

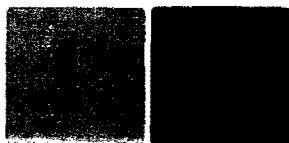


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**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2015**

**W**



**CERTIFIED PUBLIC ACCOUNTANTS**

# NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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## INDEPENDENT AUDITOR'S REPORT

Dr. Gary Lee Spears, President and  
The Board of Trustees  
Northwest Mississippi Community College  
Senatobia, MS

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Northwest Mississippi Community College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise College's basic financial statements. We did not audit the financial statements of Northwest Mississippi Community College Foundation as of and for the year ended December 31, 2014, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

### *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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Northwest Mississippi Community College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of 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 and the Schedule of College's Proportionate Share of Net Pension Liability and the Schedule of College Contributions on pages i-xii and 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 relate 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, 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 December 17, 2015, on our consideration of the 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 the College's internal control over financial reporting and compliance.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
December 17, 2015

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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

**Using this Report**

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

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations and are prepared utilizing the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

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

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

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current Assets	\$ 12,535,394	\$ 16,355,619	\$ (3,820,225)
Non Current Assets			
Other	10,744,375	8,015,803	2,728,572
Capital, Net	<u>86,087,183</u>	<u>84,450,340</u>	<u>1,636,843</u>
Total Assets	<u>109,366,952</u>	<u>108,821,762</u>	<u>545,190</u>
<b>Deferred Outflows of Resources</b>	<u>5,701,931</u>	<u>38,437</u>	<u>5,663,494</u>
<b>Liabilities</b>			
Current Liabilities	3,482,018	3,855,020	(373,002)
Noncurrent Liabilities	<u>58,984,951</u>	<u>1,366,192</u>	<u>57,618,759</u>
Total Liabilities	<u>62,466,969</u>	<u>5,221,212</u>	<u>57,245,757</u>
<b>Deferred Intflows of Resources</b>	<u>9,458,054</u>	<u>-</u>	<u>9,458,054</u>
<b>Net Position</b>			
Net Investment in Capital Assets	84,866,362	82,365,035	2,501,327
Restricted			
Expendable	10,322,608	8,001,422	2,321,186
Unrestricted	<u>(52,045,110)</u>	<u>13,272,530</u>	<u>(65,317,640)</u>
Total Net Position	<u>\$ 43,143,860</u>	<u>\$ 103,638,987</u>	<u>\$ (60,495,127)</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the College's bank accounts that are unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$4,069,743 at June 30, 2015, compared to the fiscal year 2014 amount of \$11,785,980. This decrease is attributed to funds being obligated for various projects around campus, thus causing an increase in restricted cash and cash equivalents.

**Accounts Receivable**

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, accounts receivable arise from grant awards and financial aid revenues. The receivables are



**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

shown net of an allowance for doubtful accounts. Accounts receivable was \$6,255,630 at June 30, 2015, compared to the fiscal year 2014 amount of \$2,870,414. This increase is a result of timing on the receipt of Title IV funds at year end.

**Inventories**

The College maintains inventories of merchandise for resale in the Northwest Bookstore. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,557,785 at June 30, 2015, and \$964,109 at June 30, 2014. The increase in fiscal year 2015 inventory is due to timing on the shipping of books for the Fall semester. A material portion of Fall books were in transit to the bookstores at year end.

**Notes Receivable – Current Portion**

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the Desoto Center facility in Southaven, Mississippi. The note matured in the 2015 fiscal year, thus no balance remains in the financial statements.

**Prepaid Expenses**

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and amounts submitted to the Bureau of Buildings for the College's share of future construction projects. Prepaid expenses totaled \$652,236 at June 30, 2015, in comparison to \$635,131 at June 30, 2014.

**Non-current Assets**

**Restricted Cash and Cash Equivalents**

Cash and cash equivalents that are considered restricted, non-current assets include cash held in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund and cash held in the unexpended plant fund for future capital improvements. The amount of restricted cash and cash equivalents at June 30, 2015 totaled \$10,744,375, in comparison to \$8,015,803 at June 30, 2014. During fiscal year 2015, funds increased due to funds being obligated for current and future capital projects on campus.

**Notes Receivable**

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the Desoto Center facility in Southaven, Mississippi. The note matured in the 2015 fiscal year, thus no balance remains in the financial statements.

**Capital Assets, Net**

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2015. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$86,087,183 at June 30, 2015, in comparison to \$84,450,340 at June 30, 2014. The largest portion of capital assets of the College consists of buildings. The amount reported prior to depreciation at June 30, 2015 totaled \$91,699,866 or 69.68% of total capital assets compared to \$91,699,866 or 72.17% of total capital assets at June 30, 2014. These building are used for housing students, classrooms, and faculty and staff offices.

The College also has some \$5,248,644 estimated to complete various capital projects at June 30, 2015 compared to \$2,390,974 at June 30, 2014.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Deferred Outflow of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflow of resources consist of loss on refunded bonds as well as pensions. The amount related to loss on refunded bonds is amortized over the life of each corresponding bond. The amount, \$23,235, at June 30, 2015 compared to \$38,437 at June 30, 2014 is reported net of annual amortization. The deferred outflow of resources related to pension totals \$5,678,696 at June 30, 2015. This deferred outflow is the result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the fiscal year ending June 30, 2015. Prior year amounts were not restated to reflect the implementation of GASB No. 68 and 71.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at June 30, 2015 for employee benefits, interest on capital debt, and for unpaid goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,655,077 at June 30, 2015, in comparison to \$2,575,238 at June 30, 2014.

**Unearned Revenue**

Unearned revenue represents revenue that was received by the College during the fiscal year that the College had not earned or expended by the end of the June 30, 2015 fiscal year. The unearned revenue totaled \$395,195 at June 30, 2015, and \$369,633 at June 30, 2014.

**Long-Term Liabilities – Current Portion**

Long-term liabilities – current portion represents the portion of bond and note indebtedness that would be payable within one year of June 30, 2015. The amount of the long-term liabilities-current portion at June 30, 2015 was \$390,000, as compared to \$870,000 at June 30, 2014. The large decrease is due to the payoff of one of the refunding bonds during the fiscal year.

**Other Current Liabilities**

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2015 was \$41,746, as compared to \$40,149 at June 30, 2014.

**Non-current Liabilities**

**Deposits Refundable**

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. Deposits refundable at June 30, 2015 consist of room deposits paid by dormitory students and held in reserve by the College for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2015 was \$110,446 and \$112,450 at June 30, 2014.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Long-term Liabilities**

This liability consists of bond indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of long-term liabilities was \$825,000 at June 30, 2015, as compared to \$1,215,000 at June 30, 2014.

**Net Pension Liabilities**

This liability is the College's present obligation to pay pension benefits in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net pension liability was \$58,020,449 at June 30, 2015.

