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**FINANCIAL STATEMENTS**  
**ITAWAMBA COMMUNITY COLLEGE**  
  
**For the Year Ended**  
**June 30, 2016**

# ITAWAMBA COMMUNITY COLLEGE

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## Independent Auditors' Report

Board of Directors  
Itawamba Community College

### 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 Itawamba Community College as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Itawamba Community College as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, and the Schedule of College Contributions on pages 4-11, 38 and 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2017 on our consideration of Itawamba Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Itawamba Community College's internal control over financial reporting and compliance.

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Fulton, Mississippi  
February 6, 2017

## **ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Itawamba Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal years ended June 30, 2016 and 2015. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

### **Using the Annual Report**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. These financial statements differ significantly, in both form and the accounting principles used, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. The College's net position (the difference between the assets and deferred outflows of resources and the 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 nonoperating. The financial reporting model classifies State appropriations and gifts as nonoperating 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.

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Condensed Statement of Net Position**

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets	\$ 41,200,691	\$ 36,438,212
Noncurrent Assets	<u>78,056,972</u>	<u>77,911,015</u>
Total Assets	<u>119,257,663</u>	<u>114,349,227</u>
Deferred Outflows of Resources	<u>10,514,223</u>	<u>4,655,087</u>
<b>Liabilities</b>		
Current Liabilities	3,941,091	3,465,807
Noncurrent Liabilities	<u>65,266,410</u>	<u>54,525,148</u>
Total Liabilities	<u>69,207,501</u>	<u>57,990,955</u>
Deferred Inflows of Resources	<u>4,288,531</u>	<u>9,607,767</u>
<b>Net Position</b>		
Net Investment in Capital Assets	72,538,972	70,968,015
Restricted:		
Expendable	11,926,516	9,780,851
Unrestricted	<u>(28,189,634)</u>	<u>(29,343,274)</u>
Total Net Position	<u>\$ 56,275,854</u>	<u>\$ 51,405,592</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$36,028,686 and \$31,834,036 at June 30, 2016 and 2015, respectively.

**Short-term Investments**

Short-term investments consist of certificates of deposit with financial institutions. The total amount of short-term investments reported as current assets on the College financial statements were \$717,933 and \$717,259 at June 30, 2016 and 2015, respectively.

**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, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$3,718,391 and \$2,903,237 at June 30, 2016 and 2015, respectively.



**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Inventories**

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories maintained for internal departmental use include postage, fuel, and office supplies which make up the balance of the recorded inventory. Inventories totaled \$735,475 and \$983,646 at June 30, 2016 and 2015, respectively.

**Noncurrent assets**

**Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2016 and 2015. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$78,056,972 and \$77,911,015 at June 30, 2016 and 2015, respectively.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities represent amounts due at June 30, 2016 and 2015 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,616,921 and \$1,244,537 at June 30, 2016 and 2015, respectively.

**Unearned Revenue**

Unearned revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2016 and 2015 fiscal years. The unearned revenue totaled \$864,170 and \$796,270 at June 30, 2016 and 2015, respectively.

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2016 and 2015 fiscal years. The amount of the current portion of long-term debt at June 30, 2016 and 2015 was \$1,460,000 and \$1,425,000, respectively.

**Noncurrent Liabilities**

**Deposits**

Deposits represents the deposits paid by students for reservation for and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon checkout at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$73,300 and \$66,050 at June 30, 2016 and 2015, respectively.

**Long-Term Liabilities**

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the noncurrent portion of long-term debt was \$4,058,000 and \$5,518,000 at June 30, 2016 and 2015, respectively.

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Net Position**

Net Position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2016 and 2015 were \$56,275,854 and \$51,405,592, respectively.

**Analysis of Net Position**

Restricted nonexpendable net position consists of endowment gifts with specific restrictions on spending the principal given.

Restricted expendable net position consists of endowment gifts, gifts with specific restrictions, grants from third party agencies with expenditure restrictions, and loan funds.

The following is a breakdown of the restricted net position:

	<u>2016</u>	<u>2015</u>
Debt Service	\$ 213,029	\$ 196,197
Capital Projects	8,944,455	8,584,864
Other	<u>2,769,032</u>	<u>999,790</u>
Total Restricted Net Position	<u>\$ 11,926,516</u>	<u>\$ 9,780,851</u>

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

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

For the year ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Tuition and Fees	\$ 14,642,335	\$ 14,394,310
Grants and Contracts	23,245,096	21,277,145
Auxiliary Enterprises	6,195,096	7,061,974
Other Operating Revenues	<u>1,529,799</u>	<u>932,808</u>
Total Operating Revenues	<u>45,612,326</u>	<u>43,666,237</u>
Operating Expenses	<u>72,622,553</u>	<u>71,035,767</u>
Operating Loss	<u>(27,010,227)</u>	<u>(27,369,530)</u>
<b>Nonoperating Revenues:</b>		
State Appropriations	19,198,613	19,443,253
Local Appropriations	5,538,207	5,474,174

