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**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

# NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

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## INDEPENDENT AUDITORS' REPORT

Mr. Ricky G. Ford, President  
and Board of Trustees  
Northeast Mississippi Community College  
Booneville, Mississippi

We have audited the accompanying basic financial statements of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation, Inc. the aggregate discretely presented component unit as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Northeast Mississippi Community 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Northeast Mississippi Community College Foundation Development, Inc. was not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northeast Mississippi Community College at June 30, 2015, and information of Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2015, 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 Net Pension Liability and the Schedule of College Contributions on pages 4-12 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of 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 that collectively comprise the Northeast Mississippi Community College's and discretely presented component unit Northeast Mississippi Community College Development Foundation, Inc.'s basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedure described above, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of Northeast 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 Northeast Mississippi Community College's internal control over financial reporting and compliance.

*Braun, Venetky & Co. P.A.*

June 30, 2016  
Booneville, Mississippi

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

This section of the Northeast Mississippi Community College's (NEMCC) annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2015. 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 management.

**Using the Annual Report**

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. The College's net position (the difference between assets and liabilities) 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 assets over its expected useful lives.

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



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

The following represents a condensed Statement of Net Position as of June 30, 2015 and 2014:

Condensed Statement of Net Position June 30, 2015 and 2014			
	2015	2014	Increase (Decrease)
<b>Assets</b>			
Current Assets	\$ 12,410,726	\$ 12,393,360	\$ 17,366
Non-Current Assets			
Other	625,379	348,751	276,628
Capital Assets	46,239,527	43,956,001	2,283,526
Total Assets	<u>59,275,632</u>	<u>56,698,112</u>	<u>2,577,520</u>
Deferred Outflows			
Pension Related	<u>2,886,462</u>	<u>-</u>	<u>2,886,462</u>
<b>Liabilities</b>			
Current Liabilities	1,505,238	1,313,441	191,797
Non-Current Liabilities	3,109,407	3,450,875	(341,468)
Net Pension Liability	<u>27,578,041</u>	<u>-</u>	<u>27,578,041</u>
Total Liabilities	<u>32,192,686</u>	<u>4,764,316</u>	<u>27,428,370</u>
Deferred Inflows			
Pension Related	<u>3,997,640</u>	<u>-</u>	<u>3,997,640</u>
Net Position	<u>\$ 25,971,768</u>	<u>\$ 51,933,796</u>	<u>\$ (25,962,028)</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents Current**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$9,725,637 and \$10,748,486, respectively, at June 30, 2015 and 2014.

**Accounts Receivable**

Accounts receivable relates to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as dorm rent, food service and bookstore charges. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$2,516,221 and \$1,475,257 respectively, at June 30, 2015 and 2014.

**Inventories**

The College maintains inventories of resale merchandise in the Northeast Bookstore. Books, student supplies and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$12,565 and \$12,718, respectively, at June 30, 2015 and 2014.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Noncurrent Assets**

**Cash and Cash Equivalents –Restricted**

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered non-current are cash in restricted funds to be used for the purpose designated by the funding agency, such as a federal granting agency, or scholarships. The amount of cash and cash equivalents considered non-current at June 30, 2015 and 2014, totaled \$604,379 and \$315,787 respectively.

**Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings. The amount reported is net of accumulated depreciation. Capital assets, net of accumulated depreciation, totaled \$46,239,527 at June 30, 2015, in comparison to \$43,956,001 at June 30, 2014.

**Deferred Outflow of Resources**

**Pension Related**

Pension related deferred outflow of resources are a result of timing differences due to the measurement date of pension expense and other factors. As of June 30, 2015, pension related deferred outflow of resources amounted to \$2,886,462. No prior year amount is shown due to fiscal year 2015 being the first year of implementation of GASB Statements 68 and 71 regarding the reporting of pensions.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at year-end for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,076,645 and \$889,480, respectively, at June 30, 2015 and 2014.

**Unearned Revenue**

Unearned revenue represents revenue that was received by the College during the fiscal year but not yet earned. Unearned revenue totaled \$158,593 and \$133,961, respectively, at June 30, 2015 and 2014.

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of bond and note indebtedness that is payable within one year of the statement of net position date. The amount of the long-term liabilities-current portion at June 30, 2015 and 2014 was \$270,000 and \$290,000, respectively.

**Noncurrent Liabilities**

**Deposits Refundable**

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is 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, 2015 and 2014, was \$95,500 and \$89,600, respectively.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Accrued Leave Liabilities**

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$548,481 at June 30, 2015, as compared to \$619,130 at June 30, 2014.

**Long-Term Liabilities**

This liability consists of bond, and capital lease indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of the long-term liabilities balance was \$2,465,426 at June 30, 2015, as compared to \$2,742,145 at June 30, 2014.

**Deferred Inflow of Resources**

**Pension Related**

Pension related deferred inflow of resources are a result of timing differences due to the measurement date of pension expense and other factors. As of June 30, 2015, pension related deferred inflow of resources amounted to \$3,997,640. No prior year amount is shown due to fiscal year 2015 being the first year of implementation of GASB Statements 68 and 71 regarding the reporting of pensions.

**Net Position**

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2015, was \$25,971,768 as compared to \$51,933,796 at June 30, 2014.

**Analysis of Net Position**

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities.

The following is an analysis of net position as of June 30, 2015 and 2014:

	2015	2014
Net Investment in Capital Assets	\$ 43,504,101	\$ 40,923,856
Restricted for:		
Scholarships	42,800	41,642
Capital Projects	1,579,419	1,265,590
Unemployment	50,000	50,000
Specified Programs	446,616	196,496
Total Restricted Net Position	2,118,835	1,553,728
Unrestricted	(19,651,168)	9,456,392
Total Net Position	\$ 25,971,768	\$ 51,933,976

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

In connection with the implementation of new accounting standards for reporting pension information, management presents the following additional information regarding net position:

	<u>Amount</u>
Total Unrestricted Net Position (Deficit)	\$ (19,651,168)
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 71	<u>29,016,138</u>
Unrestricted Net Position, Exclusive of the Net Pension Liability Effect	<u>\$ 9,364,970</u>