**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 a consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources related to pensions totals \$9,458,054 at June 30, 2015. This deferred inflow is the result of the adoption of GASB Statement No. 68 and 71 during the fiscal year ending June 30, 2015. Prior year amounts were not restated to reflect the implementation of GASB No. 68 and 71.

**Net Position**

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. During fiscal year 2015, total net position (after restatement) increased by \$2,525,598 or 2.44%. The College's net position is presented as unrestricted, restricted – expendable, and net investment in capital assets.

**Analysis of Net Position**

Unrestricted net position is net position available to the College for any lawful purpose. The following is a breakdown of unrestricted net position as of June 30, 2015 and June 30, 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Unrestricted General Fund	\$ 7,618,171	\$ 7,494,479	\$ 123,692
Unrestricted Auxiliary Fund	2,136,526	5,778,051	(3,641,525)
Unrestricted Pension Fund	<u>(61,799,807)</u>	<u>-</u>	<u>(61,799,807)</u>
Total Unrestricted Net Position	<u><u>\$ (52,045,110)</u></u>	<u><u>\$ 13,272,530</u></u>	<u><u>\$ (65,317,640)</u></u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

The decrease in Unrestricted Net Position is related to the Auxiliary Fund's Net Position having funded major repairs and renovations to several student housing facilities on campus. The project costs exceeded the operational revenues and expenses by the \$3,641,525 noted above. The remainder of the decrease in Unrestricted Net Position is due to the adoption of GASB No. 68 and 71 during the fiscal year ending June 30, 2015. Prior year amounts were not restated to reflect the implementation of GASB No. 68 and 71.

Restricted - expendable net position consist of gifts or grants from third-parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted – expendable net position as of June 30, 2015 and June 30, 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Restricted - expendable for			
Unemployment benefits	\$ 115,446	\$ 115,259	\$ 187
Capital improvements	10,207,162	6,430,706	3,776,456
Debt Service	<u>-</u>	<u>1,455,457</u>	<u>(1,455,457)</u>
Total Restricted - Expendable Net Position	<u>\$ 10,322,608</u>	<u>\$ 8,001,422</u>	<u>\$ 2,321,186</u>

The increase in Restricted- Expendable Net Position is related to the Auxiliary Fund having funded major repairs and renovations to several student housing facilities on campus. This aided the Unexpendable Plant Fund in creating a surplus for future capital projects necessary for campus improvements and or expansion. The decrease in Debt Service fund is a result of the 2007 refunding bond being paid off in the 2015 fiscal year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Net investment in capital assets	<u>\$ 84,866,362</u>	<u>\$ 82,365,035</u>	<u>\$ 2,501,327</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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

For the year ended June 30, 2015 with comparative information for the year ended June 30, 2014:

	June 30, 2015	June 30, 2014	Variance Positive (Negative)
Total Operating Revenues	\$ 42,197,107	\$ 40,652,820	\$ 1,544,287
Total Operating Expenses	<u>74,552,537</u>	<u>72,810,502</u>	<u>(1,742,035)</u>
Net Operating Loss	(32,355,430)	(32,157,682)	(197,748)
Nonoperating Revenues(Expenses):	<u>27,587,871</u>	<u>27,191,116</u>	<u>396,755</u>
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(4,767,559)	(4,966,566)	199,007
Total Other Revenues, Expenses, Gains, or Losses	<u>7,293,157</u>	<u>7,429,805</u>	<u>(136,648)</u>
Change in Net Position	2,525,598	2,463,239	62,359
Net Position			
Net Position Beginning of Year	103,638,987	101,175,748	2,463,239
Prior Period Adjustment	<u>(63,020,725)</u>	<u>-</u>	<u>(63,020,725)</u>
Net Position End of Year	<u>\$ 43,143,860</u>	<u>\$ 103,638,987</u>	<u>\$ (60,495,127)</u>

Total operating loss for the fiscal year 2015 was \$32,355,430 while the loss for fiscal year 2014 was \$32,157,682. The large decrease in operating loss for the fiscal year is explained in greater detail below. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

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

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

Total operating revenues for fiscal year 2015 were \$42,197,107, compared to \$40,652,820 for fiscal year 2014. Tuition and fees were \$9,203,423, compared to \$7,599,793 for fiscal year 2014, net of the tuition discount which was \$10,556,712 for fiscal year 2015, compared to \$10,019,196 for fiscal year 2014. Due to anticipated enrollment decreases in the 2015 fiscal year, the College elected to increase tuition 12%. This increase is the primary source for operating revenue increasing.

Operating expenses for fiscal year 2015, including depreciation and amortization of \$3,299,599, totaled \$74,552,537. Operating expenses for fiscal year 2014 totaled \$72,810,502, including depreciation and amortization of \$3,153,645. Operating expenses increased in the current fiscal year primarily due to the adoption of GASB No. 68, related to pension expense.

Instructional expenditures composed 36.17% of the fiscal year 2015 operating expenses and 37.98% of the fiscal year 2014 operating expenses.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Revenues**

**Operating Revenues**

**Tuition and Fees**

Tuition and fees includes all tuition and related fees assessed for educational purposes totaling \$19,760,135 for fiscal year 2015, in comparison to \$17,618,989 for fiscal year 2014. The tuition discount for the 2015 fiscal year was \$10,556,712 compared to the fiscal year 2014 tuition discount of \$10,019,196. The increase in tuition is a direct result of a 12% increase in tuition charges.

**Grants and Contracts**

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

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

	June 30, 2015	June 30, 2014	Increase (Decrease)
Federal Sources	\$ 22,940,751	\$ 22,934,192	\$ 6,559
State Sources	4,842,342	4,533,304	309,038
Other Sources	484,771	495,823	(11,052)
Total All Sources	<u>\$ 28,267,864</u>	<u>\$ 27,963,319</u>	<u>\$ 304,545</u>

**Sales and Services from Educational Activities**

Sales and services from educational activities that totaled \$236,306 for the 2015 fiscal year as compared to \$209,368 for the 2014 fiscal year.

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

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

Auxiliary enterprises primarily include the Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$4,227,060 for the 2015 fiscal year as compared to \$4,673,213 for the 2014 fiscal year. The discount for scholarship allowance was \$4,353,770 for fiscal year 2015 and \$4,449,211 for fiscal year 2014.

**Other operating revenues**

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$262,454 for the 2015 fiscal year as compared to \$207,127 for the 2014 fiscal year.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Operating Expenses**

Operating expenses for fiscal year 2015 totaled \$74,552,537 including salaries and benefits of \$36,408,929, pension expense \$3,552,676, scholarships of \$9,407,480, utilities of \$1,940,826, commodities/supplies of \$8,470,916, contractual services of \$10,036,499, travel of \$608,374, depreciation and amortization of \$3,299,599, and other operating expense of \$827,238. Operating expenses for fiscal year 2014 totaled \$72,810,502 including salaries and benefits of \$39,769,263, scholarships of \$9,490,748, utilities of \$1,816,918, commodities/supplies of \$9,446,915, contractual services of \$7,819,917, travel of \$512,693, depreciation and amortization of \$3,153,645, and other operating expense of \$800,403.