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

	<u>2016</u>	<u>2015</u>
Noncapital Gifts	\$ 1,143,839	\$ 1,465,876
Investment Income, Net	18,445	16,009
Interest expense on capital asset-related debt	(192,617)	(226,439)
Other Nonoperating Revenues	<u>(314,570)</u>	<u>(12,625)</u>
Net Nonoperating Revenues	<u>25,391,917</u>	<u>26,160,248</u>
Income (Loss) Before Other Revenues	<u>(1,618,310)</u>	<u>(1,209,282)</u>
Appropriations restricted for capital purposes	<u>6,488,572</u>	<u>4,903,020</u>
Total Other Revenues	<u>6,488,572</u>	<u>4,903,020</u>
Total Increase in Net Position	<u>4,870,262</u>	<u>3,693,738</u>
<b>Net Position</b>		
Net Position at Beginning Year, as originally stated	51,405,592	103,086,761
Prior Period Adjustment	<u>0</u>	<u>(55,374,907)</u>
Net Position at Beginning of Year, as restated	<u>51,405,592</u>	<u>47,711,854</u>
Net Position at End of Year	<u>\$ 56,275,854</u>	<u>\$ 51,405,592</u>

Total operating loss for the fiscal year 2016 and 2015 was \$27,010,227 and \$27,369,530, respectively. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show a significant operating loss.

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

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 2016 and 2015 were \$45,612,326 and \$43,666,237, respectively. Tuition and fees were \$14,642,335 and \$14,394,310, respectively. The tuition discount was \$3,177,857 and \$3,657,138, respectively. Operating expenses, including depreciation and amortization of \$2,943,558 and \$2,981,872, totaled \$72,622,553 and \$71,035,767, respectively. Of this total \$26,269,314 and \$26,499,733 or 36% and 37% was for instruction.

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$14,642,335 and \$14,394,310 for June 30, 2016 and 2015. The tuition discount for the 2016 and 2015 fiscal years was \$3,177,857 and \$3,657,138, respectively.

**Grants and Contracts**

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Federal Sources	\$ 17,647,395	\$ 16,424,588
State Sources	<u>5,597,701</u>	<u>4,852,557</u>
Total All Sources	<u>\$ 23,245,096</u>	<u>\$ 21,277,145</u>

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$1,126,175 and \$459,833 for the 2016 and 2015 fiscal years.

**Auxiliary Enterprises**

Sales and services, net, consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. Auxiliary enterprises primarily include the College bookstore, food services and housing.

**Operating Expenses**

Operating expenses totaling \$72,622,553 and \$71,035,767 include salaries and benefits of \$35,094,410 and \$32,606,029, scholarships and fellowships of \$18,443,535 and \$18,660,326, utilities of \$2,069,828 and \$1,900,790, supplies of \$5,744,579 and \$7,113,396, contractual services of \$7,950,194 and \$7,414,066, and depreciation and amortization of \$2,943,558 and \$2,981,872, respectively for June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Expenses by Function:		
Instruction	\$ 26,269,314	\$ 26,499,733
Academic Support	792,662	701,880
Student Services	4,932,218	4,308,561
Institutional Support	6,845,036	6,280,923
Operations and Maintenance of Plant	7,486,102	6,052,956
Student Financial Aid	18,443,535	18,578,341
Auxiliary Enterprises	5,000,353	5,631,501
Depreciation	<u>2,943,558</u>	<u>2,981,872</u>
Total Operating Expenses by Function	<u>\$ 72,622,553</u>	<u>\$ 71,035,767</u>

# **ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

## **Nonoperating Revenues (Expenses)**

### **State Appropriations**

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$19,198,613 for 2016 fiscal year and \$19,443,253 for 2015 fiscal year, of which \$19,198,613 and \$19,443,253 was for operations. State capital aid in the amount of \$1,218,850 and \$0 was received for the purchase, construction, renovation, and repair of fixed assets.

### **Local Appropriations**

The College also receives revenue from the counties in college's district. The College uses the funding for salaries and benefits and for operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1<sup>st</sup>. The College received \$5,538,207 and \$5,474,174 for the 2016 and 2015 fiscal years from the counties. This appropriation was fully recorded by the College during the fiscal year.

### **Noncapital Gifts**

This consists of gifts made to the College from a nongovernmental organization and/or individuals. The cash gifts totaled \$1,143,839 and \$1,465,876 at June 30, 2016 and 2015, respectively.

### **Investment Income, Net**

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2016 and 2015 shows \$18,445 and \$16,009 in investment income.

## **Other Revenues**

### **State Appropriations for Capital Purposes**

\$1,218,850 and \$0 are the amounts of revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2016 and 2015 fiscal year, respectively.

### **Local Appropriations for Capital Purposes**

This includes revenue received from the counties for capital projects during the fiscal years. The amount of this grant totaled \$5,089,769 and \$4,903,020 for the 2016 and 2015 fiscal years.

