FINANCIAL STATEMENTS

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

For the Year Ended June 30, 2018

Franks, Franks, Wilemon & Hagood, P.A.
Certified Public Accountants

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967

ffwh CPAs
trust knowledge insight growth
FRANKS | FRANKS | WILEMON | HAGOOD
www.ffwhcpa.com

Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Mississippi Community College

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest Mississippi Community College as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Northwest Mississippi Community College Foundation, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts for Northwest Mississippi Community College Foundation, is based solely on the reports of the other auditors. 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 Northwest Mississippi Community College Foundation were not audited in accordance with Governmental 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 discretely presented component unit of Northwest Mississippi Community College, as of June 30, 2018, 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, the Schedule of College Contributions (PERS), Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB) on pages 1-13, 46, 46, 47 and 47, 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the 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 February 7, 2019 on our consideration of Northwest Mississippi Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Northwest Mississippi Community College's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 7, 2019

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2018

This section of the Northwest Mississippi Community College (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2018. 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. The financial statements, footnotes, and this discussion are the responsibility of the college's management.

Using this Report

This annual report consists of a series of financial statements, prepared in accordance with the Government Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net 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 and are prepared utilizing the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's Net Position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are one indicator of the College's financial health. Over time, increases or decreases in Net Position are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

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

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, noncapital financing, capital and related financing, and investing activities.

Condensed Statement of Net Position

	June 30, 2018	Restated June 30, 2017	Increase (Decrease)
Assets			
Current Assets	$ 15,448,554	$ 12,067,660	$ 3,380,894
Non Current Assets			
Other	7,170,383	7,545,352	(374,969)
Long-term Receivable	700,000	800,000	(100,000)
Capital, Net	91,669,631	93,474,020	(1,804,389)
Total Assets	114,988,568	113,887,032	1,101,536
Deferred Outflows of Resources	15,741,489	21,529,759	(5,788,270)
Liabilities			
Current Liabilities	3,708,997	2,964,322	744,675
Noncurrent Liabilities	83,345,349	84,902,296	(1,556,947)
Total Liabilities	87,054,346	87,866,618	(812,272)
Deferred Inflows of Resources	9,749,880	5,710,993	4,038,887
Net Position			
Net Investment in Capital Assets	91,669,631	93,052,080	(1,382,449)
Restricted			
Expendable	7,515,297	7,651,828	(136,531)
Unrestricted	(65,259,097)	(58,864,728)	(6,394,369)
Total Net Position	$ 33,925,831	$ 41,839,180	$ (7,913,349)

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts that are unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was $10,810,808 at June 30, 2018, compared to the fiscal year 2017 amount of $7,298,405. This increase is primarily due to the completion of capital projects related to student housing facilities in previous fiscal years.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, accounts receivable arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. Accounts receivable was $3,187,177 at June 30, 2018, compared to the fiscal year 2017 amount of $2,889,310. This increase is a result of timing on the receipt of state funds.

Inventories

The College maintains inventories of merchandise for resale in the Northwest Bookstore. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled $701,040 at June 30, 2018, and $904,139 at June 30, 2017. The decrease in fiscal year 2018 inventory is due to timing on the shipping of books for the Fall semester. This decrease can be attributed to the College's increased transition to electronic books for the 2018 fiscal year. With this transition, there were significantly less books in transit at year-end 2018.

Long-term Receivable-Current Portion

Long-term receivable consists of the agreement with Marshall County to pay the College $1,000,000 of back taxes over a period of ten years. The outstanding balance reported as a current asset at June 30, 2018 was $100,000, which is due in the next fiscal year.

Prepaid Expenses

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and amounts submitted to the Bureau of Buildings for the College's share of future construction projects. Prepaid expenses totaled $649,529 at June 30, 2018, in comparison to $875,806 at June 30, 2017.

Non-current Assets

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are considered restricted, non-current assets include cash held in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund and cash held in the unexpended plant fund for future capital improvements. The amount of restricted cash and cash equivalents at June 30, 2018 totaled $7,170,383, in comparison to $7,545,352 at June 30, 2017. During fiscal year 2018, funds decreased due to funds being released from obligations related to current and future capital projects on campus. Most notably the capital related repairs to student housing facilities.

Long-term Receivable

Long-term receivable consists of the agreement with Marshall County to pay the College $1,000,000 of back taxes over a period of ten years. The outstanding balance reported as a long-term asset at June 30, 2018 was $700,000, compared to $800,000 at June 30, 2017, while the current portion of the long-term receivable at June 30, 2018 and June 30, 2017 was $100,000.

Capital Assets, Net

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2018. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to $91,669,631 at June 30, 2018, in comparison to $93,474,020 at June 30, 2017. The largest portion of capital assets of the College consists of buildings. The amount reported prior to depreciation at June 30, 2018 totaled $106,265,562 or 72.74% of total capital assets compared to $96,169,713 or 66.47% of total capital assets at June 30, 2017. These building are used for housing students, classrooms, and faculty and staff offices.

The College also has some $1,387,833 estimated to complete various capital projects at June 30, 2018 compared to $2,355,704 at June 30, 2017.

Deferred Outflow 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) until then. Deferred outflow of resources consist Other Post Employment Benefits "OPEB" as well as pensions The deferred outflow of resources related to OPEB totals $217,147 at June 30, 2018 compared to $0 at June 30, 2017, due to the implementation of GASB Statement No. 75 in the 2018 fiscal year. The deferred outflow of resources related to pension totals $15,524,342 at June 30, 2018 compared to $21,522,015 at June 30, 2017. This decrease in deferred outflow is related to a significant decrease in deferred outflow from the State retirement system's performance in fiscal year 2017 (measurement period of PERS).

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2018 for employee benefits, accrued payroll, and for unpaid goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $3,094,605 at June 30, 2018, in comparison to $2,222,674 at June 30, 2017. The increase is related to the timing of certain employee benefits being paid at the end of each fiscal year.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year that the College had not earned or expended by the end of the June 30, 2018 fiscal year. The unearned revenue totaled $386,300 at June 30, 2018, and $262,335 at June 30, 2017. This increase is due to the timing of students who register for second summer term classes that do not begin until the next fiscal year.

Long-Term Liabilities – Current Portion

The current portion of long-term liabilities represents the portion of bond and note indebtedness that is to be payable within one year of June 30, 2018. The amount of the long-term liabilities-current portion at June 30, 2018 was $0, as compared to $420,000 at June 30, 2017. The College's debt was paid off during the 2018 fiscal year.

Other Current Liabilities

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2018 was \$68,414, as compared to \$59,313 at June 30, 2017.

Non-current Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. Deposits refundable at June 30, 2018 consist of room deposits paid by dormitory students and held in reserve by the College for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2018 was \$133,426 and \$117,201 at June 30, 2017.

Net OPEB Liability

This liability is the College's present obligation to pay OPEB in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net OPEB liability was \$3,745,544 at June 30, 2018, with \$159,678 considered due within the next fiscal year, while the at June 30, 2017 there was no OPEB liability. This increase is a result of the implementation of GASB Statement No. 75 in the 2018 fiscal year.

Net Pension Liability

This liability is the College's present obligation to pay pension benefits in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net pension liability was \$79,626,057 at June 30, 2018 and \$84,775,411 at June 30, 2017. This decrease is a direct result in the State retirement system's performance for the year ended June 30, 2017 (PERS measurement period).

Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources related to OPEB totals \$190,722 at June 30, 2018 and \$0 at June 30, 2017. This increase is a result of the implementation of GASB Statement No. 75 in the 2018 fiscal year. The deferred inflow of resources related to pensions totals \$9,559,158 at June 30, 2018 and \$5,710,993 at June 30, 2017. This decrease is a direct result in the State retirement system's performance for the year ended June 30, 2017 (PERS measurement period).

Net Position

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. During fiscal year 2018, total net position decreased by \$4,230,544 or 10.33%. The College's net position is presented as unrestricted, restricted – expendable, and net investment in capital assets. This decrease is directly related to the performance of the State retirement system's during fiscal year 2017 (PERS measurement period), as seen in the "Analysis of Net Position" and "Operating Expenses" sections below.