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

The following represents a condensed statement of revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Tuition and Fees	\$ 2,893,561	\$ 2,720,136
Grants and Contracts	15,792,257	14,773,515
Sales and Services of Educational Activities	261,179	713,557
Auxiliary Enterprises	1,293,150	1,228,376
Total Operating Revenues	<u>20,240,147</u>	<u>19,435,584</u>
Operating Expenses	<u>34,960,435</u>	<u>34,095,265</u>
Operating Loss	<u>(14,720,288)</u>	<u>(14,659,681)</u>
Non-operating Revenues (Expenses)		
State Appropriations	12,312,252	12,001,206
Local Appropriations	1,529,854	1,487,678
Investment Income	14,952	18,577
Interest Expense on Capital Related Debt	<u>(79,234)</u>	<u>(108,437)</u>
Total Non-operating Revenues	<u>13,777,824</u>	<u>13,399,024</u>
Income (Loss) Before Other Revenues	<u>(942,464)</u>	<u>(1,260,657)</u>
State Appropriations Restricted for Capital Purposes	2,177,722	667,657
Local Appropriations Restricted for Capital Purposes	<u>1,818,852</u>	<u>1,712,135</u>
Change in Net Position	<u>3,054,110</u>	<u>1,119,135</u>
Net Position, Beginning of Year	51,933,796	50,836,868
Prior Period Adjustments	<u>(29,016,138)</u>	<u>(22,207)</u>
Net Position, Beginning of Year, Restated	<u>22,917,658</u>	<u>50,814,661</u>
Net Position, End of Year	<u>\$ 25,971,768</u>	<u>\$ 51,933,796</u>

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

Total operating loss for the fiscal year 2015 was \$(14,720,288) as compared to \$(14,659,681) for fiscal year 2014. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College shows a significant operating loss.

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

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 2015 were \$20,240,147, as compared to \$19,435,584 for fiscal year 2014. Tuition and fees were \$2,893,561 in fiscal year 2015 compared to \$2,720,136 for fiscal year 2014. The tuition discount for fiscal year 2015 was \$5,392,413 compared to \$5,191,121 for fiscal year 2014. Operating expenses for fiscal year 2015, including depreciation expense of \$1,823,316, totaled \$34,960,435. Operating expenses for fiscal year 2014 totaled \$34,095,265, including depreciation of \$1,689,844.

Instructional expenditures comprised 39.85% of the fiscal year 2015 operating expenses and 38.97% of the fiscal year 2014 operating expenses.

### **Operating Revenues**

#### **Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$2,893,561 for fiscal year 2015 in comparison to \$2,720,136 for fiscal year 2014. The tuition discount for the fiscal year 2015 was \$5,392,413 compared to fiscal year 2014 tuition discount of \$5,191,121.

#### **Grants and Contracts**

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014	Increase (Decrease)
Federal Sources	\$ 11,124,201	\$ 11,320,228	\$ (196,027)
State Sources	3,797,381	3,147,596	649,785
Other Sources	870,675	305,691	564,984
Total All Sources	<u>\$ 15,792,257</u>	<u>\$ 14,773,515</u>	<u>\$ 1,018,742</u>

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$261,179 for fiscal year 2015 as compared to \$713,557 for the fiscal year 2014.

**Sales and Services from Auxiliary Enterprises, Net**

Sales and services, 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 College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$1,293,150 for fiscal year 2015, as compared to \$1,228,376 for the fiscal year 2014. The discount for scholarship allowance was \$1,615,481 for fiscal year 2015 and \$1,483,233 for fiscal year 2014

**Operating Expenses**

The following is a breakdown of operating expenses by category for the years ended June 30, 2015 and 2014:

	2015	2014	Increase (Decrease)
Salaries and Benefits	\$ 19,204,144	\$ 19,155,827	\$ 48,317
Scholarships	5,434,537	5,199,746	234,791
Commodities	2,209,903	2,044,035	165,868
Contractual Services	4,132,581	3,841,098	291,483
Utilities	1,720,629	1,759,914	(39,285)
Travel	435,325	404,801	30,524
Depreciation	1,823,316	1,689,844	133,472
Total Operating Expenses by Category	<u>\$ 34,960,435</u>	<u>\$ 34,095,265</u>	<u>\$ 865,170</u>

The following is a breakdown of operating expenses by functional classification for the years ended June 30, 2015 and 2014:

	2015	2014	Increase (Decrease)
Expenses by Function:			
Instruction	\$ 13,914,321	\$ 13,509,481	\$ 404,840
Academic Support	589,454	571,094	18,360
Student Services	2,940,479	2,777,843	162,636
Institutional Support	4,464,586	4,556,542	(91,956)
Operation and Maintenance of Plant	3,600,241	3,880,227	(279,986)
Student Financial Aid	5,319,731	5,075,692	244,039
Auxiliary Enterprises	2,308,307	2,034,542	273,765
Depreciation	1,823,316	1,689,844	133,472
Total Operating Expenses by Function	<u>\$ 34,960,435</u>	<u>\$ 34,095,265</u>	<u>\$ 865,170</u>

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Non-operating Revenues (Expenses)**

**State Aid**

The College's largest source of non-operating revenue is appropriations from the State of Mississippi. The College received \$12,312,252 for fiscal year 2015. For comparison, the College received state appropriations of \$12,001,206 for the fiscal year 2014. In addition, the College received \$2,177,722 in restricted state appropriations for fiscal year 2015 as compared to \$667,657 for fiscal year 2014.

**Other Non-Operating Revenues**

Other non-operating revenues are composed of county appropriations that the College receives from the five county district in which the school resides. The College uses the education and general portion of the appropriations for salaries and benefits, and for other operational purposes. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1<sup>st</sup>.

The College received \$3,348,706 in county appropriations for fiscal year 2015, compared to \$3,199,813 for fiscal year 2014. The appropriation was received from the five counties that support the College. This appropriation was fully recorded by the College during the fiscal year.

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts and the interest earned on the College's short-term investments. The investment income for fiscal year 2015 was \$14,952 as compared to \$18,577 for fiscal year 2014.

**Non-operating Expenses**

This consists of the interest expense on capital asset-related debt the College incurred during the fiscal year 2015. The total expense amounted to \$79,234 compared to \$108,437 for fiscal year 2014.