## **Statement of Cash Flows**

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

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

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (23,324,706)	\$ (25,390,064)
Noncapital Financing Activities	26,051,315	26,317,476
Capital and Related Financing Activities	1,450,442	1,328,720
Investing Activities	<u>17,599</u>	<u>15,286</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,194,650	2,271,418
Cash and Cash Equivalents – Beginning of the Year	<u>31,834,036</u>	<u>29,562,618</u>
Cash and Cash Equivalents – End of the Year	<u>\$ 36,028,686</u>	<u>\$ 31,834,036</u>

The major sources of funds included in operating activities include student tuition and fees, \$14,596,743 and \$14,362,357, auxiliary enterprises, \$6,202,442 and \$7,081,907, and grants and contracts, \$22,423,943 and \$20,108,183. The major uses of funds were payments made to employees, \$34,254,606 and \$34,104,493 and to suppliers, \$4,771,042 and \$6,843,452 for fiscal year end June 30, 2016 and 2015.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$19,311,793 and \$19,339,247 for June 30, 2016 and 2015, respectively.

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2016 financial situation. The decrease in the level of State support, compensation increases, student tuition and fee increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately twenty-five percent of general operations' revenue. The level of State support is therefore one of the key factors influencing the College's financial condition.

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

Various committees and individuals are assessing the College's performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

## FINANCIAL STATEMENTS



**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	June 30, 2016
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 36,028,686
Short-term investments	717,933
Accounts receivables, net	3,718,391
Accrued interest receivable	206
Inventories	735,475
Total Current Assets	<u>41,200,691</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>78,056,972</u>
Total Noncurrent Assets	<u>78,056,972</u>
Total Assets	<u><u>119,257,663</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	<u>10,514,223</u>
Total Deferred Outflows of Resources	<u><u>10,514,223</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,616,921
Unearned revenues	864,170
Long-term debt - current portion	<u>1,460,000</u>
Total Current Liabilities	<u>3,941,091</u>
Noncurrent liabilities:	
Deposits refundable	73,300
Net pension liability	61,135,110
Long-term debt	<u>4,058,000</u>
Total Noncurrent Liabilities	<u>65,266,410</u>
Total Liabilities	<u><u>69,207,501</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	<u>4,288,531</u>
Total Deferred Inflows of Resources	<u><u>4,288,531</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	72,538,972
Restricted for:	
Expendable:	
Capital projects	8,944,455
Debt service	213,029
Other purposes	2,769,032
Unrestricted	<u>(28,189,634)</u>
Total Net Position	<u><u>\$ 56,275,854</u></u>

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016**  
**(With comparative information as of June, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash	\$ 1,372,240	\$ 1,283,351
Investments, at fair value	7,011,497	6,970,953
Unconditional promises to give, net	238,811	685,116
Interest receivable	<u>273</u>	<u>234</u>
Total assets	\$ <u>8,622,821</u>	\$ <u>8,939,654</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ <u>5,080</u>	\$ <u>5,293</u>
Total liabilities	<u>5,080</u>	<u>5,293</u>
Net assets:		
Unrestricted	7,195,120	7,449,274
Temporarily restricted	<u>1,422,621</u>	<u>1,485,087</u>
Total net assets	<u>8,617,741</u>	<u>8,934,361</u>
Total liabilities and net assets	\$ <u>8,622,821</u>	\$ <u>8,939,654</u>

See accompanying notes to financial statements.

**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2016**

<b>Operating Revenues:</b>	
Tuition and fees (net of scholarship allowances of \$3,177,857)	\$ 14,642,335
Federal grants and contracts	17,647,395
State grants and contracts	5,597,701
Sales and services of educational departments	403,624
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$301,232)	1,523,787
Food services (net of scholarship allowances of \$376,541)	1,582,558
Bookstore	2,949,206
Other auxiliary revenues	139,545
Other operating revenues	<u>1,126,175</u>
Total Operating Revenues	<u>45,612,326</u>
<b>Operating Expenses:</b>	
Salaries and wages	26,310,321
Fringe benefits	8,784,089
Travel	376,449
Contractual services	7,950,194
Utilities	2,069,828
Scholarships and fellowships	18,443,535
Commodities	5,744,579
Depreciation and amortization expense	2,943,558
Other operating expense	<u>0</u>
Total Operating Expenses	<u>72,622,553</u>
Operating Income (Loss)	<u>(27,010,227)</u>
<b>Nonoperating Revenues (Expenses):</b>	
State appropriations	19,198,613
Local appropriations	5,538,207
Gifts	1,143,839
Investment income	18,445
Interest expense on capital asset-related debt	(192,617)
Other nonoperating revenues (expenses)	<u>(314,570)</u>
Total Net Nonoperating Revenues (Expenses)	<u>25,391,917</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>(1,618,310)</u>
Federal appropriations restricted for capital purposes	179,953
State appropriations restricted for capital purposes	1,218,850
Local appropriations restricted for capital purposes	<u>5,089,769</u>
Total Net Nonoperating Revenues (Expenses)	<u>6,488,572</u>
Change in Net Position	<u>4,870,262</u>
<b>Net Position:</b>	
Net Position - Beginning of Year	<u>51,405,592</u>
Net Position - End of Year	<u>\$ 56,275,854</u>