Analysis of Net Position

Unrestricted net position is net position available to the College for any lawful purpose. The following is a breakdown of unrestricted net position as of June 30, 2018 and June 30, 2017:

	June 30, 2018	Restated June 30, 2017	Increase (Decrease)
Unrestricted General Fund	$ 9,587,664	$ 8,343,024	$ 1,244,640
Unrestricted Auxiliary Fund	2,533,231	1,756,637	776,594
Unrestricted OPEB and Pension Fund	(77,379,992)	(68,964,389)	(8,415,603)
Total Unrestricted Net Position	$ (65,259,097)	$ (58,864,728)	$ (6,394,369)

The decrease in Unrestricted Net Position is related to the OPEB and Pension Fund's Net Position. The College's pension expense related to the State retirement system was over $9.4 million in fiscal year 2018.

Restricted - expendable net position consist of gifts or grants from third-parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted – expendable net position as of June 30, 2018 and June 30, 2017:

	June 30, 2018	Restated June 30, 2017	Increase (Decrease)
Restricted - expendable for			
Unemployment benefits	$ 117,237	$ 116,276	$ 961
Capital improvements	7,398,060	7,535,552	(137,492)
Total Restricted - Expendable Net Position	$ 7,515,297	$ 7,651,828	$ (136,531)

The decrease in Restricted- Expendable Net Position is related to multiple capital projects taking place at the College during the 2018 fiscal year. The College is well aware of the balance in the Unexpended Plant Fund's Net Position, therefore there is no fear of fully depleting the Net Position of this fund.

Net investment in capital assets, consists of the College's net position invested in capital assets less the amount of outstanding capital related debt:

	June 30, 2018	June 30, 2017	Increase (Decrease)
Net investment in capital assets	$ 91,669,631	$ 93,052,080	$ (1,382,449)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2018 with comparative information for the year ended June 30, 2017:

	June 30, 2018	Restated June 30, 2017	Variance Positive (Negative)
Total Operating Revenues	$ 38,563,161	$ 40,006,064	$ (1,442,903)
Total Operating Expenses	76,522,563	78,920,429	2,397,866
Net Operating Loss	(37,959,402)	(38,914,365)	954,963
Nonoperating Revenues(Expenses):	26,946,966	28,549,679	(1,602,713)
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(11,012,436)	(10,364,686)	(647,750)
Total Other Revenues, Expenses, Gains, or Losses	6,781,892	9,874,850	(3,092,958)
Change in Net Position	(4,230,544)	(489,836)	(3,740,708)
Net Position			
Net Position Beginning of Year	41,839,180	42,329,016	(489,836)
Prior Period Adjusment	(3,682,805)	-	(3,682,805)
Net Position Beginning of Year, as restated	38,156,375	42,329,016	(4,172,641)
Net Position End of Year	$ 33,925,831	$ 41,839,180	$ (7,913,349)

Total operating loss for the fiscal year 2018 was $37,959,402 while the loss for fiscal year 2017 was $38,914,365. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always 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 revenue.

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

Total operating revenues for fiscal year 2018 were $38,563,161, compared to $40,006,064 for fiscal year 2017. Tuition and fees were $8,744,260, compared to $9,015,541 for fiscal year 2017, net of the tuition discount which was $11,921,004 for fiscal year 2018, compared to $11,082,352 for fiscal year 2017. The decrease in operating revenue is due to a decrease in full-time enrollment for fiscal year 2018.

Operating expenses for fiscal year 2018, including depreciation and amortization of $3,796,891, and pension expense of $9,457,682, totaled $76,522,563. Operating expenses for fiscal year 2017 totaled $78,920,429, including depreciation and amortization of $3,565,025 and pension expense of $9,866,361. Operating expenses decreased in the current fiscal year due to a decrease in capital related repairs and maintenance projects that did not meet capitalization thresholds.

Instructional expenditures composed 33.37% of the fiscal year 2018 operating expenses and 32.51% of the fiscal year 2017 operating expenses.

Revenues

Operating Revenues

Tuition and Fees

Tuition and fees includes all tuition and related fees assessed for educational purposes totaling \$20,665,264 for fiscal year 2018, in comparison to \$20,097,893 for fiscal year 2017. The tuition discount for the 2018 fiscal year was \$11,921,004 compared to the fiscal year 2017 tuition discount of \$11,082,352. The tuition and fees increase is a direct result of a board approved tuition rate increase. This is also the cause for the increase in the tuition discount. With an increase in tuition rates, the modest increase in tuition revenue is due to a decrease in full-time enrollment for fiscal year 2018.

Grants and Contracts

Grants and contracts include all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2018 and June 30, 2017.

	June 30, 2018	June 30, 2017	Increase (Decrease)
Federal Sources	\$ 20,324,055	\$ 21,068,809	\$ (744,754)
State Sources	4,829,004	4,801,102	27,902
Other Sources	273,778	432,842	(159,064)
Total All Sources	\$ 25,426,837	\$ 26,302,753	\$ (875,916)

The federal sources decrease is consistent with the decrease in the College's full-time enrollment for the current fiscal year.

Sales and Services from Educational Activities

Sales and services from educational activities that totaled \$162,557 for the 2018 fiscal year as compared to \$153,588 for the 2017 fiscal year.

Sales and Services from Auxiliary Enterprises, Net

Sales and services from auxiliary, net, consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting.

Auxiliary enterprises primarily include the Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,725,551 for the 2018 fiscal year as compared to \$4,054,816 for the 2017 fiscal year. The discount for scholarship allowance was \$4,506,348 for fiscal year 2018 and \$4,472,456 for fiscal year 2017.

Other operating revenues

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$503,956 for the 2018 fiscal year as compared to \$479,366 for the 2017 fiscal year.

Operating Expenses

Operating expenses for fiscal year 2018 totaled $76,522,563 including salaries and benefits of $36,069,278, OPEB expense of $195,992, pension expense of $9,457,682, scholarships of $5,814,218, utilities of $1,818,989, commodities/supplies of $8,405,009, contractual services of $9,735,280, travel of $452,676, depreciation and amortization of $3,796,891, and other operating expense of $776,548. Operating expenses for fiscal year 2017 totaled $78,920,429 including salaries and benefits of $36,881,556, pension expense of $9,866,361, scholarships of $7,132,822, utilities of $1,541,680, commodities/supplies of $8,492,373, contractual services of $10,007,771, travel of $581,952, depreciation and amortization of $3,565,025, and other operating expense of $850,889.

Expenses by Function:

	June 30, 2018	June 30, 2017	Increase (Decrease)
Instruction	$ 25,538,086	$ 25,660,896	$ (122,810)
Academic Support	1,149,338	1,285,184	(135,846)
Student Services	5,430,119	5,651,335	(221,216)
Institutional Support	6,539,746	6,680,299	(140,553)
Operations and Maintenance of Plant	12,572,626	13,003,020	(430,394)
Student Financial Aid	4,836,629	6,155,667	(1,319,038)
Auxiliary Enterprises	7,005,454	7,052,642	(47,188)
OPEB Expense	195,992	-	195,992
Pension Expense	9,457,682	9,866,361	(408,679)
Depreciation and amortization	3,796,891	3,565,025	231,866
Total Operating Expenses by Function	$ 76,522,563	$ 78,920,429	$ (2,397,866)

The decrease in operating expenses is due to the decrease in the College's share of State appropriation of over $1.3 million from the previous fiscal year. With this decrease of State appropriations being anticipated, operating budgets were decreased for the fiscal year 2018.

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriations. These appropriations were for educational and general operations of the College. The College received $21,012,499 for fiscal year 2018 compared to $22,344,314 for fiscal year 2017. This decrease is a result of decreased full-time enrollment.

Local Appropriations

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year. The College received $5,775,085 in county appropriations for fiscal year 2018, compared to $5,625,780 for fiscal year 2017.

Interest Income, Net

Interest income includes the amount earned on cash in the bank accounts and from certificates of deposit. The interest income for fiscal year 2018 was $116,494, as compared to $64,735 for fiscal year 2017.