**Statement of Cash Flows**

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

- The ability to generate future net cash flows,
- The ability to meet obligations as they come due, and
- A need for external financing.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

The following is a condensed statement of cash flows for the years ended June 30, 2015 and 2014:

	2015	2014
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (13,726,267)	\$ (12,974,227)
Noncapital Financial Activities	13,575,813	13,611,797
Capital and Related Financing Activities	(597,751)	(962,231)
Investing Activities	13,948	17,583
Net Increase in Cash and Cash Equivalents	(734,257)	(307,078)
Cash and Cash Equivalents - Beginning of the Year	11,064,273	11,371,351
Cash and Cash Equivalents - End of the Year	<u>\$ 10,330,016</u>	<u>\$ 11,064,273</u>

The major sources of funds included in operating activities include student tuition and fees of \$2,893,561, auxiliary enterprises of \$1,293,150, and grants and contracts of \$14,921,582. The major uses of funds were payments made to employees, \$19,203,012, to suppliers \$6,342,484 and to scholarships \$5,434,537.

**Significant Capital Asset Transactions**

Capital improvements consisted primarily of construction of additions/renovations to Bonner Arnold Coliseum on the main campus in Booneville and the purchase of two over-the-road buses for group travel.

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2015 financial situation. The threat of continuing reductions in the level of State appropriations, increased costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases all impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately 38.04% of the College's revenue, including appropriations for capital purposes. State appropriations continue to be the single largest source of operating revenue for the College. The level of State support is therefore one of the key factors influencing the College's financial condition. State support is expected to decline for fiscal year 2016.

The College expects a decline in enrollment for the next year due to a number of factors.

The need to continue to address priority need and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the College in the years to come.

The College continues to assess its performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.



**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**

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**Northeast Mississippi Community College**  
**Statement of Net Position**  
**June 30, 2015**

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 9,725,637
Accounts receivable, net (Note 4)	2,516,221
Inventories	12,565
Prepaid expenses	156,303
<b>Total Current Assets</b>	<u>12,410,726</u>

Noncurrent assets:

Restricted cash and cash equivalents	604,379
Restricted short-term investments	21,000
Capital assets, net of depreciation (Note 6)	46,239,527
<b>Total Noncurrent Assets</b>	<u>46,864,906</u>
<b>Total Assets</b>	<u>59,275,632</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related	2,886,462
<b>Total Deferred Outflows of Resources</b>	<u>2,886,462</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities	1,076,645
Unearned revenues	158,593
Long-term liabilities - current portion (Note 7)	270,000
<b>Total Current Liabilities</b>	<u>1,505,238</u>

Noncurrent liabilities:

Deposits refundable	95,500
Accrued leave liabilities	548,481
Long-term liabilities (Note 7)	2,465,426
Net pension liability	27,578,041
<b>Total Noncurrent Liabilities</b>	<u>30,687,448</u>
<b>Total Liabilities</b>	<u>32,192,686</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension related	3,997,640
<b>Total Deferred inflows of Resources</b>	<u>3,997,640</u>

**NET POSITION**

Net investment in capital assets	43,504,101
Restricted for:	
Expendable:	
Scholarships	42,800
Capital projects and repairs	1,579,419
Unemployment	50,000
Specified Programs	446,616
Unrestricted	<u>(19,651,168)</u>
<b>Total Net Position</b>	<u><u>\$ 25,971,768</u></u>

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

Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Financial Position  
June 30, 2015

**Assets**

Current Assets:

Cash and cash equivalents	\$ 158,610
Investments (Note 4)	646,999
Unconditional promises to give (net) (Note 3)	<u>31,886</u>
Total current assets	<u>837,495</u>

Endowment Investments

Investments (Note 4)	<u>2,094,416</u>
Total endowment investments	<u>2,094,416</u>

Property and Equipment (Net) (Note 5)	<u>82,928</u>
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Long-term unconditional promises to give (Note 3)	<u>97,845</u>
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Total assets	<u>3,112,684</u>
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**Liabilities**

Current Liabilities:

Accounts payable	<u>2,164</u>
Total current liabilities	<u>2,164</u>

**Net Assets**

Unrestricted net assets	540,743
Temporarily restricted net assets	475,361
Permanently restricted assets	<u>2,094,416</u>
Total net assets	<u>\$ 3,110,520</u>

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

**Northeast Mississippi Community College**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2015**

**Operating Revenues**

Tuition and fees (Net of Scholarship Allowance of \$5,392,413))	\$ 2,893,561
Federal grants and contracts	11,124,201
State grants and contracts	3,797,381
Nongovernmental grants and contracts	870,675
Sales and services of educational departments	261,179
Auxiliary enterprises:	
Student Housing (Net of Scholarship Allowances of \$721,184)	387,112
Food Services (Net of Scholarship Allowances of \$894,297)	507,250
Bookstore	387,941
Other auxiliary revenues	10,847
<b>Total Operating Revenues</b>	<b>20,240,147</b>

**Operating Expenses**

Salaries and wages	15,071,215
Fringe benefits	2,195,974
Pension expense	1,936,955
Travel	435,325
Contractual services	4,132,581
Utilities	1,720,629
Scholarships and fellowships	5,434,537
Commodities	2,209,903
Depreciation	1,823,316
<b>Total Operating Expenses</b>	<b>34,960,435</b>

<b>Operating Income (Loss)</b>	<b>(14,720,288)</b>
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**Nonoperating Revenues (Expenses)**

State appropriations	12,312,252
Local appropriations	1,529,854
Investment income	14,952
Interest expense on capital asset-related debt	(79,234)
<b>Total Net Nonoperating Revenues (Expenses)</b>	<b>13,777,824</b>

<b>Income (Loss) before Other Revenues, Expenses and Liabilities</b>	<b>(942,464)</b>
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State appropriations restricted for capital purposes	2,177,722
Local appropriations for capital purposes	1,818,852

<b>Change in Net Position</b>	<b>3,054,110</b>
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**Net Position**

Net Position - Beginning of Year	51,933,796
Prior Period Adjustments (Note 3)	(29,016,138)
<b>Net Position- End of Year</b>	<b>\$ 25,917,668</b>