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2016**  
**(With summarized information for the year ended June 30, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenue:				
Contributions	\$ 146,381	\$ 74,500	\$ 220,881	\$ 339,947
Investment income	118,755	-	118,755	120,854
Net realized and unrealized (losses) gains on investments	(133,118)	-	(133,118)	143,144
Miscellaneous revenue	-	-	-	2,943
Net assets released from restrictions	<u>136,966</u>	<u>(136,966)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>268,984</u>	<u>(62,466)</u>	<u>206,518</u>	<u>606,888</u>
Expenses:				
Distributions for educational purposes	110,659	-	110,659	101,962
Bad debt expense	334,066	-	334,066	667,333
Support services:				
Management and general:				
Operational expenses	9,223	-	9,223	7,229
Investment management fees	24,073	-	24,073	24,428
Professional development	18,900	-	18,900	14,771
Other expenses	<u>26,217</u>	<u>-</u>	<u>26,217</u>	<u>39,909</u>
Total expenses	<u>523,138</u>	<u>-</u>	<u>523,138</u>	<u>855,632</u>
Change in net assets	(254,154)	(62,466)	(316,620)	(248,744)
Net assets at beginning of year	<u>7,449,274</u>	<u>1,485,087</u>	<u>8,934,361</u>	<u>9,183,105</u>
Net assets at end of year	<u>\$ 7,195,120</u>	<u>\$ 1,422,621</u>	<u>\$ 8,617,741</u>	<u>\$ 8,934,361</u>

See accompanying notes to financial statements.

**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2016**

**Cash Flows from Operating Activities:**

Tuition and fees	\$ 14,596,743
Grants and contracts	22,423,943
Sales and services of educational departments	403,624
Payments to suppliers	(4,771,042)
Payments to employees for salaries and benefits	(34,254,606)
Payments for utilities	(2,233,547)
Payments for scholarships and fellowships	(18,443,535)
Auxiliary enterprise charges:	
Student housing	1,531,037
Food services	1,582,558
Bookstore	2,950,501
Other auxiliary enterprises	138,346
Other receipts (payments)	<u>(7,248,728)</u>
Net Cash Provided (Used) by Operating Activities	<u>(23,324,706)</u>

**Cash Flows from Noncapital Financing Activities:**

State appropriations	19,311,793
Local appropriations	5,595,683
Gifts and grants for other than capital purposes	<u>1,143,839</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>26,051,315</u>

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

Cash paid for capital assets	(3,404,085)
Capital appropriations received	6,488,572
Principal paid on capital debt and leases	(1,425,000)
Interest paid on capital debt and leases	<u>(209,045)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,450,442</u>

**Cash Flows from Investing Activities:**

Short-term investments	(674)
Interest received on investments	<u>18,273</u>
Net Cash Provided (Used) by Investing Activities	<u>17,599</u>

Net Increase (Decrease) in Cash and Cash Equivalents	4,194,650
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<b>Cash and Cash Equivalents - Beginning of the Year</b>	<u>31,834,036</u>
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<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 36,028,686</u></u>
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**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2016**

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

Operating income (loss)	\$ <u>(27,010,227)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Pension expense	1,015,639
Depreciation and amortization expense	2,943,558
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(985,809)
Inventories	248,171
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	388,812
Unearned revenues	67,900
Deposits refundable	<u>7,250</u>
Total adjustments	<u>3,685,521</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(23,324,706)</u></u>

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**  
**(With comparative information for the year ended June, 30, 2015)**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (316,620)	\$ (248,744)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized losses (gains) on investments	133,118	(143,144)
Changes in assets and liabilities:		
Unconditional promises to give	446,305	605,231
Interest receivable	(39)	(159)
Accounts payable	<u>(213)</u>	<u>(1,033)</u>
Net cash provided by (used in) operating activities	<u>262,551</u>	<u>212,151</u>
Cash flows from investing activities:		
Purchase of investments	<u>(173,662)</u>	<u>(524,080)</u>
Net cash provided by (used in) investing activities	<u>(173,662)</u>	<u>(524,080)</u>
Net change in cash	88,889	(311,929)
Cash at beginning of year	<u>1,283,351</u>	<u>1,595,280</u>
Cash at end of year	<u>\$ 1,372,240</u>	<u>\$ 1,283,351</u>

See accompanying notes to financial statements.

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Itawamba Community College is governed by a thirty-member board of trustees, selected by the board of supervisors of Itawamba, Lee, Monroe, Pontotoc and Chickasaw 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, Itawamba Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

Itawamba Community College reports the following discretely presented component unit:

Itawamba Community College Foundation, Inc. (Foundation) – The Foundation is a legally separate, tax-exempt nonprofit organization founded in 1975. The Foundation acts primarily as a fund raising organization to supplement the resources available to Itawamba Community College (college) in support of its programs.

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

During the year ended June 30, 2016, the Foundation distributed \$110,659 to the College.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.
- C. Basis of Accounting - The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.



**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- E. Short-Term Investments – The College considers all highly liquid investments with an original maturity of more than three months but less than twelve months to be short-term investments.
- F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories - Inventories consist of bookstore, printing and food service supplies. 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. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- I. 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports \$10,514,223 of deferred outflows related to its pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports \$4,288,531 of deferred inflows related to its pension plan.

See Note 8 for further details.