Interest Expense on Capital Related Debt

Interest expense on capital asset related debt consists of the amount the College incurred during the 2018 fiscal year. The total expense was $3,500 for fiscal year 2018, compared to $11,775 for fiscal year 2017.

Other Revenues, Expenses, Gains, and Losses

State Appropriations Restricted for Capital Purposes

State appropriations restricted for capital purposes consist of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the fiscal year 2018 was $860,340, as compared to $3,615,108 for fiscal year 2017. This decrease is due to the completion of a Bureau of Buildings project, Allied Health Building, during the fiscal year 2018.

Local Appropriations for Capital Purposes

The College receives non-operating revenue of county appropriations from the eleven county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities; and any debt service portion of appropriations for the payment of debt principal and interest. The College received $5,888,890 in local appropriations for capital purposes for fiscal year 2018, compared to $5,712,475 for fiscal year 2017.

Capital Grants and Gifts

Capital grants and gifts include revenue received from outside agencies restricted for capital projects during the fiscal year and the value of capital assets donated to the college. The amount of this grant totaled $165,007 for fiscal year 2018 as compared to $124,210 for fiscal year 2017. Capital grants consist of reimbursed career-technical equipment purchases.

Other Additions (Deletions), net

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for fiscal year 2018 was ($132,345) compared to ($26,943) for fiscal year 2017.

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period.

The Statement of Cash Flows also helps the user to assess the College's:

- Ability to generate future cash flows,
- Ability to meet obligations as they come due, and
- Need for external financing.

Condensed Statement of Cash Flows (Direct Method)

For the fiscal year ended June 30, 2018 and June 30, 2017:

	June 30, 2018	June 30, 2017	Variance Positive (Negative)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	$ (28,279,996)	$ (29,088,455)	$ 808,459
Noncapital Financing Activities	26,800,178	28,142,879	(1,342,701)
Capital and Related Financing Activities	4,500,758	(89,384)	4,590,142
Investing Activities	116,494	64,735	51,759
Net Increase (Decrease) in Cash and Cash Equivalents	3,137,434	(970,225)	4,107,659
Cash and Cash Equivalents - Beginning of Year	14,843,757	15,813,982	(970,225)
Cash and Cash Equivalents - End of Year	$ 17,981,191	$ 14,843,757	$ 3,137,434

The major sources of funds included in operating activities for fiscal year 2018 include student tuition and fees, $4,193,585; auxiliary enterprises, $3,765,651; and grants and contracts, $25,153,489. The major uses of funds for fiscal year 2018 were payments made to employees and benefit providers, $39,733,585; payments made to suppliers, $18,553,602; and for scholarships, $1,712,544.

In comparison, the major sources of funds included in operating activities for fiscal year 2017 include student tuition and fees, $5,090,309; auxiliary enterprises, $4,076,376; and grants and contracts, $27,105,754. The major uses of funds for fiscal year 2017 were payments made to employees and benefit providers, $41,708,062; payments made to suppliers, $18,665,690; and for scholarships, $3,848,718.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of $21,029,976 in fiscal year 2018, as compared to $22,511,478 in fiscal year 2017.

Significant Capital Asset Transactions

During fiscal year 2018, significant completion to several construction projects took place at the College. In fiscal year 2017, six construction projects were in progress at year-end with four of those projects considered capital project additions. In fiscal year 2018, all four of the capital projects were completed with $11,152,318 being added to the depreciation schedules and accounted for accordingly.

Significant Subsequent Events

The College has approved a contract for site repairs at the Lafayette Yalobusha Technical Center in the amount of $322,520. There are also projects that are in design phases with architects for future renovations and new construction. These projects have not been formally bid, so no funds are obligated at this time.

Financial Implications of GASB Pronouncements

The College implemented GASB 68 in fiscal year 2015, and GASB 75 in fiscal year 2018. The objectives of these GASB Statements are to improve accounting and financial reporting by state and local governmental entities related to pensions and OPEB. The implications of these new pronouncements distort the College's true activity and financial position; therefore, the following statements eliminate the impact of these GASB Statements to provide a more useful report on the College's operations and net position. Depreciation is also removed, as this expense is non-budgeted and non-cash.

GASB 68 and 75 Impact on Net Position	June 30, 2018	Restated June 30, 2017	Increase (Decrease)
Total Net Position	$ 33,925,831	$ 41,839,180	$ (7,913,349)
Deferred Outflows of Resource- Pension	(15,524,342)	(21,522,015)	5,997,673
Deferred Outflows of Resource- OPEB	(217,147)	-	(217,147)
Deferred Inflows of Resource- Pensions	9,559,158	5,710,993	3,848,165
Deferred Inflows of Resource- OPEB	190,722	-	190,722
Net Pension Liability	79,626,057	84,775,411	(5,149,354)
Net OPEB Liability	3,745,544	-	3,745,544
Total Impact on GASB 68 and 75	77,379,992	68,964,389	8,415,603
Net Position net of GASB 68 and 75	111,305,823	110,803,569	502,254
Less Net Investments in Capital Assets	(91,669,631)	(93,052,080)	1,382,449
Less Restricted Net Postion	(7,515,297)	(7,651,828)	136,531
Unrestricted Net of GASB 68 and 75	$ 12,120,895	$ 10,099,661	$ 2,021,234

GASB 68, GASB 75, and Other Non-cash Items Impact on Change in Net Position	June 30, 2018	Restated June 30, 2017	Increase (Decrease)
Change in Net Position	$ (4,230,544)	$ (489,836)	$ (3,740,708)
GASB 68 Impact	4,696,484	5,028,466	(331,982)
GASB 75 Impact	36,314	-	36,314
Depreciation	3,796,891	3,565,025	231,866
Change in Net Postion after GASB 68, GASB 75, and Other Non-cash Items	$ 4,299,145	$ 8,103,655	$ (3,804,510)
Change in Net Position- Operation	2,022,195	255,856	1,766,339
Change in Net Position- Plant	2,276,950	7,847,799	(5,570,849)

Factors Impacting Future Periods

There are a number of issues that are directly impacting the community college system as a whole. The sluggish economy at the local, state, and national level, the uncertainty in the level of State appropriations, the pressure to provide increases in employee compensation in order to retain and attract quality faculty and staff, and increases in retirement contributions, insurance and energy cost impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs, while minimizing increases in student tuition and fees. State appropriations continue to be the single largest source of revenue for the College and, therefore, one of the key factors influencing the College's financial condition.

In addition to these operational challenges, deferred maintenance and repairs, new technology, and new construction projects in order to adapt to industry standards and expectations are large challenges facing the College in the years to come. The College continues to assess its performance toward identified goals and seek ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

The College is also accredited through the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOC"). Continued accreditation is the backbone for a higher education institution like the College in order to assure the educational quality and improve effectiveness of the institution. The College's accreditation was reaffirmed by SACSCOC in June 2017. The next decision on reaffirmation of accreditation through the SACSCOC is scheduled for June of 2027.

