

EAST CENTRAL COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016

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

EAST CENTRAL COMMUNITY COLLEGE

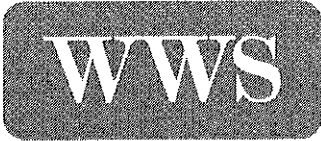
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EAST CENTRAL COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

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



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
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the college's proportionate share of the net pension liability, 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 14, 2017, 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 14, 2017

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, 2016**

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, 2016. 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 2015. 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, 2016 was \$26,587,808.

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, 2016**

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, 2016 and 2015

	2016		2015	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Assets				
Current Assets	\$ 9,422,545	26.50%	\$ 8,630,005	25.91%
Noncurrent Assets:				
Capital, Net	25,166,377	70.78%	23,286,408	69.93%
Other	965,105	2.71%	1,384,885	4.16%
Total Assets	<u>35,554,027</u>	<u>100%</u>	<u>33,301,298</u>	<u>100%</u>
Deferred outflows of resources:				
Pension related deferred outflows	6,227,489	100%	2,023,714	100%
Total Deferred Outflows of Resources	<u>6,227,489</u>	<u>100%</u>	<u>2,023,714</u>	<u>100%</u>
Total Assets & Deferred Outflows	<u>41,781,516</u>	<u>100%</u>	<u>35,325,012</u>	<u>100%</u>
Liabilities				
Current Liabilities	1,183,957	4.19%	1,306,223	5.52%
Noncurrent Liabilities	27,094,233	95.81%	22,373,638	94.48%
Total Liabilities	<u>28,278,190</u>	<u>100%</u>	<u>23,679,861</u>	<u>100%</u>
Deferred inflows of resources:				
Pension related deferred inflows	3,333,445	100%	3,933,818	100%
Total Deferred Inflows of Resources	<u>3,333,445</u>	<u>100%</u>	<u>3,933,818</u>	<u>100%</u>
Net Position				
Net Investment in Capital Assets	25,166,377	247.46%	22,617,785	293.31%
Restricted:				
Expendible	1,474,118	14.49%	1,700,797	22.06%
Unrestricted	(16,470,614)	-161.95%	(16,607,249)	-215.36%
Total Net Position	<u>\$ 10,169,881</u>	<u>100%</u>	<u>\$ 7,711,333</u>	<u>100%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 41,781,516</u>	<u>100%</u>	<u>35,325,012</u>	<u>100%</u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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 \$6,244,674 at June 30, 2016. This represents an increase of \$906,931 from the balance of \$5,337,743 on June 30, 2015.

Accounts Receivable

Accounts receivable consists of several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. The College's receivables totaled \$1,840,732 at June 30, 2016. This represents a decrease of \$63,539 from the balance of \$1,904,271 at June 30, 2015.

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 \$543,720 at June 30, 2016. This represents an increase of \$5,870 from the balance of \$537,850 at June 30, 2015.

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, 2016. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$25,166,377 at June 30, 2016. This represents an increase of \$1,879,969 from the balance of \$23,286,408 at June 30, 2015.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2016 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,157,507 at June 30, 2016. This represents an increase of \$145,731 from the balance of \$1,011,776 at June 30, 2015.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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 \$26,450 at June 30, 2016. This represents an increase of \$3,557 from the balance of \$22,893 at June 30, 2015.

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. There were no amounts to be reported as the current portion of long-term debt at June 30, 2016, which represents a decrease of \$256,260 from the balance of \$256,260 on June 30, 2015. The College plans to construct a new women's dormitory beginning in FY2017 at a total estimated cost of \$6.8 million to be financed by new long-term debt.

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 \$259,522 at June 30, 2016, an increase of \$32,959 compared to the balance of \$226,563 at June 30, 2015.

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, 2016 was \$246,903. This represents a decrease of \$3,250 from the balance of \$250,153 at June 30, 2015.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. There were no amounts to be reported as the non-current portion of long-term debt at June 30, 2016, which represents a decrease of \$412,363 from the balance of \$412,363 on June 30, 2015. The College plans to construct a new women's dormitory in FY2017 at a total estimated cost of \$6.8 million to be financed by new long-term debt.

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 \$6,227,489 at June 30, 2016. \$1,757,602 of the \$6,227,489 of the deferred outflows reported at June 30, 2016 represents the college's contribution to the retirement plan after the measurement date of the liability (June 30, 2015). The college reported a net pension liability of \$26,587,808 at June 30, 2016. 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 .172 percent for the June 30, 2015 PERS reporting year. The college reported deferred inflows of \$3,333,445 at June 30, 2016.