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

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- K.     Compensated Absences - The College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- L.     Classification of Revenues - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:
- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans. Gifts (pledges) that are received on an installment basis are recorded at net present value.
- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.
- M.     State Appropriations – Itawamba Community College receives funds from the State of Mississippi through the State Board of Community and Junior Colleges. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high costs programs.
- N.     Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- O. Net Position - GASB Statement No. 63 reports equity as "Net Position" rather than "Net Assets". Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs.
- P. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by the management of the Institution. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenues and expenses. It is at least reasonably possible that the estimates and assumptions used could change within the next year.

**NOTE 2 – CASH AND INVESTMENTS**

Policies:

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

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 Depositary Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the institution will not be able to recover deposits or collateral securities that are in the possession of an outside party. The institution does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the college. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the institution. As of June 30, 2016, \$0 of the institution's bank balance was exposed to custodial credit risk.

- B. Investments – Investment policies as set forth by policy and state statute also authorize the college to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 2 – CASH AND INVESTMENTS - continued**

The following table summarizes the carrying values of the college's investments reported on the statement of net position at June 30, 2016:

Short-term investments	\$ <u>717,933</u>
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The following table summarizes the categorization of investments at June 30, 2016:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	Less than 1	\$ <u>717,933</u>	Not Rated

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

**Credit Risk** - State law limits investments to those prescribed in Section 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972) The College does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk** - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Concentration of Credit Risk** - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2016, the college did not have any investments to which this would apply.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2016:

Student tuition	\$ 1,381,022
Auxiliary enterprises and other operating activities	6,504
Federal, state, and private grants and contracts	2,548,919
State appropriations	303,204
Local appropriations	221,418
Other	<u>103,226</u>
 Total Accounts Receivable	 4,564,293
Less allowance for doubtful accounts	<u>845,902</u>
 Net Accounts Receivable	 \$ <u>3,718,391</u>

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2016, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 1,151,137	\$ 0	\$ 0	\$ 1,151,137
Construction in progress	<u>128,176</u>	<u>1,753,890</u>	<u>(919,682)</u>	<u>962,384</u>
Total Nondepreciable Capital Assets	<u>\$ 1,279,313</u>	<u>\$ 1,753,890</u>	<u>\$ (919,682)</u>	<u>\$ 2,113,521</u>
Depreciable Capital Assets:				
Improvements other than buildings	\$ 12,012,409	\$ 72,068	\$ 0	\$ 12,084,477
Buildings	91,952,030	2,066,463	(1,184,847)	92,833,646
Equipment	9,636,489	369,368	(308,093)	9,697,764
Library books	<u>2,025,674</u>	<u>61,978</u>	<u>(6,082)</u>	<u>2,081,570</u>
Total Depreciable Capital Assets	<u>\$115,626,602</u>	<u>\$ 2,569,877</u>	<u>\$ (1,499,022)</u>	<u>\$ 116,697,457</u>
Less Accumulated Depreciation for:				
Improvements other than buildings	\$ 5,311,052	\$ 410,990	\$ 0	\$ 5,722,042
Buildings	24,917,497	1,819,020	(887,158)	25,849,359
Equipment	7,062,271	635,242	(291,212)	7,406,301
Library books	<u>1,704,080</u>	<u>78,306</u>	<u>(6,082)</u>	<u>1,776,304</u>
Total Accumulated Depreciation	<u>\$ 38,994,900</u>	<u>\$ 2,943,558</u>	<u>\$ (1,184,452)</u>	<u>\$ 40,754,006</u>
Total Depreciable Capital Assets, Net	<u>\$ 76,631,702</u>	<u>\$ (373,681)</u>	<u>\$ (314,570)</u>	<u>\$ 75,943,451</u>
Capital Assets, Net	<u>\$ 77,911,015</u>	<u>\$ 1,380,209</u>	<u>\$ (1,234,252)</u>	<u>\$ 78,056,972</u>

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 4 – CAPITAL ASSETS – continued**

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

	<b><u>Estimated Useful Lives</u></b>	<b><u>Salvage Value</u></b>	<b><u>Capitalization Threshold</u></b>
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%	0

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 5 – LONG-TERM LIABILITIES**

Long-term liabilities of the college consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2016.

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Int. Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b><u>Bonded Debt</u></b>								
1981 Dorm Revenue Bonds	2,008,000	3.00%	10/2021	\$ 388,000	\$ 0	\$ 60,000	\$ 328,000	\$ 60,000
2011 Refunding Bonds	9,720,000	2.00%-3.00%	02/2020	<u>6,150,000</u>	<u>0</u>	<u>1,165,000</u>	<u>4,985,000</u>	<u>1,195,000</u>
Total Bonded Debt				<u>6,538,000</u>	<u>0</u>	<u>1,225,000</u>	<u>5,313,000</u>	<u>1,255,000</u>
<b><u>Other Long-term Liabilities</u></b>								
Capital Lease Payable				405,000		200,000	205,000	205,000
Deposits Refundable				<u>66,050</u>	<u>79,400</u>	<u>72,150</u>	<u>73,300</u>	<u>0</u>
Total Other Long-term Liabilities				<u>471,050</u>	<u>79,400</u>	<u>272,150</u>	<u>278,300</u>	<u>205,000</u>
Total				<u>\$ 7,009,050</u>	<u>\$ 79,400</u>	<u>\$ 1,497,150</u>	<u>5,591,300</u>	<u>\$ 1,460,000</u>
Due within one year							<u>1,460,000</u>	
Total Long-term Liabilities							<u>\$ 4,131,300</u>	