Northwest Mississippi Community College is fortunate to have strong support from the local community through the foundation, individuals, and businesses, as well as the eleven county district. This support has been extremely helpful in providing our students with additional opportunities to further their educational goals and our ability to meet those goals.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Net Position
June 30, 2018

Assets		
Current Assets		
Cash and cash equivalents	$	10,810,808
Accounts receivables, net		3,187,177
Inventories		701,040
Long-term receivable, current portion		100,000
Prepaid expenses		649,529
Total Current Assets		15,448,554
Non-current Assets		
Restricted cash and cash equivalents		7,170,383
Long-term receivable		700,000
Capital assets, net of accumulated depreciation		91,669,631
Total Non-current Assets		99,540,014
Total Assets		114,988,568
Deferred Outflows of Resources		
OPEB		217,147
Pensions		15,524,342
Total Deferred Outflows of Resources		15,741,489
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities		3,094,605
Unearned revenue		386,300
Net OPEB liability, current portion		159,678
Other current liabilities		68,414
Total Current Liabilities		3,708,997
Non-current Liabilities		
Deposits refundable		133,426
Net OPEB liability		3,585,866
Net pension liability		79,626,057
Total Non-current Liabilities		83,345,349
Total Liabilities		87,054,346
Deferred Inflows of Resources		
OPEB		190,722
Pensions		9,559,158
Total Deferred Inflows of Resources		9,749,880
Net Position		
Net investment in capital assets		91,669,631
Restricted for		
Unemployment compensation		117,237
Capital projects		7,398,060
Unrestricted		(65,259,097)
Total Net Position	$	33,925,831

The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
December 31, 2017

Assets		
Current Assets:		
Cash	$	12,544
Promises to give, net		50,000
Investments		872,675
Total Current Assets		935,219
Non-Current Assets:		
Cash-restricted		389,829
Investments-restricted		9,945,218
Total Non-Current Assets		10,335,047
Total Assets	$	11,270,266
Liabilities		
Current Liabilities:		
Accounts Payable	$	19,172
Net Assets		
Unrestricted		37,902
Temporarily restricted		2,856,170
Permanently restricted		8,357,022
Total Net Assets		11,251,094
Total Liabilities and Net Assets	$	11,270,266

The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Operating Revenues		
Tuition and fees (net of scholarship allowances of $11,921,004)	$	8,744,260
Federal grants and contracts		20,324,055
State grants and contracts		4,829,004
Nongovernmental grants and contracts		273,778
Sales and services of educational departments		162,557
Auxiliary enterprises:		
Bookstore (net of scholarship allowances of $2,674,761)		2,289,943
Food Services (net of scholarship allowances of $1,075,377)		788,808
Student housing (net of scholarship allowances of $756,210)		576,780
Other Auxiliary revenues		70,020
Other operating revenues		503,956
Total Operating Revenues		38,563,161
Operating Expenses		
Salaries and wages		31,221,613
Fringe benefits		4,847,665
OPEB Expense		195,992
Pension expense		9,457,682
Travel		452,676
Contractual services		9,735,280
Utilities		1,818,989
Scholarships and fellowships		5,814,218
Commodities		8,405,009
Depreciation and amortization expense		3,796,891
Other operating expenses		776,548
Total Operating Expenses		76,522,563
Operating Income (Loss)		(37,959,402)
Non-operating Revenues (Expenses)		
State Appropriations		21,012,499
Local Appropriations		5,775,085
Insurance loss recoveries		46,388
Interest income		116,494
Interest expense on capital asset-related debt		(3,500)
Net Non-operating Revenues (Expenses)		26,946,966
Income (Loss) Before Other Revenues, Expenses, Gains and Losses		(11,012,436)
Other Revenues, Expenses, Gains, and Losses		
State appropriations restricted for capital purposes		860,340
Local appropriations restricted for capital purposes		5,888,890
Capital grants and contracts - federal		165,007
Other additions (deletions), net		(132,345)
Net Other Revenues, Expenses, Gains, and Losses		6,781,892
Changes in Net Position		(4,230,544)
Net Position - Beginning, as previously reported		40,939,180
Prior Period Adjustment		(2,782,805)
Net Position - Beginning, as restated		38,156,375
Net Position - End of year	$	33,925,831

The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Activities
For the Year Ended December 31, 2017

Unrestricted Net Assets	
Unrestricted Revenues and Gains	
Contributions	$ 9,494
In-kind donations	338,291
Interest income	2,040
Total Unrestricted Revenues and Gains	349,825
Net Assets Released From Restrictions	4,283
Total Unrestricted Revenues, Gains, and Other Support	354,108
Expenses	
Like kind payroll expense	253,103
Like kind education related expense	85,188
Other related expenses	22,703
Total Expenses	360,994
Increase (Decrease) in Unrestricted Net Assets	(6,886)
Temporarily Restricted Net Assets	
Contributions	254,778
Interest & dividends (net of management fees)	232,531
Fundraisers (net)	32,970
Net unrealized gain (loss) on investments	877,377
Education related activities	(133,716)
Scholarships	(406,367)
Transfers from temporarily restricted	(96,751)
Increase (Decrease) in Temporarily Restricted Net Assets	760,822
Permanently Restricted Net Assets	
Endowment Contributions	648,745
Transfer from temporarily restricted assets (net)	92,467
Increase (Decrease) in Permanently Restricted Net Assets	741,212
Increase (Decrease) in Total Net Assets	1,495,148
Net Assets - Beginning of Year	9,755,946
Net Assets - End of Year	$ 11,251,094

The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Tuition and fees	$ 4,193,585
Grants and contracts	25,153,489
Sales and services of educational departments	162,557
Payments to suppliers	(18,553,602)
Payments to employees for salaries and benefits	(39,733,585)
Payments for utilities	(1,818,989)
Payments for scholarships and fellowships	(1,712,544)
Auxiliary enterprise charges:	
Bookstore	2,289,943
Food services	788,808
Student housing	616,880
Other	70,020
Other receipts (payments)	263,442
Net Cash Provided (Used) by Operating Activities	(28,279,996)
Cash Flows from Noncapital Financing Activities	
State appropriations	21,029,976
Local appropriations	5,761,101
Agency transfers (net)	8,877
Custodial transfers (net)	224
Federal loan receipts	6,208,945
Federal loan disbursements	(6,208,945)
Net Cash Provided by Noncapital Financing Activities	26,800,178
Cash Flows from Capital and Related Financing Activities	
Cash received on long-term receivable	100,000
Cash paid for capital assets	(1,266,447)
Capital appropriations received	5,880,010
Capital grants and contracts received	165,007
Principal paid on capital debt	(420,000)
Capital debt interest paid	(4,200)
Other sources (uses)	46,388
Net Cash Provided (Used) by Capital and Related Financing Activities	4,500,758
Cash Flows from Investing Activities	
Interest received on investments	116,494
Net Cash Provided (Used) by Investing Activities	116,494
Net Increase (Decrease) in Cash and Cash Equivalents	3,137,434
Cash and Cash Equivalents - Beginning of the Year	14,843,757
Cash and Cash Equivalents - End of the Year	$ 17,981,191

continued

The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2018

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$	(37,959,402)
Adjustments to reconcile net income (loss) to net cash provide (used) by operating activities		
Depreciation and amortization expense		3,796,891
Changes in assets and liabilities		
(Increase) decrease in assets:		
Receivables, net		(292,480)
Inventories		203,099
Prepaid expenses		226,277
Deferred outflows		5,927,903
Increase (decrease) in liabilities:		
Accounts payable		872,631
Unearned revenues		123,965
Deposits refundable		16,225
Deferred inflows		4,038,887
Net OPEB liability		(84,638)
Net pension liability		(5,149,354)
Total adjustments		9,679,406
Net Cash Provided (Used) by Operating Activities	$	(28,279,996)
Supplemental Disclosure of Non-cash Operating, Capital, and Financing Activities		
Tuition and fees	$	4,101,674
Institutional payments for scholarships and fellowships		(4,101,674)
Payments by State on construction		860,340
Total Non-cash Operating, Capital, and Financing Activities	$	860,340
Cash and Cash Equivalents		
Cash and cash equivalents classified as current assets	$	10,810,808
Cash and cash equivalents classified as non-current assets		7,170,383
Total Cash and Cash Equivalents	$	17,981,191

concluded

The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Increase (decrease) in net assets	$ 1,495,148
Adjustment to reconcile change in net assets	
to net cash provided by operating activities:	
Unrealized (gain) loss on investments	(877,377)
Interest and dividends restricted for reinvestment	(232,531)
Interest and dividends not restricted	(2,040)
(Increase) decrease in operating assets	
Promises to give	42,315
Increase (decrease) in operating liabilities	
Accounts payable	4,709
(Increase) decrease in restricted cash	(150,014)
Net cash provided (used) by operating activities	280,210
Cash Flows from Investing Activities	
Investments sold	80,000
Investments purchased	(370,030)
Net cash provided (used) by investing activities	(290,030)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,820)
Current Cash and Cash Equivalents - Beginning	22,364
Current Cash and Cash Equivalents - Ending	$ 12,544

The Foundation paid no income tax or interest during 2017

The notes to the financial statements are an integral part of this statement

1. Summary of Significant Accounting Policies.

A. Nature of Operations – Northwest Mississippi Community College (the "College") is a comprehensive two-year community and technical college. The College provides the students of its eleven county district and beyond with the opportunity to obtain an affordable quality education through academic and career technical curricula leading to certificates, diplomas, or associates degrees.