**Expenses by Function:**

	June 30, 2015	June 30, 2014	Increase (Decrease)
Instruction	\$ 25,682,292	\$ 27,655,636	\$ (1,973,344)
Academic Support	1,271,114	1,449,726	(178,612)
Student Services	5,581,596	5,421,625	159,971
Institutional Support	6,632,460	6,895,538	(263,078)
Operations and Maintenance of Plant	12,897,093	11,871,727	1,025,366
Student Financial Aid	8,329,030	8,694,842	(365,812)
Auxiliary Enterprises	7,306,677	7,667,763	(361,086)
Pension Expense	3,552,676	-	3,552,676
Depreciation and amortization	3,299,599	3,153,645	145,954
Total Operating Expenses by Function	<u>\$ 74,552,537</u>	<u>\$ 72,810,502</u>	<u>\$ 1,742,035</u>

The increase in operating expenses is due to the adoption of GASB Statement No. 68 related to pension expenses.

**Non-operating Revenues (Expenses)**

**State Appropriations**

The College's largest source of non-operating revenue is the State of Mississippi appropriations. These appropriations were for educational and general operations of the College. The College received \$22,322,919 for fiscal year 2015 compared to \$21,976,052 for fiscal year 2014.

**Local Appropriations**

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year. The College received \$5,271,243 in county appropriations for fiscal year 2015, compared to \$5,240,488 for fiscal year 2014.

**Interest Income, Net**

Interest income includes the amount earned on cash in the bank accounts and from certificates of deposit. The interest income for fiscal year 2015 was \$36,676, as compared to \$45,416 for fiscal year 2014.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Interest Expense on Capital Related Debt**

Interest expense on capital asset related debt consists of the amount the College incurred during the 2015 fiscal year. The total expense was \$42,967 for fiscal year 2015, compared to \$70,840 for fiscal year 2014.

**Other Revenues, Expenses, Gains, and Losses**

**State Appropriations Restricted for Capital Purposes**

State appropriations restricted for capital purposes consist of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the fiscal year 2015 was \$1,889,391, as compared to \$2,128,785 for fiscal year 2014.

**Local Appropriations for Capital Purposes**

The College receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities; and the debt service portion of the appropriations for the payment of debt principal and interest. The College received \$4,589,702 in local appropriations for capital purposes and \$610,492 for debt service purposes for fiscal year 2015, compared to \$4,486,269 for capital purposes and \$637,594 for debt service purposes for fiscal year 2014.

**Capital Grants and Gifts**

Capital grants and gifts include revenue received from outside agencies restricted for capital projects during the fiscal year and the value of capital assets donated to the college. The amount of this grant totaled \$185,405 for fiscal year 2015 as compared to \$152,899 for fiscal year 2014. Capital grants consist of reimbursed career-technical equipment purchases.

**Other Additions (Deletions), net**

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for fiscal year 2015 was \$18,167 compared to \$24,258 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 the user to assess the College's:

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



**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Condensed Statement of Cash Flows (Direct Method)**

For the fiscal year ended June 30, 2015 and June 30, 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Variance Positive (Negative)</u>
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (33,923,940)	\$ (29,743,966)	\$ (4,179,974)
Noncapital Financing Activities	27,365,292	27,509,192	(143,900)
Capital and Related Financing Activities	1,434,322	1,676,257	(241,935)
Investing Activities	<u>136,661</u>	<u>142,019</u>	<u>(5,358)</u>
Net Increase in Cash and Cash Equivalents	(4,987,665)	(416,498)	(4,571,167)
Cash and Cash Equivalents - Beginning of Year	<u>19,801,783</u>	<u>20,218,281</u>	<u>(416,498)</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 14,814,118</u></u>	<u><u>\$ 19,801,783</u></u>	<u><u>\$ (4,987,665)</u></u>

The major sources of funds included in operating activities for fiscal year 2015 include student tuition and fees, \$6,025,599; auxiliary enterprises, \$4,242,856; and grants and contracts, \$24,731,568. The major uses of funds for fiscal year 2015 were payments made to employees and benefit providers, \$41,622,850; payments made to suppliers, \$18,851,872; and for scholarships, \$6,719,083.

In comparison, the major sources of funds included in operating activities for fiscal year 2014 include student tuition and fees, \$4,844,949; auxiliary enterprises, \$4,700,902; and grants and contracts, \$27,520,832. The major uses of funds for fiscal year 2014 were payments made to employees, \$40,549,331; payments made to suppliers, \$17,373,236; and for scholarships, \$7,280,180.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$22,093,468 in fiscal year 2015, as compared to \$22,248,811 in fiscal year 2014.

**Significant Capital Asset Transactions**

During fiscal year 2015, significant construction activity took place at the College. Four construction projects were in progress at year end with all four of the projects under contract totaling \$13,952,437. In addition, three projects totaling \$1,513,552 were completed during the year.

**Significant Subsequent Events**

The College has approved the bid for construction of a football field house in the amount of \$4,883,500. Also, the College has approved the bid for construction on the Allied Health Building in the amount of \$4,722,000 that is a State Bureau of Buildings and Real Property Management Project. Lastly, the College has also approved a bid for energy enhancement and renovations to Taylor Hall as well as elevator upgrades to the Lafayette Humanities Building and Tunica Building in the amount of \$4,281,000.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Factors Impacting Future Periods**

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

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

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

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

## FINANCIAL STATEMENTS

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Statement of Net Position**  
**June 30, 2015**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 4,069,743
Accounts receivables, net	6,255,630
Inventories	1,557,785
Prepaid expenses	652,236
<b>Total Current Assets</b>	<u>12,535,394</u>

**Non-current Assets**

Restricted cash and cash equivalents	10,744,375
Capital assets, net of accumulated depreciation	86,087,183
<b>Total Non-current Assets</b>	<u>96,831,558</u>

<b>Total Assets</b>	<u>109,366,952</u>
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**Deferred Outflows of Resources**

Loss on bond refunding	23,235
Pension related	5,678,696
<b>Total Deferred Outflows of Resources</b>	<u>5,701,931</u>

**Liabilities**

**Current Liabilities**

Accounts payable and accrued liabilities	2,655,077
Unearned revenue	395,195
Long-term liabilities, current portion	390,000
Other current liabilities	41,746
<b>Total Current Liabilities</b>	<u>3,482,018</u>

**Non-current Liabilities**

Deposits refundable	110,446
Discount on bond refunding	(11,610)
Premium on bond refunding	40,666
Long-term liabilities, non-current portion	825,000
Net pension liability	58,020,449
<b>Total Non-current Liabilities</b>	<u>58,984,951</u>