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 5 – LONG-TERM LIABILITIES – continued**

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2016, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

	<b><u>Bonded</u></b> <b><u>Debt</u></b>	<b><u>Capital</u></b> <b><u>Lease</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 1,255,000	\$ 205,000	\$ 168,979	\$ 1,628,979
2018	1,290,000	0	123,090	1,413,090
2019	1,325,000	0	84,390	1,409,390
2020	1,355,000	0	44,640	1,399,640
2021	60,000	0	3,990	63,990
2022-2026	28,000	0	2,610	30,610
2027-2031	0	0	0	0
2032-2036	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 5,313,000</u>	<u>\$ 205,000</u>	<u>\$ 427,699</u>	<u>\$ 5,945,699</u>



**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 6 – FUNCTIONAL EXPENSE CLASSIFICATIONS**

(10) Natural Classifications with Functional Classifications.

The college's operating expenses by functional classification were as follows for the year ended June 30, 2016:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation & Amortization Expense	Other	Total
Instruction	\$ 16,904,150	\$ 5,461,120	\$ 148,243	\$ 2,982,048	\$ 10,324	\$ 89,325	\$ 674,104	\$ 0	\$ 0	26,269,314
Academic support	510,082	184,510	12,291	55,211	0	0	30,568	0	0	792,662
Student services	3,133,154	1,074,657	135,214	340,134	0	0	249,059	0	0	4,932,218
Institutional support	3,223,070	1,130,249	75,171	1,111,445	0	900	1,304,201	0	0	6,845,036
Operation of plant	1,909,040	723,915	5,106	2,018,022	1,461,443	0	1,368,576	0	0	7,486,102
Student aid	0	0	0	0	0	18,353,310	0	0	0	18,353,310
Auxiliary enterprises	630,825	209,638	424	1,443,334	598,061	0	2,118,071	0	0	5,000,353
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,943,558</u>	<u>0</u>	<u>2,943,558</u>
Total Operating Expenses	<u>\$ 26,310,321</u>	<u>\$ 8,784,089</u>	<u>\$ 376,449</u>	<u>\$ 7,950,194</u>	<u>\$ 2,069,828</u>	<u>\$ 18,443,535</u>	<u>\$ 5,744,579</u>	<u>\$ 2,943,558</u>	<u>\$ 0</u>	<u>\$ 72,622,553</u>

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 7 – CONSTRUCTION COMMITMENTS AND FINANCING**

The college has contracted for various construction projects as of June 30, 2016. Estimated costs to complete the significant project and the sources of anticipated funding are presented below:

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Federal Sources</u>	<u>Funded by</u>			<u>Other</u>
			<u>State Sources</u>	<u>Institutional Funds</u>		
Band Hall	\$ 4,009,000	\$ 2,439,476	\$ 0	\$ 1,569,524		\$ 0
Total	\$ 4,009,000	\$ 2,439,476	\$ 0	\$ 1,569,524		\$ 0

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

*Plan Description-* Employees of Itawamba Community College are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. 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-* For the cost-sharing plan participating members who are vested and retire at or after age 60 or those 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 2.00% 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 2.50% 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 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.

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued**

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% of your annual base benefit for each full fiscal year of retirement prior to the year in which you reach age 55 (Retirement Tiers 1 through 3) or age 60 (Retirement Tier 4), plus 3% compounded for each fiscal year thereafter, beginning with the fiscal year in which you turn age 55.

Employee membership data related to the Plan, as of June 30, 2015 was as follows:

Retirees and Survivors	96,338
Terminated Vested Employees	19,005
Inactive Nonvested Members	118,021
Active Members	<u>157,215</u>
Total	<u><u>390,579</u></u>

*Contributions-* The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and Itawamba Community College is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the College to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended June 30, 2016, Itawamba Community College's total payroll for all employees was \$25,755,468. Total covered payroll was also \$24,300,379. Covered payroll refers to all compensation paid by the College to active employees covered by the Plan.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions-* At June 30, 2016, Itawamba Community College reported a liability of \$61,135,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued**

Itawamba Community College's proportion of the net pension liability was based on a projection of Itawamba Community College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, Itawamba Community College's proportion was 0.395491%.

For the year ended June 30, 2016, Itawamba Community College recognized pension expense of \$4,842,952. At June 30, 2016, Itawamba Community College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference Between Expected and Actual Results – Pensions	\$ 1,420,330	\$ 0
Changes in assumptions	5,266,581	0
College Pension Contributions Subsequent to the Measurement Date	3,827,312	0
Changes in proportionate share	0	2,646,541
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	0	1,641,990
Total	\$ <u>10,514,223</u>	\$ <u>4,288,531</u>

The \$3,827,312 of deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2017	\$ 733,106
2018	673,843
2019	97,167
2020	894,264
Total	\$ <u>2,398,380</u>

*Actuarial Assumptions*-The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued**

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward one year for males.