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

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Activities  
For the year ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenues</b>				
Contributions	\$ 34,812	\$ 567,591	\$ -	\$ 602,403
Dividends	9,401	49,642	-	59,043
Interest	187	-	-	187
Administrative fee income	198,364	-	-	198,364
Grants revenue	20,915	-	-	20,915
Memberships	7,150	-	-	7,150
Gain (loss) sale of assets	27,078	140,963	-	168,041
Unrealized gain(loss) on assets	(153,365)	-	-	(153,365)
	<u>144,542</u>	<u>758,196</u>	<u>-</u>	<u>902,738</u>
<b>Expenses and Losses</b>				
Program expense	65,729	759,045	-	824,774
Management & general expense	87,058	-	-	87,058
Fund raising expense	93,080	-	-	93,080
	<u>245,867</u>	<u>759,045</u>	<u>-</u>	<u>1,004,912</u>
Other revenues and (expense)				
Transfers	<u>55,489</u>	<u>(101,748)</u>	<u>46,259</u>	<u>-</u>
Change in Net Assets	<u>(45,836)</u>	<u>(102,597)</u>	<u>46,259</u>	<u>(102,174)</u>
Net assets beginning of year	588,493	577,958	2,048,057	3,214,508
Prior Period Adjustment	<u>(1,914)</u>	<u>-</u>	<u>100</u>	<u>(1,814)</u>
Net assets end of year	<u>\$ 540,743</u>	<u>\$ 475,361</u>	<u>\$ 2,094,416</u>	<u>\$ 3,110,520</u>

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

**Northeast Mississippi Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

**Cash Flows from Operating Activities:**

Tuition and fees	\$ 2,890,509
Grants and contracts	15,281,595
Sales and services of educational departments	255,879
Payments to suppliers	(6,636,245)
Payments to employees for salaries and benefits	(19,613,215)
Payments for utilities	(1,707,347)
Payments for scholarships and fellowships	(5,434,537)
Auxiliary enterprise charges:	
Student housing	406,287
Food service	354,937
Bookstore	463,817
Other auxiliary enterprises	<u>12,053</u>

**Net Cash Provided (Used) by Operating Activities** (13,726,267)

**Cash Flows from Noncapital Financing Activities:**

State appropriations	12,118,267
Local appropriations	<u>1,457,546</u>

**Net Cash Provided (Used) by Noncapital Financing Activities** 13,575,813

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

Capital appropriations	1,695,823
Cash paid for capital assets	(1,908,341)
Principal paid on capital debt and leases	(290,000)
Interest paid on capital debt and leases	<u>(95,233)</u>

**Net Cash Provided (Used) by Capital and  
Related Financing Activities** (597,751)

**Cash Flows from Investing Activities:**

Investment in certificate of deposits	(1,000)
Interest received on investments	<u>14,948</u>

**Net Cash Provided (Used) by Investing Activities** 13,948

Net Increase (Decrease) in Cash and Cash Equivalents	(734,257)
Cash and Cash Equivalents - Beginning of the Year	<u>11,064,273</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 10,330,016</u></u>

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

**Northeast Mississippi Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

Reconciliation of Operating Income (Loss) to Net Cash  
 Provided (Used) by Operating Activities

Operating income (loss)	\$ (14,720,288)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Difference in pension expense and cash outlays	(326,918)
Depreciation Expense	1,823,316
Bad Debt Expense	149,452
Book value of disposed assets	290
Changes in assets and liabilities	
(Increase) decrease in assets:	
Student Receivables	7,811
Other Receivables	(659,453)
Inventories	153
Prepaid expenses	596
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	38,891
Unearned revenues	24,632
Deposits refundable	5,900
Accrued leave liability	(70,649)
Total adjustments	<u>994,021</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (13,726,267)</u>

**Noncash Investing, Capital, and Financing Activities:**

Payments by State on construction	<u>\$ 2,177,722</u>
Total	<u>\$ 2,177,722</u>

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

Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2015

**Operating Activities**

Change in net assets	\$ (102,174)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Prior period adjustments	(1,814)
Depreciation	1,228
Net unconditional promise to give	(15,327)
Accounts payable	1,950
Unrealized gain on investments	153,365
Net cash used by operating activities	<u>37,228</u>

**Investing Activities**

Sale of investments	673,058
Purchase of investments	<u>(693,427)</u>
Net cash provided by investing activities	<u>(20,369)</u>

Net increase(decrease) in cash and cash equivalents	16,859
Cash and cash equivalents beginning of year	<u>141,751</u>
Cash and cash equivalents end of year	<u>\$ 158,610</u>

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



**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

1. Summary of Significant Accounting Policies

- A. Reporting Entity - The Community College was founded in 1948 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of The Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

The Community College is governed by a fifteen member board of trustees, selected by the board of supervisors of Alcorn, Prentiss, Tippah, Tishomingo, and Union 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 Community College works jointly with the Mississippi State Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

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

Northeast Mississippi Community College Development Foundation, Inc. (Foundation)- The Foundation is a legally separate, tax-exempt nonprofit organization under section 501 (c)(3) of the Internal Revenue Code founded in 1970. The Foundation acts primarily as a fund raising organization to supplement the resources available to Northeast Mississippi Community College (College) in support of its programs.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or 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, 2015, the Foundation distributed \$637,401 to the College for scholarships, athletics and building programs and reimbursed the College for \$128,901 in Foundation expenses.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the College's financial reporting entity for these differences. Significant note disclosures applicable to the Foundation's financial statements have been incorporated into the College's statements.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued June and November, 1999, respectively.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

1. Summary of Significant Accounting Policies (continued)

- C. 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.
- D. 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.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net - 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 supplies. Inventories are stated 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 and funds deposited with Mississippi State Bureau of Buildings for new construction.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.
- J. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- K. 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/expenditure) until then. The college has a deferred outflow, which is presented as a deferred outflow for pension.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

1. Summary of Significant Accounting Policies (continued)

- L. 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.
- M. Compensated Absences - The Northeast Mississippi Community College Board of Trustees has adopted an employee medical leave policy. The policy provides for the payment of up to ten accumulated leave days at the time of an employee's termination. To be eligible for this payment, the employee must have been employed for five years and must have accumulated leave time. At termination, a qualified employee may receive pay for their accumulated leave time up to a maximum of ten days. Additionally, any leave certified toward retirement with the Public Employee's Retirement System of Mississippi will not be subject to payment. The total accrued leave for all employees as of June 30, 2015, was \$548,481. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.
- N. 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.
- O. 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 that time. The college has a deferred inflow, which is presented as a deferred inflow for pension.
- P. Net Position - Net position of the college is classified in three components. Net position, net investment in capital assets and reduced by the outstanding balances of long-term debt used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the College, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

1. Summary of Significant Accounting Policies (continued)

- Q. 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, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans. 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 state and local appropriations, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting and GASB Statement No. 34*, such as state appropriations and investment income.