B. Reporting Entity – The College was founded in 1928 and is one of Mississippi's 15 public community colleges. The College operates at four campuses: the main campus in Senatobia, Mississippi, Desoto Center at Southaven and Olive Branch, Mississippi, and Lafayette-Yalobusha Technical Center at Oxford, Mississippi. The legal authority for the establishment of Northwest Mississippi Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

The College is governed by a twenty-two member board of trustees, selected by the board of supervisors of Benton, Calhoun, Desoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica, and Yalobusha Counties who support the district 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, the College works jointly with the Mississippi Community College Board, which coordinates the efforts of all 15 community and junior colleges as they serve the taxpayers of the State of Mississippi.

Northwest Mississippi Community College reports the following discretely presented component unit:

Northwest Mississippi Community College Foundation (the "Foundation") - The Foundation is a non-profit organization founded in 1975 and located on the Northwest Mississippi Community College's campus. Its purpose is to raise funds to assist the college perform its mission and to provide scholarships for qualifying students of the College. The Foundation raises funds primarily by seeking donations and sponsoring fund-raising events.

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

During the year ended June 30, 2018, the Foundation provided $374,151 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation's financial statements are presented at the end of the College's Notes to the Financial Statements. Complete financial statements for the Foundation can be obtained from: 4975 Highway 51 North – Senatobia, MS 38668.

C. 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 June and November, 1999, respectively.

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

The College prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. The College has the option to apply any other accounting literature unless the literature conflicts with or contradicts a GASB pronouncement.

E. Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

F. Accounts Receivable – Accounts receivable 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.

G. Inventories – Inventories consist of books, supplies, and dry goods in the bookstore. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.

H. Prepaid Expenses – Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year(s).

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 non-current assets, are classified as restricted cash and cash equivalents on the Statement of Net Position. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Long-term Receivable – Long-term receivable consists of the agreement with Marshall County to pay the College $1,000,000 of back taxes over a period of ten years. These payments are in equal annual installments of $100,000, and split equally between the College's General and Unexpended Plant funds.

K. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost on the date of acquisition, or, if donated, at fair 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 7 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.

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) until then. Deferred outflows for the college are future pension related as well as OPEB related.

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 a 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. Deferred inflows for the college are future pension related as well as OPEB related.

See Note 13 and 14 for further details.

M. Long-term Liabilities and Bond Discounts and Bond Premiums – Bond discounts and bond premiums are being amortized over the remaining life of the issued bonds using the straight-line method.

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

O. Compensated Absences – The College Board of Trustees leave policy provides for personal and sick leave for all nine, ten, and twelve-month employees. The College's policy does not provide for payment of accumulated leave beyond the current fiscal year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

P. Non-current Liabilities – Non-current liabilities include principal amounts of bonds payable that will not be paid in the next fiscal year, dormitory housing deposits, and the bond discounts and bond premiums are being amortized over the remaining life of the issued bonds.

Q. 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.

R. Postemployment Benefits Other than Pensions (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

S. Classification of Revenues – The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state, and local grants and contracts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting and GASB Statement No. 34,* such as state appropriations, local appropriations, and investment income.

T. Tax Revenues (Local Appropriations) – The College receives ad valorem taxes from each county in its eleven county district. Each county assesses a tax millage in support of the College as required by state law.

U. State Appropriations – The College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed based on a full-time equivalent funding formula which is based on total credit hours generated by all students with special consideration given only to high cost programs. Currently, the first 15% of the appropriations are split equally among the colleges, and the remaining 85% of the appropriations are allocated based on the college's full-time equivalency.

V. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements according to GASB guidance and 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 to the aid not considered to be third party aid.

W. Net Position – GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* reports equity as "Net Position" rather than "Fund Balance". 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 that must be used for a particular purpose as specified by creditors, grantors, or donors.
c. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted – expendable.

The unrestricted net position balance of ($65,259,097) at June 30, 2018, includes $701,040 reserved for inventories and a remaining amount of ($65,960,137).

X. Income Taxes – The college is recognized a local governing authority and is excluded by the Internal Revenue Service from federal income taxation.

Y. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. Cash and Cash Equivalents.

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.

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, none of the college's bank balance of $19,531,407 was exposed to custodial credit risk.

3. Accounts Receivable.

Accounts receivable consist of the following at June 30, 2018:

Student tuition	$	7,021,598
Federal, state, and private grants and contracts		2,415,119
State appropriations		223,743
Local appropriations		279,519
Other		62,198
Total Accounts Receivable		10,002,177
Less allowance for doubtful accounts		(6,815,000)
Net Accounts Receivable	$	3,187,177

All accounts receivable reported are considered current assets of the college.

4. Long-term Receivable.

Long-term receivable as of June 30, 2018 consists of the following:

Current portion	$	100,000
Non-current portion		700,000
Total Notes Receivable	$	800,000

5. Inventory.

Inventory as of June 30, 2018 consists of the following:

Bookstore	$	701,040
Total Inventory	$	701,040

6. Prepaid Expenses.

Prepaid expense as of June 30, 2018 consists of the following:

Insurance and bonds	$	649,529
Total Prepaid Expenses	$	649,529

7. Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2018, is presented as follows:

	Beginning Balance July 1, 2017	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance June 30, 2018
Nondepreciable Capital Assets:					
Land	$ 6,714,072	$ 25,000	$ -	$ -	$ 6,739,072
Construction in progress	10,527,514	654,574	-	(11,152,318)	29,770
Livestock	120,600	19,446	18,546	-	121,500
Total Nondepreciable Capital Assets	17,362,186	699,020	18,546	(11,152,318)	6,890,342
Depreciable Capital Assets:					
Improvements other than buildings	15,456,547	-	-	673,925	16,130,472
Buildings	96,169,713	55,413	437,957	10,478,393	106,265,562
Equipment	13,317,893	1,288,732	227,225	-	14,379,400
Library books	2,381,798	103,068	69,644	-	2,415,222
Total Depreciable Capital Assets	127,325,951	1,447,213	734,826	11,152,318	139,190,656
Less Accumulated Depreciation for:					
Improvements other than buildings	5,843,864	570,750	-	-	6,414,614
Buildings	33,544,654	1,868,706	325,670	-	35,087,690
Equipment	10,040,185	1,225,330	206,267	-	11,059,248
Library books	1,785,414	134,045	69,644	-	1,849,815
Total Accumulated Depreciation	51,214,117	3,798,831	601,581	-	54,411,367
Total Depreciable Capital Assets, Net	76,111,834	(2,351,618)	133,245	11,152,318	84,779,289
Capital Assets, Net	$ 93,474,020	$ (1,652,598)	$ 151,791	$ -	$ 91,669,631

Depreciation is computed on a straight-line basis with the exception of 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%	-

8. Construction Commitments and Financing.

The College has contracted for various construction projects as of June 30, 2018. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

Project Title	Funded by	State Sources	Other
Oxford Campus Entrance and Signage	NWCC	$ -	$ 27,402
HVAC Controls	NWCC	-	891,465
Thompson Street Repairs	NWCC	-	468,966
Totals		$ -	$ 1,387,833

9. Operating Lease

The University of Mississippi entered into a 5-year operating lease with the College during the 2018 fiscal year in order to occupy a portion of the College's DeSoto Center location. The College received $275,000 in lease revenue from the University of Mississippi for the year ended June 30, 2018. Future lease receipts are as follows:

Years Ending June 30	Amount
2019	300,000
2020	325,000
2021	350,000
Totals	$ 975,000

10. Accounts Payable and Accrued Liabilities.

Accounts payable and accrued liabilities consist of the following at June 30, 2018. All accounts payable and accrued liabilities are considered current liabilities of the college.