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

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

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

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued**

*Sensitivity of Itawamba Community College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*-The following presents Itawamba Community College's proportionate share of the net pension liability using the discount rate of 8.0%, as well as what Itawamba Community 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 (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	Discount Rate	College's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$80,581,675
Current discount rate	7.75%	\$61,135,110
1% increase	8.75%	\$44,998,096

*Plan Fiduciary Net Position*-Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

The Institution's operations are located in Fulton and Tupelo, Mississippi and its students come primarily from Mississippi and surrounding states. The Institution's major source of revenue is derived from State appropriations, federal grants, tuition and room and board.

The Institution receives funds, which are applied against students' accounts, from federal and state governmental organizations that provide assistance to students attending institutions of higher education.

**NOTE 10 – SUBSEQUENT EVENTS**

The Institution has evaluated subsequent events through February 6, 2017, which is the date the financial statements were available to be issued.

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Itawamba Community College Foundation, Inc., (the Foundation), is a Mississippi non-profit corporation chartered on January 30, 1975. The Foundation's purpose is to receive and hold by gift, bequest, devise, grant, purchase, lease or otherwise any real or personal property, and to invest and reinvest, and to use and dispose of the same for the purpose of providing residents of the State of Mississippi with funds to pursue their collegiate training at Itawamba Community College. The funds are used to acquire or purchase real or personal property; to pay for service for instruction; to provide funds to carry on any proper activity at the Itawamba Community College; and to engage in any and all lawful activities that may be incidental or reasonably necessary to carry out its purposes.

B. Basis of Accounting

The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting. The statements have been prepared on an accrual basis.

C. Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Foundation and changes therein are classified in to the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Foundation.
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted.
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Foundation to use or expand part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

D. Income Taxes

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been made. As of June 30, 2016, there were no material uncertain tax positions.

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

E. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

F. Investments

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 and 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 passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

G. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three board levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

H. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

I. Promises to Give

All unconditional promises to give are recorded at their estimated realizable value on a discounted basis. Allowance is made for uncollectible pledges based upon management's judgment and analysis of specific accounts, past collection experience and other relevant factors.



**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

J. Prior Year Information

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS**

Temporary restricted net assets at the end of June 30, 2016, are restricted for the following purposes:

Student financial support	<u>\$ 1,422,621</u>
Total temporarily restricted net assets	<u><u>\$ 1,422,621</u></u>

**NOTE 3 - PREMISES**

The Foundation has an agreement with Itawamba Community College whereby the Foundation and the Community College share the use of two buildings for activities of each respective organization.

**NOTE 4 - ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 5 - INVESTMENTS**

Investments consisted of the following at June 30, 2016:

Investments:	Cost	Market value (Level 1)
Common stocks	\$ 4,315	\$ 4,538
Bond funds	1,631,168	2,000,954
Stock funds	1,212,319	4,307,228
Certificates of deposit	694,351	694,351
Short-term investments	4,426	4,426
Total investments	<u><u>\$ 3,546,579</u></u>	<u><u>\$ 7,011,497</u></u>

Level 1: Common stocks, bond funds, stock funds, and short-term investments are valued at the closing price reported in the active market on which the individual securities or funds are traded.

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 6 - PLEDGES RECEIVABLE**

Unconditional promises to give, net, are summarized as follows at June 30, 2016:

Unconditional promises expected to be collected in:	
Less than one year	\$ 120,167
One to three years	<u>120,167</u>
	240,334
Less unamortized discount (rates range from .45% to .58%)	<u>(543)</u>
	239,791
Less allowance for uncollectible pledges	<u>(980)</u>
	<u><u>\$ 238,811</u></u>

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially expose the Foundation to concentrations of credit risk include cash and cash equivalents, investments in marketable securities, and pledges receivable. As a matter of policy, the Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

**NOTE 8 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through February 6, 2017, the date on which the financial statements were available to be issued.

## REQUIRED SUPPLEMENTAL INFORMATION

**ITAWAMBA COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
Last Ten Fiscal Years  
For the Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
A. Itawamba Community College's proportion of net pension liability (%)	0.3955%	0.4032%
B. Itawamba Community College's proportionate share of net pension liability	\$61,135,110	\$48,941,098
C. Itawamba Community College's covered employee payroll	\$24,708,698	\$24,632,330
D. Itawamba Community College's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	247.42%	198.69%
E. Plan fiduciary net position as a percentage of total pension liability	61.70%	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 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

**ITAWAMBA COMMUNITY COLLEGE**  
**SCHEDULE OF THE COLLEGE CONTRIBUTIONS**  
**Last Ten Fiscal Years**  
**For the Year Ended June 30, 2016**

	2016	2015
A. Statutorily required contributions	\$3,827,312	\$3,891,620
B. Contributions in relation to statutorily required contributions	\$3,827,312	\$3,891,620
C. Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
D. Itawamba Community College's covered employee payroll	\$24,300,379	\$24,708,698
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