- R. State Appropriations - The Community College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high cost programs.
- S. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

2. Cash and Cash Equivalents, Short-term Investments and Investments

Policies:

- A. Cash, Cash Equivalents and Short-Term Investments – Investment policies as set forth by 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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

2. Cash and Cash Equivalents, Short-term Investments and Investments (Continued)

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 that would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the College's deposits with financial institutions reported in the statement of net position as cash and cash equivalents was \$10,330,016. Additionally, the College had certificates of deposit with a carrying value of \$21,000 reported as investments in the statement of net position. At June 30, 2015, none of the College's deposits were exposed to custodial credit risk.

- B. Investments - Investment policies as set forth by 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 following table summarizes the carrying value of the college's investments reported on the statement of net position:

	<u>June 30, 2015</u>
Investments	<u>\$ 21,000</u>

The following table summarized the categorization of investments at June 30, 2015:

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of Deposit	1	<u>\$ 21,000</u>	FDIC Insured

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of a financial institution failure, the college will not be able to recover the value of its investment. The college does not have a formal investment policy that addresses custodial credit risk. However, the college's Board of Trustees has a policy that all investments will be made in the five county area the college serves.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investment is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2015, the college did not have any investments to which this would apply.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

3. Prior Period Adjustments

The prior period adjustment of \$(29,016,138) was due to the net effect of the implementation of GASB Statements 68 and 71.

4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2015:

Student tuition	\$ 229,416
Auxiliary enterprises and other operating activities	332,581
Federal, state and private grants and contracts	1,568,020
State appropriations	367,474
Local appropriations	283,625
	<hr/>
Total Accounts Receivable	\$ 2,781,116
Less allowance for doubtful accounts	<hr/> 264,895
	<hr/>
Net Accounts Receivable	<u><u>\$ 2,516,221</u></u>

5. Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$19,651,168) includes the effect of deferring the recognition of revenues and expenses resulting from deferred inflows and deferred outflows from pensions. The \$2,886,462 balance of deferred outflow of resources, at June 30, 2015, will be recognized as expense and will decrease the unrestricted net position over the next 3 years. The \$3,997,640 balance of deferred inflow of resources, at June 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**6. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2015, is presented as follows:

	Beginning Balance 7/1/2014	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2015
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 2,581,068	10,000	-	-	2,591,068
Construction in progress	2,354,948	2,638,059	-	(1,484,019)	3,508,988
<b>Total Nondepreciable Capital Assets</b>	<b>4,936,016</b>	<b>2,648,059</b>	<b>-</b>	<b>(1,484,019)</b>	<b>6,100,056</b>
<b>Depreciable Capital Assets:</b>					
Improvements other than Buildings	5,370,769	-	-	-	5,370,769
Buildings	60,613,455	40,000	-	1,484,019	62,137,474
Equipment	5,985,791	1,405,843	29,047	-	7,362,587
Library Books	1,220,186	13,230	-	-	1,233,416
<b>Total Depreciable Capital Assets</b>	<b>73,190,201</b>	<b>1,459,073</b>	<b>29,047</b>	<b>1,484,019</b>	<b>76,104,246</b>
<b>Less Accumulated Depreciation for:</b>					
Improvements other than Buildings	2,542,617	187,217	-	-	2,729,834
Buildings	26,127,560	1,051,227	-	-	27,178,787
Equipment	4,352,580	572,538	28,757	-	4,896,361
Library Books	1,147,459	12,334	-	-	1,159,793
<b>Total Accumulated Depreciation</b>	<b>34,170,216</b>	<b>1,823,316</b>	<b>28,757</b>	<b>-</b>	<b>35,964,775</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>39,019,985</b>	<b>(364,243)</b>	<b>290</b>	<b>1,484,019</b>	<b>40,139,471</b>
<b>Capital Assets, Net</b>	<b>\$ 43,956,001</b>	<b>2,283,816</b>	<b>290</b>	<b>-</b>	<b>46,239,527</b>

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%	-

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Bonner Arnold Coliseum Renovation	\$ 397,592	\$ 361,354
Stringer Hall	2,969,671	Unknown
Seth Pounds Auditorium	3,088	None
Northeast at Corinth Phase III	3,486	None
Fine Arts Complex	135,151	None
<b>Total Construction in Progress</b>	<b>\$ 3,508,988</b>	<b>\$ 361,354</b>

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**7. Long-Term Liabilities**

Long-term liabilities of the College consist of notes and payable, original issue premiums, and certain other liabilities that are expected to be liquidated beyond one year from June 30, 2015.

Description and Purpose	Original Issue	Interest Rate	Maturity	Balance 7/1/2014	Additions	Payments	Balance 6/30/2015	Due Within One Year
Notes Payable								
G.O. Refunding								
Notes, Series 2014	\$ 2,935,000	3.125%	12/28	\$ 2,935,000	\$ -	\$ 290,000	\$ 2,645,000	\$ 270,000
Total Long-Term Debt				2,935,000	-	290,000	2,645,000	270,000
Original Issue Premium				97,145	-	6,719	90,426	-
Other Long-Term Liabilities								
Accrued Leave Liability				619,130	-	70,649	548,481	-
Deposits Refundable				89,600	5,900	-	95,500	-
Net Pension Liability				31,825,007	-	4,246,966	27,578,041	-
Total Other Liabilities				32,533,737	5,900	4,317,615	28,222,022	-
Total Long-Term Liabilities				\$ 35,565,882	\$ 5,900	\$ 4,614,334	\$ 30,957,448	\$ 270,000