Employee salary and benefits	$ 2,447,193
Payments to suppliers and contractors	636,413
Student payables	10,999
Total Accounts Payable and Accrued Liabilities	$ 3,094,605

11. Unearned Revenue

Unearned revenue consists of the following at June 30, 2018:

Summer II tuition and fees	$	340,400
Summer II room and board		45,900
Total Unearned Revenue	$	386,300

12. Long-term Liabilities.

Long-term liabilities of the College consist of bonds payable and refundable student dormitory housing deposits that are expected to be liquidated at least one year from June 30, 2018. Bond premiums, discounts, and deferred loss on bond refunding are amortized over the life of the bonds using the straight-line method.

Information regarding original issue amounts, interest rates, and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2018, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided, if applicable.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonded Debt								
Educational Facilities Refunding Bonds, Series 2012	1,935,000	2.50% - 2.00%	2018	$ 420,000	$ -	$ 420,000	$ -	$ -
Total Bonded Debt				420,000	-	420,000	-	-
Other Long-term Liabilities								
Deposits refundable				117,201	119,539	103,314	133,426	-
Discount on bond refunding				(3,870)	-	(3,870)	-	-
Premium on bond refunding				13,554	-	13,554	-	-
Total Other Long-term Liabilities				126,885	119,539	112,998	133,426	-
Total				$ 546,885	$ 119,539	$ 532,998	$ 133,426	$ -

13. 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.

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, 2018 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, 2018, 2017 and 2016 were $4,761,198, $4,838,109, and $4,761,501, 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, 2018, the College reported a liability of $79,626,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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. At June 30, 2017, The College's proportion was 0.4790 percent, which was an increase from the proportionate share at June 30, 2016 of 0.4746 percent.

For the year ended June 30, 2018, the College recognized pension expense of $9,457,682. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Measurement Period	Amortization Period	Ending Balance June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018
Deferred Outflows of Resources:						
Difference between expected and actual experience	2014	3.78	$ 253,950	$ -	$ 253,950	$ -
	2015	3.72	726,583	-	422,431	304,152
	2016	3.48	1,398,522	-	563,921	834,601
			2,379,055	-	1,240,302	1,138,753
Changes in proportion and differences between college contribution and proportionate share of contributions	2015	3.72	262,398	-	152,558	109,840
	2017	3.37	-	742,428	220,305	522,123
			262,398	742,428	372,863	631,963
Net difference between projected and actual investment earnings on pension plan investments	2015	5.00	3,276,407	-	1,092,135	2,184,272
	2016	5.00	6,699,028	-	1,674,757	5,024,271
			9,975,435	-	2,766,892	7,208,543
Changes of assumptions	2015	3.72	4,067,232	-	2,364,669	1,702,563
	2017	3.37	-	115,635	34,313	81,322
			4,067,232	115,635	2,398,982	1,783,885
College contributions subsequent to the measurement date	2016	3.48	4,837,895	-	4,837,895	-
	2017	3.37	-	4,761,198	-	4,761,198
			4,837,895	4,761,198	4,837,895	4,761,198
Total Deferred Outflows of Resources			$ 21,522,015	$ 5,619,261	$ 11,616,934	$ 15,524,342

	Measurement Period	Amortization Period	Ending Balance June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018
Deferred Inflows of Resources:						
Difference between expected and actual experience	2017	3.37	$ -	$ 826,160	$ 245,151	$ 581,009
Changes in proportion and differences between college contribution and proportionate share of contributions	2014	3.78	293,921	-	293,921	-
	2016	3.48	986,553	-	397,804	588,749
			1,280,474	-	691,725	588,749
Net difference between projected and actual investment earnings on pension plan investments	2014	5.00	4,205,244	-	2,102,623	2,102,621
	2017	5.00	-	7,690,426	1,538,085	6,152,341
			4,205,244	7,690,426	3,640,708	8,254,962
Changes of assumptions	2016	3.48	225,275	-	90,837	134,438
Total Deferred Inflows of Resources			$ 5,710,993	$ 8,516,586	$ 4,668,421	$ 9,559,158

$4,761,198 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Deferred Outflows	Deferred Inflows	Total
2019	$ 5,701,985	$ (4,374,498)	$ 1,327,487
2020	3,292,192	(2,017,784)	1,274,408
2021	1,768,967	(1,628,791)	140,176
2022	-	(1,538,085)	(1,538,085)
Totals	$ 10,763,144	$ (9,559,158)	$ 1,203,986

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

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

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) 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	$ 104,434,890	$ 79,626,057	$ 59,029,335

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

14. Other Postemployment Benefits (OPEB).

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were $159,678 for the year ended June 30, 2018.

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

At June 30, 2018, the College reported a liability of $3,745,544 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the College's proportion was 0.4774% percent. This was an increase from 0.4691% percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of $195,992. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows	Total
Changes in proportion and differences between college contribution and proportionate share of contributions	$ 57,469	$ -	$ 57,469
Changes of assumptions	-	(190,722)	(190,722)
College's contributions subsequent to the measurement date	159,678	-	159,678
	$ 217,147	$ (190,722)	$ 26,425

$159,678 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Deferred Outflows	Deferred Inflows	Total
2019	$ 10,082	$ (33,460)	$ (23,378)
2020	10,082	(33,460)	(23,378)
2021	10,082	(33,460)	(23,378)
2022	10,082	(33,460)	(23,378)
2023	10,082	(33,460)	(23,378)
Thereafter	7,059	(23,422)	(16,363)
Totals	$ 57,469	$ (190,722)	$ (133,253)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investments Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted:	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation:	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends:	
Medicare Supplemental Claims Pre-Medicare	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	(2.56%)	Rate (3.56%)	(4.56%)
Net OPEB liability	$ 3,844,465	$ 3,745,544	$ 3,671,881

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Net OPEB liability	$ 3,459,262	$ 3,745,544	$ 4,072,367

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

15. Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2018:

Functional Classification	Salaries and Wages	Fringe Benefits	OPEB and Pension	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation and Amortization	Other	Total
Instruction	$ 18,897,973	$ 2,541,818	$ -	$ 174,773	$ 2,538,887	$ 35,521	$ 436,876	$ 912,238	$ -	$ -	$ 25,538,086
Academic support	902,925	142,883	-	339	13,807	-	-	89,384	-	-	1,149,338
Student services	3,013,847	468,634	-	242,882	512,741	-	591,736	533,555	-	66,724	5,430,119
Institutional support	3,706,937	574,357	-	34,011	1,383,204	-	-	204,191	-	637,046	6,539,746
Operation of plant	3,307,234	749,137	-	662	4,470,202	1,420,557	-	2,624,790	-	44	12,572,626
Student aid	-	-	-	-	-	-	4,785,606	-	-	51,023	4,836,629
Auxiliary enterprises	1,392,697	370,836	-	9	816,439	362,911	-	4,040,851	-	21,711	7,005,454
OPEB expense	-	-	195,992	-	-	-	-	-	-	-	195,992
Pension expense	-	-	9,457,682	-	-	-	-	-	-	-	9,457,682
Depreciation and amortization	-	-	-	-	-	-	-	-	3,796,891	-	3,796,891
Total Operating Expenses	$ 31,221,613	$ 4,847,665	$ 9,653,674	$ 452,676	$ 9,735,280	$ 1,818,989	$ 5,814,218	$ 8,405,009	$ 3,796,891	$ 776,548	$ 76,522,563

16. Prior Period Adjustment.

Unrestricted Net Position at the beginning of the 2018 fiscal year was adjusted for the recognition of a tax settlement made between the College and Marshall County to pay ad valorem taxes that had been omitted in prior years.

Unrestricted Net Position also had a prior period adjustment related to the implementation of GASB 75. This new statement requires the College to record liabilities, deferred inflows, deferred outflows, and expenses related to OPEB.

A summary of significant Net Position adjustments for the year ended June 30, 2018 are as follows:

Explanation	Amount
1. Marshall County Settlement:	
Long-term receivable	$ 900,000
2. Implementation of GASB 75:	
Net OPEB liability	(3,830,182)
Deferred outflows-implicit rate subsidy calculated for fiscal year ended June 30, 2017	147,377
Total prior period adjustment	$ (2,782,805)

17. 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 or students; 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.

18. Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first $6,000 of salary for each full-time employee. At June 30, 2018, the fund was adequately funded with a balance of $117,237.

19. Concentrations.

The College receives a significant portion of its revenues from federal and state funded programs and grants. Future funding of these programs is necessary for the College to continue the current level of programs and courses offered.

20. 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 regulation, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the College.

Litigation - The College is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, to the College with respect to the various proceedings. However, the College's legal counsel believes that the ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial position of the College.

21. Consistency Between Reporting Periods.

Due to the classification of assets, liabilities, revenues, and expenses, immaterial inconsistencies may exist between reporting periods.

22. 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 or 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 Northwest Mississippi Community College evaluated the activity of the College through February 7, 2019, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On January 10, 2019, The College has approved a contract for site repairs at the Lafayette Yalobusha Technical Center in the amount of $322,520. There are also projects that are in design phases with architects for future renovations and new construction. These projects have not been formally bid, so no funds are obligated at this time.

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The Northwest Mississippi Community College Foundation (the "Foundation") is a non-profit organization located on the Northwest Mississippi Community College's (the "College") campus. The purpose of the Foundation is to raise funds to assist the college perform its mission and to provide scholarships for qualifying students of the College. The Foundation is a component unit of the College. The Foundation has in the past raised funds by seeking donations and sponsoring fund-raising events.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. This requires net assets and revenues, gains, and losses to be classified based on donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted- Resources over which the board of directors has discretionary control.
Temporarily Restricted- Those resources subject to donor imposed restrictions which will be satisfied by actions of the Foundation or passage of time.
Permanently Restricted- Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation.

Revenue Recognition

Donations 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."

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, except if those accounts are used to temporarily hold endowment funds until appropriate investments can be identified. Funds restricted by donors for specific purposes are shown as non-current assets.

Promises to Give

Promises to give are unconditional promises that are recognized as revenue when the promise is received. Promises that are expected to be collected in less than one year are reported at net realizable value. Promises that are expected to be collected in more than one year are recorded 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 donation revenue. Management has determined that no allowance for uncollectible accounts is necessary. This policy was adopted for the year 2013 and was not applied retroactively.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Service Code Section 501(c) (3) of the 1986 Internal Revenue Code and from state income taxes by the Mississippi Department of Revenue. The Foundation is not classified by the Internal Revenue Service as a private foundation. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2017. Fiscal years ending on or after December 31, 2014, remain subject to examination by federal and state tax authorities.

Investments

The surplus funds are invested in Merrill Lynch managed holding accounts and bank certificates.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Endowed funds are invested in the same manner as other funds. Changes in market value of endowed funds are reflected in temporarily restricted funds.

Volunteer Labor

Employees of the College perform services for the Foundation. The services performed are recorded at fair market value. The fair market values were determined by using rates paid these individuals by the College.

2. Office Space

The Foundation receives free use of office space in the College's administration building. No amount has been included in the financial statement for this use of facilities.

3. Investments

Investments made by the Foundation that are included on the balance sheet are summarized at fair market values:

Bank Certificate of Deposit	$ 100,297
Merrill Lynch Managed Holdings:	
TMA/Lord Abbett Taxable	2,708,302
TMA/Neuberger Berman	2,241,964
TMA/MFS LCV	1,201,931
TMA/Loomis Sayles Large Cap Growth	1,201,258
Foreign Equities	
TMA/MFS Clearbridge ValCore Intl. EQ	454,620
TMA/MFS Inst. Intl. Growth	455,891
TMA/London Co. Dividend Focused	832,188
TMA/RBA Rish-Bal. GLBLETF Strategy	1,621,442
Total Managed Holdings	10,717,596
Total Investments	$ 10,817,893

Due to the level of risk associated with certain securities, changes in values in investments will possibly occur in the near term and that such changes could materially affect the amounts reported in the Statement of Net Position.

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

	Total	Unrestricted	Temporarily Restricted
Dividend and Interest Income	$ 232,531	$ -	$ 232,531
Interest	2,040	2,040	-
Unrealized Gains (Losses)	877,377	-	877,377
Total	$ 1,111,948	$ 2,040	$ 1,109,908

Merrill Lynch nets its fees out of income and did not report them separately.

4. 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 three levels of the fair value hierarchy under FASB ASC 820-10 are described 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 the 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Mutual Funds. Valued at the closing price reported in the active markets in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflected of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of December 31, 2017.

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 10,717,596	$ -	$ -	$ 10,717,596

There have been no assets transferred between categories.

5. Endowment Fund

Permanently restricted net assets at December 31, 2017 consist of endowment funds established to provide scholarships for qualifying students of Northwest Mississippi Community College. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the funds is to be expended for scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No endowment funds are received that do not have donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Endowment agreements between the Foundation and its donors include explicit donor stipulations that endowed principal is to be held in sacred trust in perpetuity. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation classifies as temporarily restricted net assets all investment income, inclusive of interest, dividends, and realized and unrealized gains and losses earned on the Invested assets within the endowment fund, and the investment income earned has been restricted as to Its use by donors. These amounts are released from restriction once they are appropriated for expenditure by the Investment Policy Committee. The percent of the endowed funds to be awarded for scholarships will be recommended annually by the Investment Policy Committee subject to approval by the Board of Directors. Amounts to be awarded vary depending on the amount of the gift, prevailing interest rates and tuition costs.

The composition of endowment net assets and the changes in endowment net assets for the year ending December 31, 2017 are presented on the statement of activities as permanently restricted net assets.

6. Promises to Give

The Foundation has received a promise to give from a donor. The value of this pledge was $50,000 as of December 31, 2017. This pledge is designated to benefit the Northwest Mississippi Community College Workforce Development Program. This pledge is recorded in the financial statements as promises to give. It is due in less than one year. No allowance for uncollectibles has been established.

Promises to give consist of the following:

Due in less than one year	$ 50,000
Total promises to give	50,000

7. Educational Related Activities

The following expenses that were paid for the College were grouped as educational related activity.

Supplies for NWCC Programs	$ 57,131
Student Account Related Expenses	70,564
NWCC Program Travel Related	6,021
Total Education Related Expense	$ 133,716

8. Fund Raising Revenue and Expense

The following revenue and expenses are a result of fund raising activities:

	Revenue	Expense	Net
2+2 Golf Tournament	$ 34,535	$ 10,314	$ 24,221
Bull-O-Rama	16,426	11,461	4,965
Rodeo	30,736	26,952	3,784
Totals	$ 81,697	$ 48,727	$ 32,970

9. Other Concentrations

The Foundation is dependent on receiving donations in order to grow and increase its mission. It could possibly maintain its current level of operation without receiving the current level donations.

Many of the donations come from former students, faculty and their families, and friends of the College. Other donations come from civic minded citizens and businesses in the College's service area.

10. Related Party Transactions

One board member's family owns and operates a golfing facility in the area, Cherokee Valley Golf Club. The Foundation paid $6,956 for 2017, in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative.

11. <u>2+2 Scholarship Initiative</u>

In 2003, the Foundation's board approved a partnership arrangement with the University of Mississippi Foundation ("UM"). The goal of this arrangement is to raise $1,125,000 to use for scholarships to benefit residents of Desoto County attending the Desoto Center campus.

Northwest Mississippi Community College provides for the first two years of education and the UM provides the next two years. This partnership is known as the 2+2 Scholarship Initiative. The UM will receive 75% of these funds and the Foundation will receive 25%.

The Foundation sent UM $11,278 during 2017 and owed UM $12,110 at December 31, 2017.

The Foundation receives funds and pays all expenses related to the 2+2 Scholarship Golf Tournament. The tournament revenues are split 50% to each UM Foundation and NWCC Foundation. The UM Foundation receives other contributions related to the 2+2 Scholarship Initiative. Funds are being divided on a timely basis.

12. <u>Royalty Agreement</u>

In May 2005, the Foundation entered an agreement with Pearson Education Publishing allowing the College to customize mathematics and biology textbooks. The Foundation receives a $10 per book royalty. The royalty income is designated for use by the mathematics and biology department. The Foundation received $16,952 for 2017.