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

## SUPPLEMENTAL INFORMATION

**ITAWAMBA COMMUNITY COLLEGE**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2016**

	CFDA NUMBER	TOTAL EXPENDITURES
Major Programs		
Student Financial Aid Cluster		
U.S. Department of Education:		
Federal Pell Grant Program	84.063	\$ 12,738,807
Federal Work-Study Program	84.033	163,797
Federal Supplemental Educational Opportunity Grant	84.007	168,894
Private Lending Institutions:		
Federal Family Education Loans	84.032	4,695,553
Total Student Financial Aid Cluster		<u>17,767,051</u>
U.S. Department of Labor:		
Workforce Investment Act	17.258	<u>1,392,430</u>
U.S. Department of Agriculture		
Supplemental Nutrition Assistance Program Employment and Training	10.561	<u>1,900,440</u>
Total Major Programs		<u>21,059,921</u>
Other Federal Assistance		
U.S. Department of Education:		
Adult Education-State Administered Basic Grant Programs	84.002	519,781
Vocational Education-Basic Grants to States	84.048	359,771
Tech-Prep Education	84.243	<u>15,000</u>
Total U.S. Department of Education		<u>894,552</u>
U.S. Department of Labor		
Job Training Grants Program - Made in American Grants	17.268	<u>72,640</u>
		<u>72,640</u>
U.S. Department of Commerce		
Manufacturing Extension Partnership	11.611	<u>189,545</u>
Total U.S. Department of Commerce		<u>189,545</u>
National Aeronautics and Space Administration:		
Technology Transfer - Aerospace Education Services Program	43.002	<u>13,795</u>
Appalachian Regional Commission		
ARC Area Development - Learning Resource Center	23.002	<u>17,254</u>
Total Other Federal Assistance		<u>1,187,786</u>
Total Federal Financial Assistance		<u>\$ 22,247,707</u>

Notes to Schedule of Federal Financial Assistance

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) For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA #84.032) 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



## OTHER REPORTS

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Jonathan Hagood, CPA  
Rudolph Franks, CPA (emeritus)

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

Board of Directors  
Itawamba Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Itawamba Community College as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Itawamba Community College's basic financial statements, and have issued our report thereon dated February 6, 2017. We have also audited the statement of financial position of Itawamba Community College Foundation, Inc. a discretely presented component unit of Itawamba Community College, as of June 30, 2016, and the statements of activities and cash flows for the year then ended. The financial statements of Itawamba Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

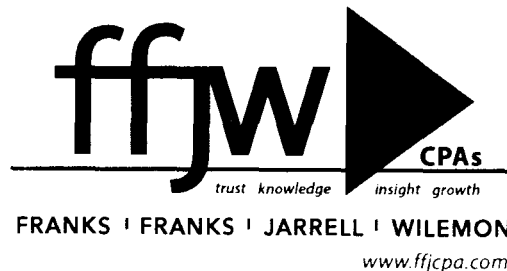
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed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

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Fulton, Mississippi  
February 6, 2017

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Itawamba Community College

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

We have audited Itawamba Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Itawamba Community College's major federal programs for the year ended June 30, 2016. Itawamba Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Itawamba 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, 2016.

## Report on Internal Control Over Compliance

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

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

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

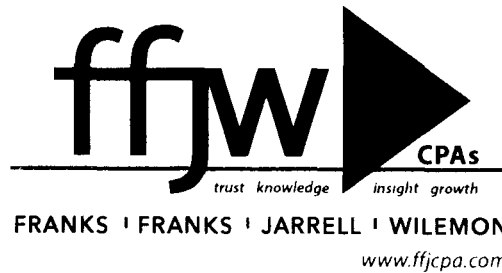
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Fulton, Mississippi  
February 6, 2017

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

Board of Directors  
Itawamba Community College

We have audited the financial statements of Itawamba Community College as of and for the year ended June 30, 2016, and have issued our report dated February 6, 2017. 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*.

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

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

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

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Fulton, Mississippi  
February 6, 2017

**ITAWAMBA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2016**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditors' report issued: unmodified  
Internal control over financial reporting:  
Material weakness identified?        Yes   X   No  
Significant deficiency identified  
not considered to be material weaknesses?        Yes   X   None reported  
Noncompliance material to financial statements  
noted?        Yes   X   No

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified?        Yes   X   No  
Significant deficiency(s) identified  
not considered to be material weaknesses?        Yes   X   None reported  
Type of auditors' report issued on compliance  
for major programs: unmodified  
Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a)?        Yes   X   No

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>17.258</u>	<u>Workforce Investment Act</u>
<u>10.561</u>	<u>Supplemental Nutrition Assistance Program Employment and Training</u>

Cluster of Programs - Student Financial Aid:

<u>84.063</u>	<u>Federal Pell Grant Program</u>
<u>84.033</u>	<u>Federal Work-Study Program</u>
<u>84.007</u>	<u>Federal Supplemental Educational Opportunity Grant Program</u>
<u>84.032</u>	<u>Stafford, SLS and Plus Loan Programs</u>

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

Auditee qualified as low-risk auditee?   X   Yes        No

**ITAWAMBA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2016**

**SECTION 2 - FINANCIAL STATEMENT FINDINGS:**

There were no findings related to the financial statements.

**SECTION 3 - FEDERAL AWARD FINDINGS:**

There were no findings related to federal award programs.