<b>Total Liabilities</b>	<u>62,466,969</u>
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**Deferred Inflows of Resources**

Pension related	9,458,054
<b>Total Deferred Inflows of Resources</b>	<u>9,458,054</u>

**Net Position**

Net investment in capital assets	84,866,362
Restricted for	
Unemployment compensation	115,446
Capital projects	10,207,162
Unrestricted	(52,045,110)
<b>Total Net Position</b>	<u>\$ 43,143,860</u>

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2014**

**Assets**

Current Assets:

Cash	\$ 19,138
Contributions Receivable	443,097
Investments	<u>650,394</u>

<b>Total Current Assets</b>	<u><u>1,112,629</u></u>
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Non-Current Assets:

Cash	108,784
Investments	<u>8,174,477</u>

<b>Total Non-Current Assets</b>	<u><u>8,283,261</u></u>
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<b>Total Assets</b>	<u><u>\$ 9,395,890</u></u>
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**Liabilities**

Current Liabilities:

Accounts Payable	<u>\$ 15,843</u>
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**Net Assets**

Unrestricted	46,545
Temporarily restricted	2,529,605
Permanently restricted	<u>6,803,897</u>

<b>Total Net Assets</b>	<u><u>9,380,047</u></u>
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<b>Total Liabilities and Net Assets</b>	<u><u>\$ 9,395,890</u></u>
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The notes to the financial statements are an integral part of this statement

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2015**

<b>Operating Revenues</b>	
Tuition and fees (net of scholarship allowances of \$10,556,712)	\$ 9,203,423
Federal grants and contracts	22,940,751
State grants and contracts	4,842,342
Nongovernmental grants and contracts	484,771
Sales and services of educational departments	236,306
Auxiliary enterprises:	
Bookstore (net of scholarship allowances of \$2,799,178)	2,756,326
Food Services (net of scholarship allowances of \$901,727)	786,133
Student housing (net of scholarship allowances of \$652,865)	592,043
Other Auxiliary revenues	92,558
Other operating revenues	262,454
<b>Total Operating Revenues</b>	<u>42,197,107</u>
<b>Operating Expenses</b>	
Salaries and wages	31,381,996
Fringe benefits	5,026,933
Pension expense	3,552,676
Travel	608,374
Contractual services	10,036,499
Utilities	1,940,826
Scholarships and fellowships	9,407,480
Commodities	8,470,916
Depreciation and amortization expense	3,299,599
Other operating expenses	827,238
<b>Total Operating Expenses</b>	<u>74,552,537</u>
<b>Operating Income (Loss)</b>	<u>(32,355,430)</u>
<b>Non-operating Revenues (Expenses)</b>	
State Appropriations	22,322,919
Local Appropriations	5,271,243
Interest income	36,676
Interest expense on capital asset-related debt	(42,967)
<b>Net Non-operating Revenues (Expenses)</b>	<u>27,587,871</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	<u>(4,767,559)</u>
<b>Other Revenues, Expenses, Gains, and Losses</b>	
State appropriations restricted for capital purposes	1,889,391
Local appropriations restricted for capital purposes	5,200,194
Capital grants and contracts - federal	185,405
Other additions (deletions), net	18,167
<b>Net Other Revenues, Expenses, Gains, and Losses</b>	<u>7,293,157</u>
<b>Changes in Net Position</b>	<u>2,525,598</u>
<b>Net Position - Beginning, as previously reported</b>	103,638,987
Prior Period Adjustments	(63,020,725)
<b>Net Position - Beginning, as restated</b>	<u>40,618,262</u>
<b>Net Position - End of year</b>	<u>\$ 43,143,860</u>

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

<b>Changes in Unrestricted Net Assets</b>	
Donations	\$ 4,486
Royalties	9,096
In-kind donations	330,980
Interest income	269
	<hr/>
<b>Total Unrestricted Support</b>	<b>344,831</b>
	<hr/>
<b>Net Assets Released from Restrictions</b>	<b>5,000</b>
	<hr/>
<b>Total Unrestricted Revenue and Support</b>	<b>349,831</b>
	<hr/>
<b>Expenses</b>	
Like-kind payroll expense	238,190
Like-kind education related expense	92,790
Other related expenses	11,494
	<hr/>
<b>Total expenses</b>	<b>342,474</b>
	<hr/>
<b>Increases (Decrease) in Unrestricted Net Assets</b>	<b>7,357</b>
	<hr/>
<b>Changes in Temporarily Restricted Net Assets</b>	
Donations	259,207
Interest & dividends (net of management fees)	208,525
Fundraisers (net)	28,082
Net unrealized gain on investments	237,985
Education related activities	(164,890)
Scholarships	(447,719)
Net assets released from temporarily restricted	(193,959)
	<hr/>
<b>Increase in Temporarily Restricted Net Assets</b>	<b>(72,769)</b>
	<hr/>
<b>Changes in Permanently Restricted Net Assets</b>	
Donations	362,325
Net assets transferred from temporarily restricted (net)	193,958
Transfer to unrestricted support	(5,000)
	<hr/>
<b>Increase in Permanently Restricted Net Assets</b>	<b>551,283</b>
	<hr/>
<b>Increase in Total Net Assets</b>	<b>485,871</b>
	<hr/>
<b>Net Assets - Beginning of Year</b>	<b>8,894,176</b>
	<hr/>
<b>Net Assets - End of Year</b>	<b>\$ 9,380,047</b>
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The notes to the financial statements are an integral part of this statement

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

**Cash Flows from Operating Activities**

Tuition and fees	\$ 6,025,599
Grants and contracts	24,731,568
Sales and services of educational departments	236,306
Payments to suppliers	(18,851,872)
Payments to employees for salaries and benefits	(41,622,850)
Payments for utilities	(1,940,826)
Payments for scholarships and fellowships	(6,719,083)
Auxiliary enterprise charges:	
Bookstore	2,756,326
Food services	786,133
Student housing	607,839
Other	92,558
Other receipts (payments)	(25,638)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(33,923,940)</u>

**Cash Flows from Noncapital Financing Activities**

State appropriations	22,093,468
Local appropriations	5,270,226
Agency transfers-in	59,833
Agency transfers-out	(58,235)
Federal loan receipts	8,664,212
Federal loan disbursements	(8,664,212)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>27,365,292</u>

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

Cash paid for capital assets	(3,023,368)
Capital appropriations received	5,193,245
Capital grants and contracts received	185,405
Principal paid on capital debt	(870,000)
Capital debt interest paid	(50,960)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>1,434,322</u>

**Cash Flows from Investing Activities**

Interest received on investments	36,676
Change in notes receivable	99,985
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>136,661</u>