The following is a schedule by years of the total payments due on notes payable:

	Notes Payable	Interest	Total
2016	270,000	75,744	345,744
2017	280,000	67,494	347,494
2018	290,000	58,944	348,944
2019	305,000	50,019	355,019
2020	310,000	40,794	350,794
2021-2025	735,000	112,544	847,544
2026-2029	455,000	29,234	484,234
Totals	\$ 2,645,000	434,773	3,079,773



**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

8. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2015:

Functional Classifications	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 9,411,395	2,509,792	162,313	504,655	78,037	114,106	1,134,023	-	13,914,321
Academic support	384,651	113,907	8,381	56,125	346	-	26,044	-	589,454
Student services	1,717,829	503,060	151,211	270,756	21,408	700	275,515	-	2,940,479
Institutional support	2,287,383	575,538	111,738	1,005,721	80,279	-	403,927	-	4,464,586
Operation of plant	1,071,583	359,499	1,682	949,524	1,132,906	-	85,047	-	3,600,241
Student aid	-	-	-	-	-	5,319,731	-	-	5,319,731
Auxiliary enterprises	198,374	71,133	-	1,345,800	407,653	-	285,347	-	2,308,307
Depreciation	-	-	-	-	-	-	-	1,823,316	1,823,316
Total Operating Expenses	\$ 15,071,215	4,132,929	435,325	4,132,581	1,720,629	5,434,537	2,209,903	1,823,316	34,960,435

**Northeast Mississippi Community College  
Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**9. Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The college contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359- 3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. 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, 2015 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, 2015, 2014 and 2013, were \$2,263,873, \$2,186,601, and \$1,962,707, respectively, which equaled the required contributions for each year.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

9. Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the college reported a liability of \$27,578,041 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, The College's proportion was 0.2272 percent.

For the year ended June 30, 2015, the College recognized pension expense of \$1,936,955. At June 30, 2015 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 430,209	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,997,640
Changes of assumptions	192,380	-
Changes in proportion and differences between college contributions and proportionate share of contributions	-	-
College contributions subsequent to the measurement date	2,263,873	-
Total	\$ 2,886,462	\$ 3,997,640

\$2,263,873 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2016	\$ (775,457)
2017	(775,457)
2018	(824,727)
2019	(999,410)
Total	\$ (3,375,051)

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.5%
Salary increases:	4.25 – 19.50 percent
Investment rate of return:	8.00%, net of pension plan investment expenses, including inflation

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

9. Defined Benefit Pension Plan (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

Asset Class	Target Allocation	Long-Term Real Expected Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	100.00%	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

9. Defined Benefit Pension Plan (continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Decrease (9.00%)
College's proportionate share of the Net Pension Liability	<u>\$ 37,597,094</u>	<u>\$ 27,578,041</u>	<u>\$ 19,220,662</u>

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

10. Risk Management.

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

11. Contingencies:

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

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

12. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition of 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 evaluated the activity of the entity through June 30, 2016, and determined there were no events for disclosure.

**Northeast Mississippi Community College  
Notes to the Financial Statements  
For the Year Ended June 30, 2015**

13. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 and 71 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement became effective for the college's fiscal year ended June 30, 2015.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

Note 1: Summary of Significant Accounting Policies

A. Description of Business Activities

Northeast Mississippi Community College Development Foundation, Inc., (the Foundation), is a nonprofit corporation as described in Section 501 (c) 3 of the Internal Revenue Code and is exempt from federal and state income taxes. The organization is not classified as a private foundation. Its purpose is to provide scholarships and other support for Northeast Mississippi Community College.

B. Reporting Entity

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

C. Basis of Accounting

The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed by Northeast Mississippi Community College Development Foundation, Inc., (the Foundation), are described below to enhance the usefulness of the combined financial statements.

D. Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash and cash equivalents includes bank demand deposit accounts, money market accounts and all highly liquid debt instruments purchased with a maturity of three months or less. The Foundation's cash balances may at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

F. Investments

All investments in publicly traded debt securities, equity securities, and mutual funds are stated at fair value. Fair value is determined using quoted market prices. All realized and unrealized gains and losses are reported directly in the accompanying combined statement of activities.

Marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

G. Pledges Receivable

The Foundation provides an allowance for uncollectible pledges based upon collection history and a review of open accounts by management. Open accounts are written off after all collection efforts have been exhausted and the pledge is determined to be uncollectable.

H. Contributions Receivable

The Foundation has recorded contributions receivable of \$129,731 and \$158,032 as of June 30, 2015 and 2014, respectively. The Foundation expects to receive payment on these contributions during 2015.

I. Property and Equipment

Property and equipment are stated at cost, except for donated assets, which are recorded at their fair market value at the date of the gift. The Foundation does not imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are restricted as to their use by the donor. Accordingly, those donations are recorded as support, increasing unrestricted net assets.

Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are disposed of, the appropriate accounts are relieved of costs, and accumulated depreciation and any restraint gain or loss is reported as a change in net assets.

Depreciation is computed on a straight-line basis using the estimated useful lives (2 to 10 years) of the various assets.

J. Long-Lived Assets

The Foundation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amounts as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2015 or 2014.



**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

**K. Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**L. Financial Reporting**

The Foundation reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are not restricted by donors or other outside agencies. The Board of Directors can authorize use of these assets, as it desires, to carry on the purposes of the Foundation according to its bylaws. The Board of Directors has also designated that a portion of these monies be used to supplement program expenses.

Temporarily restricted net assets represent donor-imposed restrictions that permit the donee organization to use up and expend the donated assets as specified. This temporary restriction is satisfied by the passage of time or actions by the Foundation.

Permanently restricted net assets represent donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use up or expend part or all of the income derived from the donated assets.

**M. Statement of Functional Expenses**

The costs of providing various programs and supporting services have been summarized on a functional basis in the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**N. Financial Instruments Measured at Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and GAAP provided 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).

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

N. Financial Instruments Measured at Fair Value (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Foundation's assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

O. Income Taxes

NEMCC Foundation is exempt from federal income tax as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and have been classified as an entity that is not a private foundation.

Note 2: Economic Dependence and Concentration

The organization receives its contributions mainly from the five county area in Northeast Mississippi that are served by Northeast Mississippi Community College.