13. <u>In-Kind Donations</u>

The College provides staffing and other expense for the Foundation. The amount attributable to this expense totaled $338,291 in 2017.

14. <u>Temporarily Restricted Net Assets</u>

This is composed of funds raised for specific purposes that have not currently been met. When the proposed use of these funds is met, these funds will be transferred to endowed or released to unrestricted funds.

15. <u>Permanently Restricted Net Assets</u>

Permanently restricted net assets of $8,357,022 at 2017 are restricted to investments in perpetuity, the income from which is expendable to support scholarships for the College's students

16. <u>Subsequent Events</u>

Events that occur after the statement of financial position but before the financial statements are available to be issued must be evaluated for recognition or 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 Northwest Mississippi Community College Foundation evaluated the activity of the Foundation through May 15, 2018, and determined that no further disclosures are necessary.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Required Supplementary Information
Year Ended June 30, 2018

Schedule of the College's Proportionate Share of the Net Pension Liability:

Last 10 Fiscal Years*

	2015	2016	2017	2018
College's proportion of the net pension liability	0.4780%	0.4830%	0.4746%	0.4790%
College's proportionate share of the net pension liability	$ 58,020,449	$ 74,662,277	$ 84,775,411	$ 79,626,057
College's covered payroll	29,179,453	30,312,201	30,231,738	30,718,147
College's proportionate share of the net pension liability as a percentage of its covered payroll	198.84%	246.31%	280.42%	259.22%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%	61.49%

*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.

Schedule of College Contributions (PERS):

Last 10 Fiscal Years*

	2015	2016	2017	2018
Contractually required contribution	$ 4,774,177	$ 4,761,501	$ 4,838,109	$ 4,761,198
Contributions in relation to the contractually required contribution	4,774,177	4,761,501	4,838,109	4,761,198
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	30,312,201	30,231,738	30,718,147	30,231,697
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of the schedule:

These schedules are presented to illustrate the requirement to show information for 10 years. However, GASB No. 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Schedule of the College's Proportionate Share of the Net OPEB Liability:

Last 10 Fiscal Years*

		2018
College's proportion of the total OPEB liability		0.4774%
College's proportionate share of the net OPEB liability	$	3,745,544
College's covered-employee payroll		30,231,697
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		12.39%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

The notes to the required supplementary information are an integral part of the schedule:

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Schedule of College Contributions (OPEB):

		2018
Contractually required contribution	$	159,678
Contributions in relation to the contractually required contribution		159,678
Contribution deficiency (excess)	$	-
College's covered-employee payroll		30,231,697
Contributions as a percentage of covered-employee payroll		0.53%

The notes to the required supplementary information are an integral part of the schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Pension Schedules

1) Changes of assumptions

2017:

- The expectation of retired life mortality was changed to theRP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%

2015:

- The expectation of retired life mortality was changed to theRP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2) Change in benefit provisions.

2016:

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

3) Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense including inflation

OPEB Schedules

1) Changes of assumptions

   2017:

   - The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2) Change in benefit provisions.

   2017:

   - none
   -
   -

3) Method and assumptions used in calculations of actuarially determined contributions

   Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in the schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3.00 percent
Salary increase, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity/Grant Identifying Number	Federal Expenditures
U. S. Department of Labor			
WIA - Cluster:			
Pass-through programs from:			
Mississippi Department of Employment Security			
WIA/WIOA - Adult Program	17.258	N/A	$ 30,482
WIA/WIOA - Dislocated Workers Formula Grant	17.278	N/A	57,468
South Delta Planning and Development District			
WIA/WIOA - Adult Program	17.258	17-AMP-200	10,000
WIA/WIOA - National Emergency Grant	17.277	17-AMP-200	29,670
Three Rivers Planning and Development District			
WIA/WIOA - Adult Program	17.258	17-09-10	827,306
WIA/WIOA - Youth Activities	17.259	17-07-30	452,223
WIA/WIOA - Dislocated Worker Formula Grant	17.278	17-09-10	246,988
Total WIA/WIOA Cluster			1,654,137
Total U.S. Department of Labor			1,654,137
Veterans Administration			
Post-911 Veteran Educational Assistance	64.027		1,855
U.S. Department of Education			
Student Financial Aid - Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		355,676
Federal Work-study Program (FWS)	84.033		273,348
Federal Pell Grant Program	84.063		16,695,306
Federal Direct Student Loans	{2} 84.268		2,850,234
Total Student Financial Aid Cluster			20,174,564
TRIO - Student Support Services	84.042		277,845
Pass-through programs from:			
Mississippi Community College Board			
Adult Education - State Grant Program	84.002	V002A170025	457,748
Mississippi Department of Education			
Vocational Education - Basic Grants to States	84.048	V048A180024	385,687
Total U.S. Department of Education			21,295,844
U.S. Department of Health and Human Services			
Pass-through programs from:			
Family Resource Center of North Mississippi			
Temporary Assistance for Needy Families	93.558	N/A	65,402
Mississippi Community College Board			
Child Care and Development Block Grant (CCDBG)	93.575	1701MSCCDF	227,720
Mississippi Corridor Consortium			
Temporary Assistance for Needy Families	93.558	N/A	69,338
Mississippi Institutions of Higher Learning			
Temporary Assistance for Needy Families	93.558	16-S90-33-6726-1	25,000
Total U.S. Department of Health and Human Services			387,460
Total			$ 23,339,296
Less: Student loans not reported on SRECNA			-2,850,234
Total reconciled federal expenditures			20,489,062

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

Notes to the Schedule of Expenditures of Federal Awards:

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Northwest Mississippi Community College under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3) Indirect Cost Rate

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

4) Loan or loan guarantee programs

The federal award programs of the College had no outstanding loan balances nor were there any loan guarantees as of June 30, 2018.

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967

ffwh CPAs
trust knowledge insight growth
FRANKS | FRANKS | WILEMON | HAGOOD
www.ffwhcpa.com

Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Northwest Mississippi Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Mississippi Community College as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northwest Mississippi Community College's basic financial statements, and have issued our report thereon dated February 7, 2019. The financial statements of Northwest Mississippi Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Mississippi Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Mississippi Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Mississippi Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Mississippi Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franks, Franks, Wilemon + Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 7, 2019

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967

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FRANKS | FRANKS | WILEMON | HAGOOD
www.ffwhcpa.com

Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

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

Board of Trustees
Northwest Mississippi Community College

Report on Compliance for Each Major Federal Program

We have audited Northwest Mississippi Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northwest Mississippi Community College's major federal programs for the year ended June 30, 2018. Northwest Mississippi Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Mississippi Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Mississippi Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northwest Mississippi Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Northwest Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwest Mississippi Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Mississippi Community College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Franks, Franks, Wilemon + Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 7, 2019

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967

ffwh CPAs
trust knowledge insight growth
FRANKS | FRANKS | WILEMON | HAGOOD
www.ffwhcpa.com

Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Northwest Mississippi Community College

We have audited the financial statements of Northwest Mississippi Community College as of and for the year ended June 30, 2018, and have issued our report dated February 7, 2019. 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*. The financial statements of Northwest Mississippi Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

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

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

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 7, 2019

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness identified? ____ Yes _X_ No

Significant deficiency identified not considered to be material weaknesses? ____ Yes _X_ None reported

Noncompliance material to financial statements noted? ____ Yes _X_ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? ____ Yes _X_ No

Significant deficiency(s) identified not considered to be material weaknesses? ____ Yes _X_ None reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ Yes _X_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Cluster of Programs - WIA:	
17.258	WIA – Adult Program
17.259	WIA – Youth Activities
17.277	WIA – National Emergency Grant
17.278	WIA – Dislocated Worker Formula Grant
Cluster of Programs - Student Financial Aid:	
84.063	Federal Pell Grant Program
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? _X_ Yes ____ No

SECTION 2 - FINANCIAL STATEMENT FINDINGS:

There were no findings related to the financial statements.

SECTION 3 - FEDERAL AWARD FINDINGS:

There were no findings related to federal award programs.