**Net Increase (Decrease) in Cash and Cash Equivalents** (4,987,665)

**Cash and Cash Equivalents - Beginning of the Year** 19,801,783

**Cash and Cash Equivalents - End of the Year** \$ 14,814,118  
continued

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



**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

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

Operating income (loss)	<u>\$ (32,355,430)</u>
Adjustments to reconcile net income (loss) to net cash provide (used) by operating activities	
Depreciation and amortization expense	3,299,599
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
(Increase) decrease in assets and deferred outflows of resources:	
Receivables, net	(3,147,800)
Inventories	(593,676)
Prepaid expenses	(17,105)
Deferred outflows	(1,220,918)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	87,832
Unearned revenues	25,562
Deposits refundable	(2,004)
Total adjustments	<u>(1,568,510)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>\$ (33,923,940)</b></u>

**Supplemental Disclosure of Non-cash Operating, Capital, and Financing Activities**

Tuition and fees	2,688,397
Institutional payments for scholarships and fellowships	(2,688,397)
Payments by State on construction	<u>\$ 1,889,391</u>
<b>Total Non-cash Operating, Capital, and Financing Activities</b>	<u><b>\$ 1,889,391</b></u>

**Cash and Cash Equivalents**

Cash and cash equivalents classified as current assets	\$ 4,069,743
Cash and cash equivalents classified as non-current assets	<u>10,744,375</u>

<b>Total Cash and Cash Equivalents</b>	<u><b>\$ 14,814,118</b></u> concluded
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The notes to the financial statements are an integral part of this statement

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

**Cash Flows From Operating Activities**

Change in total net assets	\$ 485,871
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Interest and dividends restricted for reinvestment	(208,794)
(Increase) decrease in accounts receivable	168,843
Increase (decrease) in accounts payable	2,508
(Increase) decrease in restricted cash	137,680
Net unrealized gain (loss) on investments	<u>(237,985)</u>
 Net cash provided by (used in) operating activities	 <u>348,123</u>

**Cash Flows From Investing Activities**

Proceeds from sales and maturities of investments	3,474,125
Interest and dividends	208,794
Purchase of investments	(3,970,508)
Trustee fees	<u>(62,142)</u>
 Net cash provided by (used in) investing activities	 <u>(349,731)</u>

**Net Increase (Decrease) in Cash and Cash Equivalents** (1,608)

**Cash and Cash Equivalents - Beginning of Year** 20,746

**Cash and Cash Equivalents - End of Year** \$ 19,138

The Foundation paid no income tax or interest during 2014

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

1. Summary of Significant Accounting Policies.

- A. Nature of Operations – Northwest Mississippi Community College (the “College”) is a comprehensive two-year community and technical college. The College provides the students of its eleven county district and beyond with the opportunity to obtain an affordable quality education through academic and career technical curricula leading to certificates, diplomas, or associates degrees.
- B. Reporting Entity – The College was founded in 1928 and is one of Mississippi’s 15 public community colleges. The College operates at four campuses: the main campus in Senatobia, Mississippi, Desoto Center at Southaven and Olive Branch, Mississippi, and Lafayette-Yalobusha Technical Center at Oxford, Mississippi. The legal authority for the establishment of Northwest Mississippi Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

The College is governed by a twenty-two member board of trustees, selected by the board of supervisors of Benton, Calhoun, Desoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica, and Yalobusha Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case, the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the College works jointly with the Mississippi Community College Board, which coordinates the efforts of all 15 community and junior colleges as they serve the taxpayers of the State of Mississippi.

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

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

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

During the year ended June 30, 2015, the Foundation provided \$370,718 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation’s financial statements are presented at the end of the College’s Notes to the Financial Statements. Complete financial statements for the Foundation can be obtained from: 4975 Highway 51 North – Senatobia, MS 38668.

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

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

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

- E. Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- F. Accounts Receivable – Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories – Inventories consist of books, supplies, and dry goods in the bookstore. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.
- H. Prepaid Expenses – Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year(s).
- I. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as restricted cash and cash equivalents on the Statement of Net Position. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.
- J. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost on the date of acquisition, or, if donated, at fair value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 6 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 outflows/inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows for the college consist of loss on bond refunding and future pension related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows for the college are future pension related.

See Note 11 for further details.

- L. Long-term Liabilities and Bond Discounts and Bond Premiums – Bond discounts and bond premiums are being amortized over the remaining life of the issued bonds using the straight-line method.
- M. 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.
- N. Compensated Absences – The College Board of Trustees leave policy provides for personal and sick leave for all nine, ten, and twelve-month employees. The College's policy does not provide for payment of accumulated leave beyond the current fiscal year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- O. Non-current Liabilities – Non-current liabilities include principal amounts of bonds payable that will not be paid in the next fiscal year, dormitory housing deposits, and the bond discounts and bond premiums are being amortized over the remaining life of the issued bonds.
- P. 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.
- 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, and (3) most federal, state, and local grants and contracts. Gifts (pledges) that are received on an installment basis are recorded at net present value.
  - Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations, and investment income.
- R. Tax Revenues (Local Appropriations) – The College receives ad valorem taxes from each county in its eleven county district. Each county assesses a tax millage in support of the College as required by state law.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

- S. State Appropriations – The College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed based on a full-time equivalent funding formula which is based on total credit hours generated by all students with special consideration given only to high cost programs. Currently, the first 50% of the appropriations are split equally among the colleges, and the remaining 50% of the appropriations are allocated based on the college's full-time equivalency.
- T. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements according to GASB guidance and under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- U. Net Position – GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Fund Balance". Net Position is classified in three categories:
- a. Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
  - b. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors.
  - c. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted – expendable.
- The unrestricted net position balance of (\$52,045,110) at June 30, 2015, includes \$1,557,785 reserved for inventories and a remaining amount of (\$53,602,895).
- V. Income Taxes – The college is recognized a local governing authority and is excluded by the Internal Revenue Service from federal income taxation.
- W. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.
- X. Changes in Accounting Standards – The College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the fiscal year changing the method of accounting for pension plans. As a result of these new Statements, PERS is responsible for the pension plan assets and the College is responsible for benefits promised beyond those covered assets.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

2. Cash and Cash Equivalents.

Cash, Cash Equivalents and Short-term Investments – Investment policies as set forth by policy and state statute authorize the college to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2015, none of the college's bank balance of \$16,089,425 was exposed to custodial credit risk.