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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, 2016 was \$10,169,881. This represents an increase of \$2,458,548 from the balance of \$7,711,333 on June 30, 2015, 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, 2016	June 30, 2015
	Amount	Amount
Unemployment Funds	\$ 46,854	\$ 46,817
Capital Projects	326,530	214,083
Grants and Contracts	1,100,734	957,566
Debt Service	-	482,331
Total Restricted Expendable Net Position	\$ 1,474,118	\$ 1,700,797

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, 2016	June 30, 2015
	Amount	Amount
Unrestricted General Fund	\$ (20,322,762)	\$ (20,174,894)
Unrestricted Auxiliary Fund	3,852,148	3,567,645
Total Unrestricted Net Position	\$ (16,470,614)	\$ (16,607,249)

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)	\$ (16,470,614)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	23,693,764
Unrestricted net position, exclusive of the net pension liability effect	\$ 7,223,150

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2016 and 2015

	\$	<u>2016</u>	\$	<u>2015</u>
Operating Revenues:				
Tuition and Fees		880,733		1,076,530
Grants and Contracts		10,194,222		10,004,835
Auxiliary Enterprises		3,926,245		4,042,002
Other Operating Revenue		311,390		282,852
		<u>15,312,590</u>		<u>15,406,219</u>
Total Operating Revenues				
Operating Expenses		<u>28,000,153</u>		<u>27,547,309</u>
Operating Loss		<u>(12,687,563)</u>		<u>(12,141,090)</u>
Nonoperating Revenues:				
State Appropriations		11,002,390		10,254,228
Local Appropriations		2,545,814		2,153,954
Investment Income		21,514		29,950
Interest Expense on Capital Related Debt		(13,074)		(24,850)
Other Nonoperating Revenues (Expenses)		<u>(504,987)</u>		<u>(221,753)</u>
Net Nonoperating Revenues		<u>13,051,657</u>		<u>12,191,529</u>
Income(Loss) Before Other Revenues		<u>364,094</u>		<u>50,439</u>
Appropriations restricted for				
Capital Purpose		2,094,454		1,312,727
Capital Grants and Gifts		-		48,819
		<u>2,094,454</u>		<u>1,361,546</u>
Total Restricted Appropriations and Grants				
Total Increase (Decrease) in Net Position		<u>2,458,548</u>		<u>1,411,985</u>
Net Position				
Net Position at Beginning of Year		7,711,333		30,222,282
Prior Period Adjustment		-		(23,922,934)
Net Position at End of Year	\$	<u>10,169,881</u>	\$	<u>7,711,333</u>

The total operating loss for the fiscal year 2016 was \$(12,687,563), an increase of \$546,473 from the loss for fiscal year 2015 of \$(12,141,090). 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, 2016**

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 2016 were \$15,312,590. Tuition and fees were \$880,733. The tuition discount was \$4,586,109. Operating expenses, including depreciation of \$852,845, totaled \$28,000,153.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$5,466,842. The tuition discount for the 2016 fiscal year was \$4,586,109.

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 \$309,115 for the 2016 fiscal year. This represents an increase of \$28,559 from the balance of \$280,556 for the 2015 fiscal year.

Sales and Services, Net

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

Operating Expenses

Operating expenses totaled \$28,000,153. This includes salaries and benefits of \$15,386,191, utilities of \$752,254, supplies of \$3,720,587, services of \$7,288,276, and depreciation of \$852,845.

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Expenses by Function:		
Instruction	\$ 10,103,858	\$ 9,130,530
Public Service	898,059	859,732
Academic Support	472,530	440,500
Student Services	2,847,076	2,573,612
Institutional Support	2,808,777	2,647,804
Operations and Maintenance		
Of Plant	2,743,713	3,107,428
Student Financial Aid	3,772,895	4,285,091
Auxiliary Enterprises	3,500,400	3,595,698
Depreciation	852,845	906,914
Total Operating Expenses	\$ 28,000,153	\$ 27,547,309
By Function	\$ 28,000,153	\$ 27,547,309

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Non-operating Revenues (Expenses)

State Appropriation

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$13,023,183 for the 2015-2016 fiscal year, of which \$11,002,390 was for operations. This represents an increase of \$748,162 from the amount received for operations in the previous year. State appropriations for capital projects of \$2,020,793 were paid on behalf of the College during the 2016 fiscal year.

Local Appropriations

The College also receives revenue from Leake, Neshoba, Newton, Scott and Winston Counties. The College received \$2,619,475 for the 2016 fiscal year of which \$2,545,814 was for operating purposes. This represents an increase of \$391,860 from the previous year. The remaining \$73,661 was received in fiscal year 2016 for capital projects or retirement of debt.