Note 3: Promises to give

Unconditional promises to give			Reported As
Temporarily restricted	\$ 129,731	Current	\$ 31,886
Permanently restricted	-	Long-term	97,845
Total	<u>\$ 129,731</u>		<u>\$ 129,731</u>

These pledges are due as follows:

Due in less than one year	\$ 31,886
Due in one to five years	68,876
Due in six to ten years	78,300
Total	<u>179,062</u>
Less discounts to present value	(27,072)
Less allowances for bad debts	(22,259)
Net unconditional promises to give at June 30, 2015	<u>\$ 129,731</u>

Unconditional promises due within one year are recorded net of allowance for bad debts. Unconditional promises after one year are recorded at net present value using a 4% discount.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended. June 30, 2015**

**Note 4: Investments**

Investments as of June 30 are summarized as follows:

	Cost	Fair Value
Dodge & Cox Income	\$ 414,860	\$ 415,623
Financial Square Money Market	32,280	32,280
Fidelity Advisor New Insight	202,976	261,251
Fidelity Total Bond	363,424	352,930
Franklin Mutual Discovery Z Fund	210,719	246,355
John Hancock International Growth	136,404	131,917
John Hancock Discip Value	130,123	145,705
John Hancock Discip Value Mid Cap	40,392	67,137
John Hancock Strategic Income Opportunities I	157,104	156,424
Meridian Small Cap Growth	24,921	27,026
Pioneer Multi-Asset Ultra Short	223,632	222,196
Pioneer Strategic Income	162,217	156,561
RS Global Natural Resources	35,921	26,628
T Rowe Price Growth Stock	86,406	162,463
T Rowe Price Mid Cap Growth Fund	38,005	67,995
T Rowe Price Equity Income	190,964	241,731
T Rowe Price Small Cap Value	26,269	27,193
	<u>\$ 2,476,617</u>	<u>\$ 2,741,415</u>
Unrestricted & Temporarily Restricted		\$ 646,999
Permanently Restricted		2,094,416
Total		<u>\$ 2,741,415</u>

Unrealized losses are reflected in the unrestricted funds. As the market improves and losses are regained, the gains will be recovered in the unrestricted funds.

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

	Total	Unrestricted	Temporarily Restricted
Dividend and Interest Income	\$ 59,230	9,588	\$ 49,642
Realized Gain (Loss) on Assets	168,041	27,078	140,963
Total	<u>\$ 227,271</u>	<u>36,666</u>	<u>\$ 190,605</u>

**Note 5: Property and equipment**

The following is a summary of property and equipment:

Land	\$ 80,000
Office Equipment	39,512
Less: Accumulated Depreciation	(36,584)
	<u>\$ 82,928</u>

Depreciation expense totaled \$1,228 for the year.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

**Note 6: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Athletics	\$ 26,708
Building Endowments	26,581
Endowments	50,286
College Programs	124,513
Fine Arts	13,200
Other	130,416
Scholarships	103,657
	<u>\$ 475,361</u>

**Note 7: Permanently Restricted Net Assets**

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

Scholarships - Haney Endowment	\$ 1,037,833
Scholarships - Miller, Taylor	278,547
Scholarships - Rotary Endowment	22,966
Scholarships - Stockton	25,015
Scholarships - Street	25,000
Scholarships - Various	705,055
	<u>\$ 2,094,416</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for scholarships.

**Note 8: Financial Instruments with off Balance Sheet Risk**

The carrying amounts of the Foundation's deposits with financial institutions at June 30 were as follows:

Cash and Cash Equivalents	\$ 158,610
	<u>\$ 158,610</u>

The bank balances at June 30 were:

Cash in Bank	\$ 158,610
FDIC Insurance	<u>158,610</u>
Uninsured	<u>\$ -</u>

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

**Note 9: Fair Value of Financial Instruments**

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year are recorded at net present value of their net realizable value applicable to the years in which the promises are received to discount the amounts.

The estimated fair values of the Foundation's financial instruments, none of which are held for trading purposes, are as follows:

	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	\$ 158,610	\$ 158,610
Investments	646,999	646,999
Unconditional promises to give	129,731	129,731
Endowment Investments:		
Investments	2,094,416	2,094,416

**Note 10: Related Party Transactions**

Certain Foundation expenditures are paid by the College and reimbursed by the Foundation. They totaled approximately:

Salary & fringe benefits	\$ 141,489
Postage	2,302
Printing	1,146
	<u>\$ 144,937</u>

The members of the Foundation Board of Directors contributed \$8,511 to the Foundation during this fiscal year.

The Foundation does not have a retirement plan. The employees also work for the College and are covered under their retirement plan.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2015**

**Note 11:      Compensated Absences**

The Foundation does not have a policy for compensated absences.

**Note 12:      Donated Services**

The Foundation receives donated office space, certain expenses and personnel services from the College. The Foundation also receives certain donated services from others. The value of these "non-cash" donations has not been measured and thereby not recorded in these financial statements.

**Note 13:      In connection with the preparation of the financial statements and in accordance with the recently issued SFAS No. 165, Subsequent Events, the Foundation evaluated subsequent events after the balance sheet date of June 30, 2015, through January 23, 2016 and there were no reportable events.**

**Northeast Mississippi Community College**

**Schedule of the College's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS)  
Last 10 Fiscal Years\***

	<u>2015</u>
College's proportionate share of the net pension liability	\$ 27,578,041
College's proportionate share of the net pension liability	0.2272%
College's covered-employee payroll	\$ 13,883,181
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.64%
Plan Fiduciary net position as a percentage of the total pension liability	67.21%

\* - the amounts presented for each fiscal year were determined as of the measurement date of June 30, 2014, the prior year to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented beginning in fiscal year ended June 30, 2015, and until a full 10-year trend is compiled, the college will only present information for the years which information is available.

**Schedule of College Contributions  
Public Employees' Retirement System (PERS)  
Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contribution	\$ 2,263,873
Contribution in relations to the contractually required contribution	\$ 2,263,873
Contribution deficiency (excess)	<u>\$ -</u>
College's cover-employee payroll	\$ 14,373,797
Contributions as a percentage of covered-employee payroll	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented beginning in fiscal year ended June 30, 2015, and until a full 10-year trend is compiled, the college will only present information for the years which information is available.

**Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015**

**Pension Schedules**

1. There were no changes of benefit terms.
2. There were no changes of assumptions.

Northeast Mississippi Community College  
Development Foundation, Inc.  
Schedule of Functional Expenses  
For the Year Ending June 30, 2015

	Program Expenses			Support Services		
	Unrestricted Program	Temporarily Restricted	Permanently Restricted	Total Program Services	Management	Fund Raising
Awards	\$ 9,855		\$	9,855		
College Support - Grants	-	28,110	-	28,110	-	-
Scholarships	-	351,917	-	351,917	-	-
Program Expense:						
College Employee Enhancement	-	30,362	-	30,362	-	-
College Sports	-	111,310	-	111,310	-	-
Fine Art	-	4,770	-	4,770	-	-
Endowed Scholarships	-	30,346	-	30,346	-	-
Discretionary Fund	9,591	-	-	9,591	-	-
Administrative:						
Administrative Fee	-	202,230	-	202,230	-	-
Bank Charges	13,323		-	13,323	1,022	-
Pay Fees	1,019		-	1,019	-	-
Car Allowance	2,100		-	2,100	1,260	5,040
Depreciation	-	-	-	-	1,228	-
Dues & Subscriptions	2,350		-	2,350	1,167	115
Insurance	711		-	711	-	-
Legal & Accounting	-	-	-	-	13,170	-
Meals & Entertainment	1,433		-	1,433	1,439	3,923
Miscellaneous	-	-	-	-	1,578	-
Office Supplies	-	-	-	-	3,318	-
Payroll Taxes	1,153		-	1,153	2,923	3,959
Postage	1,419		-	1,419	1,923	1,341
Printing & Advertising	2,208		-	2,208	966	6,333
Professional Development	-	-	-	-	5,875	-
Retirement	2,956		-	2,956	6,493	9,326
Salaries	16,572		-	16,572	36,199	61,797
Telephone	549		-	549	1,075	570
Travel	490		-	490	7,422	-
	\$ 65,729	\$ 759,045	\$	\$ 824,774	\$ 87,058	\$ 93,080
					\$ 180,138	\$ 1,004,912

The allocation of functional expenses is made by the organization based upon time spent by employees, with travel, meals and other expenses as applicable to each function.



**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ending June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Education</b>		
Student Financial Assistance Cluster		
Direct:		
Federal Supplemental Education Opportunity Grant	84.007	\$ 62,745
Federal Family Education Loans	84.032	3,728,907
Federal Work Study Programs	84.033	147,832
Federal Pell Grant Program	84.063	9,687,505
Total Student Financial Assistance Cluster		<u>13,626,989</u>
Direct:		
TRIO Student Support Services	84.042	<u>187,727</u>
Total Direct Funding		<u>187,727</u>
Passed Through MS Department of Education		
Adult Basic Education Grants to States	84.002	187,914
Career and Technical Basic Grants to States	84.048	215,780
		<u>403,694</u>
Total U. S. Department of Education		<u>14,218,410</u>
<b>U. S. Department of Labor</b>		
Passed Through Three Rivers Planning & Development District		
Workforce Investment Act Cluster		
WIA Adult Program	17.258	443,175
WIA Youth Activities	17.259	301,828
Total Three Rivers Planning and Development District		<u>745,003</u>
Passed Through Itawamba Community College		
Trade Adjustment Assistance Community College & Career Training	17.282	17,998
Passed Through Bossier Parrish Community College		
Trade Adjustment Assistance Community College & Career Training	17.282	<u>115,451</u>
Total Trade Adjustment Assistance Community College & Career Training		<u>133,449</u>
Total U. S. Department of Labor		<u>878,452</u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE  
Schedule of Expenditures of Federal Awards - Continued  
Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b>National Aeronautics and Space Administration</b>		
Passed through the University of Mississippi		
Aerospace Education Services Program	43.001	<u>7,500</u>
 Total Expenditures of Federal Awards		 <u><u>\$ 15,104,362</u></u>

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements, with the following exceptions:

Pass-through entity numbers are not assigned.

For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA #84.032) are presented as federal expenditures. The loans are a direct benefit to students and therefore are eliminated out of the Statement of Revenues, Expenses and Changes in Net Position.



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

Mr. Ricky G. Ford, President  
And Board of Trustees  
Northeast Mississippi Community College  
Booneville, Mississippi

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 business-type activities Northeast Mississippi Community College, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Northeast Mississippi Community College's basic financial statements, and have issued our report thereon dated June 30, 2016. We have audited the financial statements of Northeast Mississippi Community College Foundation in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northeast 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Northeast Mississippi Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Brewer, Vansteyn & Co. P.A.*

June 30, 2016  
Booneville, Mississippi



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Ricky G. Ford, President  
And Board of Trustees  
Northeast Mississippi Community College  
Booneville, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Northeast Mississippi Community College's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northeast Mississippi Community College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Northeast 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on Northeast Mississippi Community College's compliance.

### Opinion on Each Major Federal Program

In our opinion, Northeast 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, 2015.

### Report on Internal Control Over Compliance

Management of the Northeast 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 Northeast 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 OMB Circular A-133, 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 Northeast 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Parsons, Versteeg & Co. P.A.*

June 30, 2016  
Booneville, Mississippi



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

Mr. Ricky G. Ford, President  
And Board of Trustees  
Northeast Mississippi Community College  
Booneville, Mississippi

We have audited the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2015, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated June 30, 2016. 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. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

*Brawner VanStory & Co. P.A.*

June 30, 2016  
Booneville, Mississippi

**Northeast Mississippi Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified: None reported
3. Noncompliance relating to the financial statements noted? No

**Federal Awards:**

4. Internal control over major programs:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified: None Reported
5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be in accordance with Section .510(a) of OMB Circular A-133? No
7. Identification of Major Programs:

CFDA Numbers

84.007, 84.032, 84.033, 84.063

17.258, 17.259

Name of Program on Cluster

Student Financial Assistance Cluster

Workforce Investment Act Cluster

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_ .315(b) of OMB Circular A-133? No



**Section II: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

The results of our tests did not disclose any findings related to the Federal Awards.