3. Accounts Receivable.

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

Student tuition	\$ 5,163,380
Federal, state, and private grants and contracts	5,222,843
State appropriations	554,943
Local appropriations	209,415
Other	<u>102,049</u>
Total Accounts Receivable	11,252,630
Less allowance for doubtful accounts	<u>(4,997,000)</u>
Net Accounts Receivable	<u>\$ 6,255,630</u>

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

4. Inventory.

Inventory as of June 30, 2015 consists of the following:

Bookstore	<u>\$ 1,557,785</u>
Total Inventory	<u>\$ 1,557,785</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

5. Prepaid Expenses.

Prepaid expense as of June 30, 2015 consists of the following:

Insurance and bonds	\$ 652,236
Total Prepaid Expenses	<u>\$ 652,236</u>

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	\$ 6,714,072	\$ -	\$ -	\$ -	\$ 6,714,072
Construction in progress	3,544,855	3,334,997	-	(1,513,552)	5,366,300
Livestock	118,600	74,359	30,909	-	162,050
Total Nondepreciable Capital Assets	<u>10,377,527</u>	<u>3,409,356</u>	<u>30,909</u>	<u>(1,513,552)</u>	<u>12,242,422</u>
<b>Depreciable Capital Assets:</b>					
Improvements other than buildings	11,387,147	-	-	1,513,552	12,900,699
Buildings	91,699,866	-	-	-	91,699,866
Equipment	11,063,185	1,451,051	304,316	-	12,209,920
Library books	2,535,984	126,711	121,607	-	2,541,088
Total Depreciable Capital Assets	<u>116,686,182</u>	<u>1,577,762</u>	<u>425,923</u>	<u>1,513,552</u>	<u>119,351,573</u>
<b>Less Accumulated Depreciation for:</b>					
Improvements other than buildings	4,263,498	486,737	-	-	4,750,235
Buildings	28,481,361	1,697,731	-	-	30,179,092
Equipment	7,981,344	964,663	279,033	-	8,666,974
Library books	1,887,166	144,952	121,607	-	1,910,511
Total Accumulated Depreciation	<u>42,613,369</u>	<u>3,294,083</u>	<u>400,640</u>	<u>-</u>	<u>45,506,812</u>
Total Depreciable Capital Assets, Net	<u>74,072,813</u>	<u>(1,716,321)</u>	<u>25,283</u>	<u>1,513,552</u>	<u>73,844,761</u>
Capital Assets, Net	<u>\$ 84,450,340</u>	<u>\$ 1,693,035</u>	<u>\$ 56,192</u>	<u>\$ -</u>	<u>\$ 86,087,183</u>

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%	-



**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

7. Construction Commitments and Financing.

The College has contracted for various construction projects as of June 30, 2015. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

<u>Project Title</u>	<u>Funded by</u>	<u>State Sources</u>	<u>Other</u>
Baseball Dugouts	NWCC	\$ -	\$ 470,967
Dormitory Efficiency Improvements Phase II	NWCC	-	134,702
Allied Health Building	State Funds	4,628,281	-
Mechanical Technology Building	State Funds	1,015,294	-
Totals		<u>\$ 5,643,575</u>	<u>\$ 605,669</u>

8. Accounts Payable and Accrued Liabilities.

Accounts payable and accrued liabilities consist of the following at June 30, 2015. All accounts payable and accrued liabilities are considered current liabilities of the college.

Employee salary and benefits	\$ 1,354,737
Payments to suppliers and contractors	1,296,997
Student payables	1,318
Interest on capital-related debt	<u>2,025</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 2,655,077</u>

9. Unearned Revenue.

Unearned revenue consists of the following at June 30, 2015:

Summer II tuition and fees	\$ 355,370
Summer II room and board	<u>39,825</u>
Total Unearned Revenue	<u>\$ 395,195</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
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10. Long-term Liabilities.

Long-term liabilities of the College consist of bonds payable and refundable student dormitory housing deposits that are expected to be liquidated at least one year from June 30, 2015. Bond premiums, discounts, and deferred loss on bond refunding, as well as issuance costs, are amortized over the life of the bonds using the straight-line method.

Information regarding original issue amounts, interest rates, and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2015, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
<b>Bonded Debt</b>								
Educational Facilities Refunding Bonds, Series 2007	2,855,000	3.75%-3.95%	2015	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -
Educational Facilities Refunding Bonds, Series 2012	1,935,000	2.50%-2.00%	2018	1,585,000	-	370,000	1,215,000	390,000
Total Bonded Debt				<u>2,085,000</u>	<u>-</u>	<u>870,000</u>	<u>1,215,000</u>	<u>390,000</u>
<b>Other Long-term Liabilities</b>								
Deposits refundable				112,450	91,231	93,235	110,446	-
Discount on bond refunding				(15,480)	-	(3,870)	(11,610)	-
Premium on bond refunding				54,222	-	13,556	40,666	-
Total Other Long-term Liabilities				<u>151,192</u>	<u>91,231</u>	<u>102,921</u>	<u>139,502</u>	<u>-</u>
Total				<u>\$ 2,236,192</u>	<u>\$ 91,231</u>	<u>\$ 972,921</u>	<u>\$ 1,354,502</u>	<u>\$ 390,000</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

The aggregate maturities of long-term liabilities for the years subsequent to June 30, 2015 are as follows:

Years Ending June 30	Bonded Debt	Interest	Total
2016	390,000	24,300	414,300
2017	405,000	16,500	421,500
2018	420,000	8,400	428,400
Totals	<u>\$ 1,215,000</u>	<u>\$ 49,200</u>	<u>\$ 1,264,200</u>

11. Defined Benefit Pension Plan

**General Information about the Pension Plan**

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

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

*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 \$4,773,594, \$4,596,248 and \$4,268,269, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the College reported a liability of \$58,020,449 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 0.4780 percent, which was a decrease from the proportionate share at June 30, 2013 of 0.4880 percent.

For the year ended June 30, 2015, the College recognized pension expense of \$3,552,676. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 905,102	\$ -
Net difference between projected and actual earnings on pension plan investments	-	8,410,490
Changes of assumptions	-	-
Changes in proportion and differences between College contribution and proportionate share of contributions	-	1,047,564
College contributions subsequent to the measurement date	4,773,594	\$ -
Total	<u>\$ 5,678,696</u>	<u>\$ 9,458,054</u>

\$4,773,594 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:

Years Ending June 30	Deferred Outflows	Deferred Inflows	Total
2016	325,576	(2,479,445)	(2,153,869)
2017	325,576	(2,479,445)	(2,153,869)
2018	253,950	(2,396,544)	(2,142,594)
2019	-	(2,102,623)	(2,102,623)
Totals	<u>\$ 905,102</u>	<u>\$ (9,458,057)</u>	<u>\$ (8,552,955)</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

*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 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

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 following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	25.00%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

*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.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
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*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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
College's proportionate share of the net pension liability	\$ 79,099,172	\$ 58,020,449	\$ 40,437,658