Investment Income, Net

This includes interest income earned on cash in the bank accounts and certificates of deposit. A total of \$21,514 was earned during the 2016 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The college received \$2,020,793 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2016 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
	<u>Amount</u>	<u>Amount</u>
Cash and Cash Equivalents provided by (used in):		
Operating Activities	\$ (11,903,594)	\$ (12,170,054)
Non-Capital Financing Activities	13,708,744	12,312,976
Capital and related financing activities	(1,336,830)	(1,575,938)
Investing Activities	<u>18,831</u>	<u>26,996</u>
Net Increase (Decrease) in cash and cash equivalents	\$ 487,151	\$ (1,406,020)
Cash and cash equivalents - beginning of year	<u>6,722,603</u>	<u>8,128,623</u>
Cash and cash equivalents - end of year	<u>\$ 7,209,754</u>	<u>\$ 6,722,603</u>

**East Central Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

The major source of cash inflows included in operating activities for the 2016 fiscal year includes student tuition and fees, \$729,512, auxiliary enterprises, \$3,940,767 and grants and contracts, \$9,766,602. The major cash outflows of funds for the 2016 fiscal year were payments made to and for employees, \$15,038,123, scholarships and fellowships, \$3,772,895, service providers, \$752,253 and suppliers, \$7,106,473.

The largest inflow of cash in the non-capital financing activities group is the State appropriation of \$11,165,664.

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. The total increase in construction on these various projects was \$2,436,265. The college also made improvements to the seating in Lancaster Auditorium totaling \$79,015 during the year.

Factors Impacting Future Periods

The College has begun the process of planning for the construction of a new 108 bed women's dormitory. It is anticipated that construction will begin July 2016 and will be completed within 16 months of that date at an estimated total cost of approximately \$6.8 million. The project will be funded by issuance of debt with an estimated annual debt service in the amount of \$450,000. The annual debt service is to be funded by the five counties in the College's district plus room fee revenue generated by the new dormitory. Currently, there is a waiting list for students requesting on campus housing; therefore, it is anticipated that the new women's dormitory will be at full occupancy.

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

AUDITED FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY COLLEGE
Statement of Net Position
June 30, 2016

Assets and Deferred Outflows of Resources

Current Assets:	
Cash and cash equivalents	\$ 6,244,674
Short-term investments	615,139
Accounts receivable, net	1,840,732
Inventories	543,720
Prepaid expenses	178,280
Total Current Assets	<u>9,422,545</u>
Non-Current Assets:	
Restricted cash and cash equivalents	965,080
Student note receivables, net	25
Capital assets, net of accumulated depreciation	25,166,377
Total Non-Current Assets	<u>26,131,482</u>
Total Assets	<u>35,554,027</u>
Deferred Outflows of Resources:	
Pension related deferred outflows	6,227,489
Total Deferred Outflows of Resources	<u>6,227,489</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 41,781,516</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,157,507
Unearned revenue	26,450
Total Current Liabilities	<u>1,183,957</u>
Non-Current Liabilities:	
Accrued leave liability	246,903
Deposits refundable	259,522
Net pension liability	26,587,808
Total Non-Current Liabilities	<u>27,094,233</u>
Total Liabilities	<u>28,278,190</u>
Deferred Inflows of Resources:	
Pension related deferred inflows	3,333,445
Total Deferred Inflows of Resources	<u>3,333,445</u>
Net Position:	
Net investment in capital assets	25,166,377
Restricted for:	
Expendable:	
Capital projects	326,530
Grants and contracts	1,100,734
Unemployment	46,854
Unrestricted (deficit)	<u>(16,470,614)</u>
Total Net Position	<u>10,169,881</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 41,781,516</u>

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

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Financial Position
June 30, 2016

Assets

Current Assets:	
Cash	\$ 754,322
Investments	576,994
Contributions receivable	14,858
Other receivables	3,542
Total Current Assets	1,349,716
 Non-Current Assets:	
Investments	6,000,997
Contributions receivable	78,033
Total Non-Current Assets	6,079,030
Total Assets	7,428,746

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 11,486
Total Liabilities	11,486
 Net Assets:	
Unrestricted	23,774
Temporarily restricted	1,099,835
Permanently restricted	6,293,651
Total Net Assets	7,417,260
Total Liabilities and Net Assets	\$ 7,428,746

