	5,000	(869)	4,131
2022	5,000	(796)	4,204
Thereafter:	45,000	(3,697)	41,303
Total	<u>\$ 100,000</u>	<u>\$ (7,930)</u>	<u>\$ 92,070</u>

Note 11 - 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 12 - 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 March 19, 2018, and determined that there were no subsequent events that require disclosure in the notes to financial statements.

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>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability (asset)	\$ 31,080,745	\$ 26,587,808	\$ 21,484,559
College's proportionate share of the net pension liability (asset)	0.174%	0.172%	0.177%
College's covered payroll	\$ 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	278.52%	248.00%	198.59%
Plan fiduciary net position as a percentage of the total pension liability	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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,799,168	1,757,602	\$ 1,688,561
Contribution in relation to the contractually required contribution	1,799,168	1,757,602	1,688,561
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
College's covered payroll	11,423,300	11,159,369	10,721,023
Contributions as a percentage of covered payroll	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
Notes To Required Supplementary Information
For the Year Ended June 30, 2017

Note 1 – Pension Schedules

A. 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.

B. 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%

EAST CENTRAL COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY COLLEGE
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Agency or Pass- Through Number	Federal Expenditures	State/Local Expenditures	Total Expenditures
Student Financial Aid Cluster:					
U.S. Department of Education	84.063		\$ 5,705,678	\$ -	\$ 5,705,678
Federal Pell Grant Program	84.033		62,492	-	62,492
Federal Work-Study Program	84.007		66,943	-	66,943
Federal Supplemental Educational Opportunity Grants	84.268		1,582,554	-	1,582,554
Federal Direct Student Loans			7,417,667	-	7,417,667
Total U.S. Department of Education			7,417,667	-	7,417,667
Total Student Financial Aid Cluster			7,417,667	-	7,417,667
Other Programs:					
US Department of Labor:					
WIA Cluster:					
Passed Through Mississippi Department of Employment Security:					
WIA/WIOA Adult Program	17.258		52,675	-	52,675
Passed Through Mississippi Department of Employment Security:					
WIA/WIOA Dislocated Worker Formula Grants	17.278		22,946	-	22,946
Passed Through Southern Mississippi Planning and Development District:					
WIA/WIOA Dislocated Worker Formula Grants	17.278	16-3526-17-701	57,146	-	57,146
Total WIA Cluster			132,767	-	132,767
Passed Through the Montgomery Institute:					
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282	TC-26437-14-60-A-28	442,290	-	442,290
Total U.S. Department of Labor			575,057	-	575,057
U.S. Department of Education:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		1,371	-	1,371
Passed Through Mississippi Department of Education:					
Adult Education - Basic Grants to States	84.002		182,096	-	182,096
Career and Technical Education - Basic Grants to States	84.048		290,128	-	290,128
Total Passed through Mississippi Department of Education			472,224	-	472,224
Passed Through Mississippi Department of Rehabilitation Services:					
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		13,647	-	13,647
Total U.S. Department of Education			487,242	-	487,242
U.S. Department of Health & Human Services:					
Passed Through Mississippi Department of Health & Human Services:					
Temporary Assistance for Needy Families	93.558		16,517	-	16,517
Passed Through Mississippi Community College Board:					
Child Care and Development Block Grants	93.575		67,463	-	67,463
Total U.S. Department of Health and Human Services			83,980	-	83,980
Total Other Programs			1,146,279	-	1,146,279
Total Expenditures of Federal Awards			8,563,946	-	8,563,946

The accompanying notes are an integral part of this schedule.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Supplementary Information
For the Year Ended June 30, 2017

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, 2017. 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	\$	8,563,946
Less: Student Loans		<u>1,582,554</u>
Federal grants and contracts	\$	<u><u>6,981,392</u></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
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
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Michael C. Knox, CPA
Clifford P. Stewart, 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, 2017, 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 March 19, 2018. 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
March 19, 2018

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA	Thomas J. Browder, CPA
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Susan M. Lumnus, CPA	

**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, 2017. 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, 2017.

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
March 19, 2018

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	Thomas J. Browder, 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, 2017, which collectively comprise East Central Community College's basic financial statements and have issued our report thereon dated March 19, 2018. 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 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
 March 19, 2018

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, 2017**

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 | |
| CFDA #84.033 | |
| CFDA #84.063 | |
| CFDA #84.268 | |
| 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, 2017**

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.