**12. Functional Classification of Expenses.**

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

Functional Classification	Salaries and Wages	Fringe Benefits	Pension	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation and Amortization	Other	Total
Instruction	\$ 18,852,773	\$ 2,583,619	\$ -	\$ 221,232	\$ 2,032,696	\$ 37,312	\$ 568,970	\$ 1,385,690	\$ -	\$ -	\$ 25,682,292
Academic support	1,014,431	153,453	-	2,148	22,395	-	-	78,687	-	-	1,271,114
Student services	3,091,682	492,003	-	329,173	509,208	-	564,847	544,799	-	49,884	5,581,596
Institutional support	3,639,578	619,432	-	53,918	1,374,804	-	-	244,682	-	700,046	6,632,460
Operation of plant	3,432,734	808,988	-	857	5,378,435	1,517,550	-	1,758,349	-	180	12,897,093
Student aid	-	-	-	-	-	-	8,273,663	-	-	55,367	8,329,030
Auxiliary enterprises	1,350,798	369,438	-	1,046	718,961	385,964	-	4,458,709	-	21,761	7,306,677
Pension Expense	-	-	3,552,676	-	-	-	-	-	-	-	3,552,676
Depreciation and amortization	-	-	-	-	-	-	-	-	3,299,599	-	3,299,599
<b>Total Operating Expenses</b>	<b>\$ 31,381,996</b>	<b>\$ 5,026,933</b>	<b>\$ 3,552,676</b>	<b>\$ 608,374</b>	<b>\$ 10,036,499</b>	<b>\$ 1,940,826</b>	<b>\$ 9,407,480</b>	<b>\$ 8,470,916</b>	<b>\$ 3,299,599</b>	<b>\$ 827,238</b>	<b>\$ 74,552,537</b>

# **NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**

## **Notes to the Financial Statements For the Year Ended June 30, 2015**

### **13. Prior Period Adjustments.**

A summary of significant Net Position adjustments for the year ended June 30, 2015 are as follows:

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB No. 68 and 71:	
Net pension liability	\$ 67,616,973
Deferred outflows-contributions made during the fiscal year ended June 30, 2014	<u>(4,596,248)</u>
 Total prior period adjustment related to GASB No. 68 and 71	 <u>\$ 63,020,725</u>

### **14. Risk Management.**

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

### **15. Unemployment Compensation Trust Fund.**

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2015, the fund was adequately funded with a balance of \$115,447.

### **16. Concentrations.**

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

### **17. Contingencies.**

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

### **18. Consistency Between Reporting Periods.**

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

19. Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Northwest Mississippi Community College evaluated the activity of the College through December 17, 2015, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- Construction of a Football Field House has been bid and approved in the amount of \$4,883,500.
- Construction of an Allied Health Facility has been bid and approved by the State Bureau of Building and Real Property Management (BoB) in the amount of \$4,722,000. This project is paid directly by the State BoB.
- Energy enhancement and renovations to Taylor Hall as well as elevator repairs to Lafayette Humanities Building and Tunica Building have been bid and approved in the amount of \$4,281,000.



# **NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**

## **Notes to the Financial Statements For the Year Ended December 31, 2014**

### **1. Description of Organization and Summary of Significant Accounting Policies**

#### **Organization**

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

#### **Basis of Accounting and Financial Statement Presentation**

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

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of Net Assets – unrestricted, temporarily restricted, and permanently restricted.

#### **Revenue Recognition**

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

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

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

#### **Donations Receivable**

Donations receivable are unconditional promises to give that are recognized as donations when the promise is received. Donations receivable that are expected to be collected in less than one year are reported at net realizable value. Donations receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Management has determined that no allowance for uncollectible accounts is necessary. This policy was adopted for the year ended December 31, 2013 and was not applied retroactively.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2014**

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) of the 1986 Internal Revenue Code and from state income taxes by the Mississippi State Tax Commission. The Foundation is not classified by the Internal Revenue Service as a private foundation.

Investments

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

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

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

Volunteer Labor

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

2. Office Space

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

3. Investments

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

Bank Certificate of Deposit	\$ 97,736
Merrill Lynch Managed Holdings:	
Holding account	105
TMA/Lord Abbett Taxable	2,308,606
TMA/Neuberger Berman Taxable Int.	1,867,921
TMA/MFS LCTV	971,330
TMA/Montagee Caldwell LCG	964,525
Foreign Equities	
TMA/MFS Clearbridge ValCore Intl. EQ	321,153
TMA/MFS Inst. Intl.	4
TMA/MFS Inst. Intl. Growth	324,681
TMA/London Co. Dividend Focused	671,515
TMA/RBA Risk-Bal. GLBLETF Strategy	1,297,295
Total Managed Holdings	8,727,135
Total Investments	\$ 8,824,871
Current Investment	\$ 650,394
Noncurrent Investment	8,174,477
Total Investments	\$ 8,824,871

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2014**

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Dividend and Interest Income	\$ -	\$ 206,624	\$ 206,624
Interest	269	1,901	2,170
Unrealized Gains (Losses)	<u>-</u>	<u>237,985</u>	<u>237,985</u>
Total	<u>\$ 269</u>	<u>\$ 446,510</u>	<u>\$ 446,779</u>

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

4. Fair Value Measurements

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

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

Level 2            Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

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

# NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

## Notes to the Financial Statements For the Year Ended December 31, 2014

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

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of December 31, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 8,727,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,727,135</u>

### 5. Donations Receivable

The Foundation has received promises to give from donors. The estimated value of these pledges for which a value can be determined was approximately \$490,000 as of December 31, 2014. These pledges are designated to benefit the Nursing Scholarship, the 2+2 Program, and the Northwest Mississippi Community College Workforce Development Program. These pledges are recorded in the financial statements as donations receivable. All receivables are due in one to five years. No allowance for uncollectibles has been established.

Contributions receivable consist of the following:

Amounts Due in Less Than One Year	\$ 197,500
Amounts Due in One to Five Years	<u>292,500</u>
Total	490,000
Less: Discount to Present Value at 5.5%	<u>46,903</u>
Contribution Receivable, Net	<u>\$ 443,097</u>

### 6. Educational Related Activities

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

Supplies for NWCC programs	\$ 132,833
Student account related expenses	24,399
NWCC program travel related expense	<u>7,658</u>
Total Education Related Expense	<u>\$ 164,890</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2014**

7. Fund Raising Revenue and Expense

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

	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
2+2 Golf Tournament	\$ 26,431	\$ 7,227	\$ 19,204
Rodeo	26,574	22,561	4,013
Golf	<u>10,997</u>	<u>6,132</u>	<u>4,865</u>
Totals	<u>\$ 64,002</u>	<u>\$ 35,920</u>	<u>\$ 28,082</u>

8. Other Concentrations

- a. The Foundation is dependent on receiving donations in order to grow and increase its mission. It could possibly maintain its current level of operation without receiving the current level donations.
- b. Many of the donations come from former students, faculty and their families, and friends of the College. Other donations come from civic minded citizens and businesses in the college's service area.

9. Related Party Transactions

One board member's family owns and operates two golfing facilities in the area, Cherokee Valley Golf Club. During the year, the Foundation paid \$7,227 in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative.

10. 2+2 Scholarship Initiative

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

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

The Foundation sent the UM \$10,749 for 2014.

As of December 31, 2014, a payable of \$9,602 was due UM from the 2+2 Scholarship Initiative.