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, 2016

Operating Revenues:	
Tuition and fees, (net of scholarship allowances of \$4,586,109)	\$ 880,733
Federal grants and contracts	7,801,887
State grants and contracts	2,264,836
Nongovernmental grants and contracts	127,499
Sales and services of educational departments	309,115
Auxiliary enterprises:	
Student housing, (net of scholarship allowances of \$249,403)	653,001
Food Services, (net of scholarship allowances of \$270,515)	862,191
Bookstore	2,255,962
Athletics	29,091
Other auxiliary revenues	126,000
Other operating revenues	2,275
Total Operating Revenues	<u>15,312,590</u>
Operating Expenses:	
Salaries and wages	11,584,200
Fringe benefits	3,801,991
Travel	391,816
Contractual services	3,123,565
Utilities	752,254
Scholarships and fellowships	3,772,895
Commodities	3,720,587
Depreciation expense	852,845
Total Operating Expense	<u>28,000,153</u>
Operating Loss	<u>(12,687,563)</u>
Non-Operating Revenues (Expenses):	
State appropriations	11,002,390
Local appropriations	2,545,814
Investment income	21,514
Other non-operating revenues	14,343
Interest expense on capital asset related debt	(13,074)
Other uses	(519,330)
Total Net Non-Operating Revenues (Expenses)	<u>13,051,657</u>
Income Before Other Revenues, Expenses, Gains and Losses	364,094
Other Revenues, Expenses, Gains and Losses:	
State appropriations restricted for capital purposes	2,020,793
Local appropriations restricted for capital purposes	73,661
Change in Net Position	<u>2,458,548</u>
Net Position:	
Net Position-Beginning of Year	7,711,333
Net Position - End of Year	<u>\$ 10,169,881</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues, and Reclassifications:				
Contributions	\$ 84,625	\$ 536,828	\$ 150,722	\$ 772,175
Interest and dividends	15	18,357	146,825	165,197
Gain (Loss) on sale of assets	-	(43,982)	-	(43,982)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	309,615	(309,615)	-	-
Total Public Support, Revenues, and Reclassifications	394,255	201,588	297,547	893,390
Expenses:				
Scholarships	119,310	-	-	119,310
Other program expenses	260,806	-	-	260,806
Management and general	25,395	-	-	25,395
Donations to East Central Community College	37,683	-	-	37,683
Total Expenses	443,194	-	-	443,194
Other Income (Losses):				
Unrealized holding (losses) on marketable securities available for sale	-	(5,181)	-	(5,181)
Excess (deficiency) of revenues over expenses before capital additions	(48,939)	196,407	297,547	445,015
Capital Additions:				
Unrealized holding (losses) on marketable securities available for sale - endowment funds	-	-	(43,538)	(43,538)
Excess (deficiency) of revenues over expenses after capital additions	(48,939)	196,407	254,009	401,477
Net Assets, Beginning of year	10,235	1,010,283	5,995,265	7,015,783
Fund Transfers In (Out)	62,478	(106,855)	44,377	-
Net Assets, End of Year	\$ 23,774	\$ 1,099,835	\$ 6,293,651	\$ 7,417,260

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, 2016

Cash Flows from Operating Activities:

Tuition and fees	\$ 729,512
Grants and contracts	9,766,602
Payments to suppliers	(7,106,473)
Payments to employees for salaries and benefits	(15,038,123)
Payments for utilities	(752,253)
Payments for scholarship and fellowships	(3,772,895)
Auxilliary enterprise charges:	
Student housing	667,523
Food services	862,191
Bookstore	2,255,962
Athletics	29,091
Other auxilliary enterprises	126,000
Sales and services of educational departments	309,115
Other receipts	20,154
Net Cash Used by Operating Activities	<u>(11,903,594)</u>

Cash Flows from Non-Capital Financing Activities:

State appropriations	11,165,664
Local appropriations	2,527,259
Federal loan program receipts	2,084,818
Federal loan program disbursements	(2,084,818)
Other receipts	15,821
Net Cash Provided by Non-Capital Financing Activities	<u>13,708,744</u>

Cash Flows from Capital and Related Financing Activities:

Cash paid for capital assets	(2,734,293)
Capital appropriations and donations received	2,094,454
Principal paid on capital debt and leases	(668,623)
Interest paid on capital debt and leases	(28,368)
Net Cash Used by Capital and Related Financing Activities	<u>(1,336,830)</u>

Cash Flows from Investing Activities:

Interest received	18,831
Net Cash Provided by Investing Activities:	<u>18,831</u>
Net Increase in Cash and Cash Equivalents	487,151
Cash and Cash Equivalents - Beginning of the Year	6,722,603
Cash and Cash Equivalents - End of the Year	<u>\$ 7,209,754</u>

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

Cash and cash equivalents - current assets	\$ 6,244,674
Restricted cash and cash equivalents - non-current assets	965,080
Total Cash and Cash Equivalents	<u>\$ 7,209,754</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, 2016

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (12,687,563)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	852,845
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(582,954)
Inventories and prepaid items	54,577
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	123,884
Deferred revenues	3,557
Deposits refundable	32,959
Other liabilities	299,101
Total Adjustments	<u>783,969</u>
Net Cash Used by Operating Activities	<u>\$ (11,903,594)</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, 2016

Cash Flows from Operating Activities:	
Excess revenues over expenses	\$ 401,477
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
Loss on sale of assets	43,982
Decrease in contribution receivables	2,168
Increase in other receivables	(3,477)
Increase in accounts payable	(5,148)
Interest and dividends restricted for reinvestment	(18,357)
Interest and dividends restricted for long-term investment	(146,825)
Unrealized holding losses on securities	48,719
Cash contributions restricted for endowments	(150,722)
Non-cash contributions	37,683
Non-cash expenses	(37,683)
Net Cash Used by Operating Activities	<u>171,817</u>
Cash Flows from Investing Activities:	
Proceeds from sale of assets	1,327,440
Interest and dividends restricted for reinvestment	18,357
Purchase of investments	<u>(1,852,379)</u>
Net Cash Used by Investing Activities	<u>(506,582)</u>
Cash Flows from Financing Activities:	
Proceeds from contributions restricted for:	
Investments in endowments	150,722
Other financing activities:	
Interest and dividends restricted for long-term investments	<u>146,825</u>
Net Cash Provided by Financing Activities	<u>297,547</u>
Net Decrease in Cash	(37,218)
Cash - Beginning of the Year	791,540
Cash - End of the Year	<u>\$ 754,322</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, 2016, the Foundation distributed \$37,683 to the college. Significant note disclosures applicable to the Foundation's financial statements are presented at the end of the College's Notes to the 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.

Beginning June 30, 2015, the College was required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* as well as GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment to GASB 68*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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, 2016, is reported in the Statement of Net Position as a long-term liability in the amount of \$246,903. 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 \$(16,470,614) at June 30, 2016, includes \$3,852,148 reserved for auxiliaries.

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, 2016, the College had \$7,209,754 in cash and cash equivalents and \$615,139 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, 2016, none of the College's bank balance of \$7,897,152 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, 2016</u>
Short Term Investments	<u>\$ 615,139</u>

The following table summarizes the categorization of investments at June 30, 2016:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	Less than 1 year	<u>\$ 615,139</u>	Not Rated
Total Investments		<u>\$ 615,139</u>	

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.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 2 - Cash and Investments (Continued).

B. Investments (Continued)

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, 2016, 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, 2016:

Student Tuition	\$4,292,051
Federal, State, Private Grants and Contracts	751,396
State Appropriations	312,881
Local Appropriations	76,535
Accrued Interest	1,546
Other	186,878
Total Accounts Receivable	<u>5,621,287</u>
Less: Allowance for Doubtful accounts	<u>(3,780,555)</u>
Net Accounts Receivable	<u>\$1,840,732</u>

Note 4 - Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2016:

	Interest Rates	June 30, 2016	Current Portion	Non- Current Portion
Perkins Student Loans	3% - 9%	\$ 32,261	-	32,261
Total Notes Receivable		32,261	-	32,261
Less: Allowance for Doubtful Accounts		<u>(32,236)</u>	-	<u>(32,236)</u>
Net Notes Receivable		<u>\$ 25</u>	<u>-</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, 2016, is presented as follows:

	Beginning Balance	Additions	Deletions	Reclasses	Ending Balance
<u>Nondepreciable Capital Assets:</u>					
Land	\$ 274,570	\$ -	\$ -	\$ -	\$ 274,570
Construction in progress	154,676	2,436,265	-	-	2,590,941
Total Nondepreciable Capital Assets	429,246	2,436,265	-	-	2,865,511
<u>Depreciable Capital Assets:</u>					
Buildings	28,209,123	-	-	-	28,209,123
Improvements other than buildings	3,860,638	79,015	-	-	3,939,653
Books and Films	597,011	11,041	(31,852)	-	576,200
Furniture and Equipment	5,188,969	207,972	(43,694)	-	5,353,247
Total Depreciable Capital Assets	37,855,741	298,028	(75,546)	-	38,078,223
<u>Less Accumulated Depreciation for</u>					
Buildings	9,064,029	480,723	-	-	9,544,752
Improvements other than buildings	1,081,514	152,652	-	-	1,234,166
Books and Films	523,206	15,659	(31,852)	-	507,013
Furniture and Equipment	4,329,830	203,811	(42,215)	-	4,491,426
Total Accumulated Depreciation	14,998,579	852,845	(74,067)	-	15,777,357
Total Depreciable Capital Assets	22,857,162	(554,817)	(1,479)	-	22,300,866
Total Capital Assets, net	\$ 23,286,408	\$ 1,881,448	\$ (1,479)	\$ -	\$ 25,166,377

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 notes and bonds payable, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2016. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation except for the Dormitory Revenue Bond, Series 1989.