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

11. Royalty Agreement

In May 2005 the Foundation entered an agreement with Pearson Education Publishing allowing the College to customize mathematics textbooks. The Foundation receives \$10 per book royalty. The royalty income is designated for use by the mathematics department. The Foundation received \$9,096 for 2014.

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**

**Notes to the Financial Statements  
For the Year Ended December 31, 2014**

12. In-Kind Donations

The College provides staffing and other expense for the Foundation. The amount attributable to this expense totaled \$330,980 in 2014.

13. Temporarily Restricted Net Assets

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

14. Permanently Restricted Net Assets

Permanently restricted net assets of \$6,803,897 at 2014 are restricted to investments in perpetuity, the income from which is expendable to support scholarships for the College students. In 2014 there were approximately 826 donors.

15. Subsequent Events

Events that occur after the statement of financial position but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management of the Foundation evaluated the activity through March 18, 2015 and determined that no significant subsequent events existed.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of the College's Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years**  
**Year Ended June 30, 2015**

Last 10 Fiscal Years\*

	<u>2015</u>
College's proportion of the net pension liability	0.4780%
College's proportionate share of the net pension liability	\$ 58,020,449
College's covered-employee payroll	29,179,453
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.84%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

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

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



**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of the College's Contributions**  
**Last 10 Fiscal Years**  
**Year Ended June 30, 2015**

Last 10 Fiscal Years\*

	<u>2015</u>
Contractually required contribution	\$ 4,774,177
Contributions in relation to the contractually required contribution	<u>4,773,594</u>
Contribution deficiency (excess)	<u>\$ 583</u>
College's covered-employee payroll	30,312,201
Contributions as a percentage of covered-employee payroll	15.75%

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

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

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Required Supplementary Information**  
**Year Ended June 30, 2015**

- 1) Change of benefit terms – there were no changes of benefit terms in 2015.
- 2) Change of assumptions – there were no changes of benefit assumptions in 2015.

**SUPPLEMENTARY INFORMATION**

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Labor</u>		
Trade Adjustment Assistance Community College Career Training	17.282	<u>24,550</u>
WIA - Cluster:		
Pass-through programs from:		
Mississippi Department of Employment Security		
WIA/WIOA - Adult Program	17.258	26,316
WIA/WIOA - Dislocated Workers Formula Grant	17.278	42,979
South Delta Planning and Development District		
WIA/WIOA - Adult Program	17.258	43,609
WIA/WIOA - Dislocated Worker Formula Grant	17.278	2,856
WIA/WIOA - National Emergency Grant	17.277	113,074
Three Rivers Planning and Development District		
WIA/WIOA - Adult Program	17.258	330,488
WIA/WIOA - Youth Activities	17.259	297,403
WIA/WIOA - Dislocated Worker Formula Grant	17.278	<u>159,939</u>
Total WIA Cluster		<u>1,016,664</u>
Total U.S. Department of Labor		<u>1,041,214</u>
<u>Veterans Administration</u>		
Veterans Administration Reporting Fee	64.XXX	<u>2,484</u>
<u>U.S. Department of Education</u>		
Student Financial Aid - Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	349,714
Federal Work-study Program (FWS)	84.033	267,014
Federal Pell Grant Program	84.063	20,334,172
Federal Direct Student Loans	{2} 84.268	<u>4,185,714</u>
Total Student Financial Aid Cluster		<u>25,136,614</u>
TRIO - Student Support Services	84.042	<u>274,932</u>
Pass-through programs from:		
Mississippi Community College Board		
Adult Education - Basic Grants to States	84.002	<u>427,102</u>
Mississippi Department of Education		
Career and Technical Education - Basic Grants to States	84.048	<u>429,524</u>
Total U.S. Department of Education		<u>26,268,172</u>
Total		<u>\$ 27,311,870</u>

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Notes to the Schedule of Expenditures of Federal Awards:

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:

- 1) Expenditures include applicable amounts of transfers out;
- 2) For purposes of this schedule, loans made to students under the Federal Direct Student Loans (CFDA #84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions.

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



WILLIAMS, PEELER, BROWN & BAILEY  
CERTIFIED PUBLIC ACCOUNTANTS

DAVID L. WILLIAMS	2000 Mendenhall Drive, Suite A
ROBERT A. PEELER	1101 17th Street, Suite 300
KEITH A. BROWN	602 12th Street
LEONARD A. BAILEY	602 12th Street

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

Dr. Gary Lee Spears, President and  
The Board of Trustees  
Northwest Mississippi Community College  
Senatobia, 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 the business-type activities of Northwest Mississippi Community College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 17, 2015. Our report includes a reference to other auditors who audited the financial statements of the Northwest Mississippi Community College Foundation (the "Foundation"), as described in our report on the Northwest Mississippi Community College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
December 17, 2015





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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Dr. Gary Lee Spears, President and  
The Board of Trustees  
Northwest Mississippi Community College  
Senatobia, Mississippi

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

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

#### ***Management's Responsibility***

Management is responsible for compliance with 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 the 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 of the College's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of the 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 the 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 the 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.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
December 17, 2015



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Dr. Gary Lee Spears, President and  
The Board of Trustees  
Northwest Mississippi Community College  
Senatobia, Mississippi

We have audited the basic financial statements of Northwest Mississippi Community College (the "College"), as of and for the year ended June 30, 2015, and have issued our report dated December 17, 2015. We have 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 *Governmental Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instance of noncompliance with state laws and regulations.

This report is intended for the information of the College's management and the Office of the State Auditor 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.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
December 17, 2015

**NORTHWEST 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 auditor's report issued on the general purpose financial statements:               | <u>Unmodified</u>    |
| 2. Material noncompliance relating to the general purpose financial statements?               | <u>No</u>            |
| 3. Internal control over financial reporting:   |                      |
| a. Material weakness (es) identified?   | <u>No</u>            |
| b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>None reported</u> |

Federal Awards:

- |   |                      |
|---|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs:                  | <u>Unmodified</u>    |
| 5. Internal control over major programs:  |                      |
| a. Material weakness (es) identified?   | <u>No</u>            |
| b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>None reported</u> |
| 6. Any audit finding(s) reported as required by OMB Circular A-133?                           | <u>No</u>            |
| 7. Federal programs identified as major programs:   |                      |
| Federal Supplemental Educational Opportunity Grants   | <u>CFDA # 84.007</u> |
| Federal Work-Study Program  | <u>CFDA # 84.033</u> |
| Federal Pell Grant Program  | <u>CFDA # 84.063</u> |
| Federal Direct Student Loans  | <u>CFDA # 84.268</u> |
| 8. The dollar threshold used to distinguish between types A and type B programs:              | <u>\$300,000</u>     |
| 9. Auditee qualified as a low-risk auditee?   | <u>Yes</u>           |

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

10. Prior fiscal year audit finding(s) and questioned cost 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 2: Financial Statement Findings**

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

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

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