Information regarding original issued amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2016, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is not provided due to the college retiring the remaining principal balances of their bonded debt in the fiscal year ended June 30, 2016. .

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30,2016	Due Within One Year
Bonded Debt								
Dormitory Revenue Bond, Series 1989	\$ 1,115,000	3.00%	2018	220,000	-	(220,000)	-	-
Dormitory Revenue Bond, Series 1999	\$ 3,000,000	4.75%	2018	448,623	-	(448,623)	-	-
Total Bonded Debt				668,623	-	(668,623)	-	-
Other Long-Term Liabilities								
Accrued Leave				250,153	-	(3,250)	246,903	-
Total Other Long-Term Liabilities				250,153	-	(3,250)	246,903	-
Total Long Term Liabilities				918,776	-	(671,873)	246,903	-

Note 7 - Operating Expenses.

The Community College's operating expenses by functional classifications were as follows for the year ended June 30, 2016.

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation	Total
Instruction	\$ 6,205,530	2,017,529	137,627	972,134	12,526	-	758,512	-	10,103,858
Public Service	720,251	152,511	2,077	13,070	96	-	10,054	-	898,059
Academic Support	327,179	111,713	5,458	962	1,055	-	26,163	-	472,530
Student Services	1,666,271	578,775	186,570	225,553	1,234	-	188,673	-	2,847,076
Institutional Support	1,616,683	531,100	58,779	442,710	1,972	-	157,533	-	2,808,777
Operation of Plant	772,658	320,189	430	412,206	457,610	-	780,620	-	2,743,713
Student Aid	-	-	-	-	-	3,772,895	-	-	3,772,895
Auxiliary Enterprises	275,628	90,174	875	1,056,930	277,761	-	1,799,032	-	3,500,400
Depreciation	-	-	-	-	-	-	-	852,845	852,845
Total Operating Expenses	\$ 11,584,200	3,801,991	391,816	3,123,565	752,254	3,772,895	3,720,587	852,845	28,000,153

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 8 - Construction Commitments and Financing.

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

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>State Sources</u>	<u>Sources of Funding</u>
Women's Dorm	\$ 516,109	6,267,296	Mississippi Development Bank Bonds
Tennis Courts	\$ 42,312	1,229,688	Institutional Funds
Total	\$ 558,421	\$ 7,496,984	

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, 2016 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, 2016, 2015 and 2014 were \$1,757,602, \$1,688,561 and \$1,703,899, 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, 2016, the college reported a liability of \$26,587,808 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2016 net pension liability was .172 percent, which was based on a measurement date of June 30, 2015. This was a decrease of .005 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the College recognized pension expense of \$2,056,703. At June 30, 2016 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	\$ 623,767	\$ -
Net difference between projected and actual earnings on pension plan investments	1,555,671	2,335,759
Changes of assumptions	2,290,449	-
Changes in proportion and difference between District contributions and proportionate share of contributions	-	997,686
District contributions subsequent to the measurement date	1,757,602	-
Total	\$ 6,227,489	\$ 3,333,445

EAST CENTRAL COMMUNITY COLLEGE
Notes To Financial Statements

Note 9 - Defined Benefit Pension Plan (Continued).

\$1,757,602 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, 2017. 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:	
2017	\$ 254,731
2018	293,062
2019	199,733
2020	388,916
2021	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2015 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, 2015 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>	

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, a decrease of 0.25 percentage points since the prior measurement date. 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 rates equal to the difference between actuarially determined contribution rates and the member 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. 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	\$ 35,045,167	\$ 26,587,808	\$ 19,569,782

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 \$(16,470,614) includes the effect of deferring the recognition of expenses resulting from deferred outflow from pensions. The \$4,469,887 balance of the deferred outflow of resources at June 30, 2016 will be recognized as expenses and decrease unrestricted net position over the next 3 years. The remaining balance of \$1,757,602 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, 2017.

The unrestricted net position amount of \$(16,470,614) includes the effect of deferring the recognition of revenue resulting from deferred inflow from pensions. The \$3,333,445 balance of the deferred inflow of resources at June 30, 2016 will be recognized as revenue and increase unrestricted net position over the next 4 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 14, 2017, and determined that the following subsequent event requires disclosure in the notes to financial statements.

- On August 9, 2016 the board approved the low bid of J&J Contractors for construction on new tennis courts at a total cost of \$1,226,032.

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 a twelve 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 expends such as 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 Activities 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 statements of activities based on restrictions put in place by the donor.

K. Fair Value of Financial Instruments

The carrying amounts at June 30, 2016 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, 2016 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, 2014, June 30, 2015 and June 30, 2016 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:

	2016
Purpose restriction accomplished:	
Scholarship programs	\$ 48,809
Other program services	260,806
	\$ 309,615

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

Scholarships	\$ 700,411
Other program services	399,424
	\$ 1,099,835

Note 3 - Permanently Restricted Net Assets.

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

	2016
Scholarships	\$ 5,253,265
Other program services	1,040,386
	\$ 6,293,651

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, 2016, the Foundation did have cash in excess of the insurance limit. As of June 30, 2016, the bank balance of cash held in financial institutions was \$750,265. These deposits are insured up to \$250,000 which leaves a balance of \$500,265 as uncollateralized and uninsured deposits.

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

Note 5 - Non-Cash Contributions.

The Foundation receives a variety of non-cash contributions. For the year ended June 30, 2016, non-cash contributions totaled \$37,683, and were included in revenue.

For the year ended June 30, 2016, the foundation received \$37,683 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Supplies	\$ 36,664
Books	1,019
	\$ 37,683

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, 2016:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Merrill Lynch - Cash/Money Market Fund	\$ 1,154,086	\$ 1,154,086	\$ -
Merrill Lynch - Corporate Bonds	670,136	719,483	49,347
Merrill Lynch - Mutual Funds	2,469,146	2,653,190	184,044
Merrill Lynch - Govt. and Agency Securities	991,091	1,035,959	44,868
Merrill Lynch - Equities Securities	693,638	759,034	65,396
Wells Fargo - Money Market Funds	5,396	5,396	-
Wells Fargo - Mutual Funds	33,607	31,187	(2,420)
Stifel Nicolaus - Money Market Funds	12,148	12,148	-
Stifel Nicolaus - Corporate Stocks	3,144	12,821	9,677
Morgan Stanley - Money Market Funds	7,902	7,902	-
Morgan Stanley - Corporate Stocks	38,957	62,880	23,923
Weyerhaeuser Stock	28,410	61,468	33,058
Vanguard - Mutual Funds	41,006	62,437	21,431
Total	<u>\$ 6,148,667</u>	<u>\$ 6,577,991</u>	<u>\$ 429,324</u>

Current Investments	\$ 576,994
Noncurrent Investments	<u>6,000,997</u>
Total	<u>\$ 6,577,991</u>

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

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

Note 7 – Investments (Continued).

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends / Interest	\$ 15	\$ 22,239	\$ 177,883	\$ 200,137
Fees Charged	-	(3,882)	(31,058)	(34,940)
Unrealized Gains (Losses)	-	(5,181)	(43,538)	(48,719)
Total	\$ 15	\$ 13,176	\$ 103,287	\$ 116,478

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

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.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

Note 8 - Fair Value Measurements (Continued).

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2016:

June 30, 2016	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 719,483			\$ 719,483
Corporate stocks	137,169	-	-	137,169
Equity securities	759,034	-	-	759,034
Govt and Agency Securities	1,035,959			1,035,959
Mutual funds	2,746,814	-	-	2,746,814
Other short-term investments	1,179,532	-	-	1,179,532
	<u>\$ 6,577,991</u>	<u>-</u>	<u>-</u>	<u>\$ 6,577,991</u>

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.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

Note 9 - Net Asset Classifications of Endowment Funds (Continued).

Changes in donor-restricted endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment net assets, June 30, 2015	\$ -	\$ -	\$ 5,995,265	\$ 5,995,265
Contributions to endowment	-	-	265,600	265,600
Appropriation for expenditures	-	-	(70,501)	(70,501)
Investment return:				
Investment income	-	-	146,825	146,825
Net appreciation (depreciation)	-	-	(43,538)	(43,538)
 Donor-restricted endowment net assets, June 30, 2016	 \$ -	 \$ -	 \$ 6,293,651	 \$ 6,293,651

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, 2016, amounted to \$105,000, and are due in increments of \$15,000 through the fiscal year ended June 30, 2019 and then increments of \$5,000 through the fiscal year ended June 30, 2031. These receivables have been discounted at 2.43% which is the estimated annual rate of return on an annuity at June 30, 2016.

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

<u>Fiscal Year Ended June 30:</u>	<u>Total Amount to be Received</u>	<u>Discount to Present Value</u>	<u>Discounted Value</u>
2017	\$ 15,000	\$ (142)	\$ 14,858
2018	15,000	(1,896)	13,104
2019	15,000	(1,578)	13,422
2020	5,000	(1,252)	3,748
2021	5,000	(1,161)	3,839
Thereafter:	50,000	(6,080)	43,920
Total	\$ 105,000	\$ (12,109)	\$ 92,891

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION, INC
Notes to Financial Statements

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 14, 2017, 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>2016</u>	<u>2015</u>
College's proportion of the net pension liability	\$ 26,587,808	\$ 21,484,559
College's proportionate share of the net pension liability	0.172%	0.177%
College's covered-employee payroll	\$ 10,721,023	\$ 10,818,398
College's proportionate share of the net pension liability as a percentage of its covered payroll	248.00%	198.59%
Plan fiduciary net position as a percentage of the total pension liability	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.

The 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>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,757,602	\$ 1,688,561
Contribution in relation to the contractually required contribution	1,757,602	1,688,561
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
College's covered-employee payroll	11,159,369	10,721,023
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

The schedule is presented to illustrate the requirement to show information for 10 years. However GASB 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**

Note 1 – Pension Schedules

A. Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2016.

B. Changes of assumptions

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

EAST CENTRAL COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY COLLEGE
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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		\$ 6,390,124	\$ -	\$ 6,390,124
Federal Pell Grant Program	84.033		74,174	-	74,174
Federal Work-Study Program	84.007		58,764	-	58,764
Federal Supplemental Educational Opportunity Grants	84.268		2,084,818	-	2,084,818
Federal Direct Student Loans			8,607,880	-	8,607,880
Total U.S. Department of Education			8,607,880	-	8,607,880
Total Student Financial Aid Cluster					
Other Programs:					
US Department of Labor:					
WIA Cluster:					
Passed Through Mississippi Department of Employment Security:					
WIA/WIOA Adult Program	17.258		35,543	-	35,543
Passed Through Southern Mississippi Planning and Development District:					
WIA/WIOA Dislocated Worker Formula Grants	17.278	14-353-215-591	92,608	-	92,608
Total WIA Cluster			128,151	-	128,151
Passed Through Southern Mississippi Planning and Development District:					
WIA National Emergency Grants	17.277	13-355-860-591	3	-	3
Passed Through the Montgomery Institute:					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26437-14-60-A-28	544,206	-	544,206
Total U.S. Department of Labor			672,360	-	672,360
U.S. Department of Transportation:					
Passed Through Mississippi Department of Transportation:					
Highway Planning and Construction	20.205		13,054	-	13,054
Total U.S. Department of Transportation			13,054	-	13,054
U.S. Department of Education:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		8,856	-	8,856
Passed Through Mississippi Department of Education:					
Adult Education - Basic Grants to States	84.002		222,233	-	222,233
Career and Technical Education - Basic Grants to States	84.048		320,092	-	320,092
Total Passed through Mississippi Department of Education			542,325	-	542,325
Passed Through Mississippi Department of Rehabilitation Services:					
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		14,883	-	14,883
Total U.S. Department of Education			566,064	-	566,064
Total Other Programs			1,251,478	-	1,251,478
Total Expenditures of Federal Awards			9,859,358	-	9,859,358

The accompanying notes are an integral part of this schedule.

EAST CENTRAL COMMUNITY COLLEGE
Notes To Supplementary Information

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, 2016. 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 current financial resource measurement focus and the modified accrual basis of accounting.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the modified 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	\$	9,859,358
Less: Student Loans		<u>2,084,818</u>
Federal grants and contracts	\$	<u>7,774,540</u>

EAST CENTRAL COMMUNITY COLLEGE
Notes To Supplementary Information

Note 1 – Basis of Presentation

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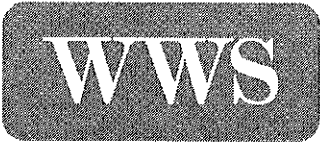
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Less: Student Loans		<u>2,084,818</u>
Federal grants and contracts	\$	<u>7,774,540</u>

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
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., 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, 2016, 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 14, 2017. 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.

EAST CENTRAL COMMUNITY COLLEGE

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

EAST CENTRAL COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS