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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Audited Financial Statements
For the Year Ended June 30, 2017



NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Northwest Mississippi Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise College's basic financial statements. We audited the financial statements of Northwest Mississippi Community College Foundation as of and for the year ended December 31, 2016, which represents 100 percent of the assets and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northwest Mississippi Community College as of June 30, 2017 and the aggregate discretely presented component unit, Northwest Mississippi Community College Foundation, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of College's Proportionate Share of Net Pension Liability and the Schedule of College Contributions on pages i–xii and 31-32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 10, 2018

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

This section of the Northwest Mississippi Community College (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the college's management.

Using this Report

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

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

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 11,967,660	\$ 12,238,948	\$ (271,288)
Non Current Assets			
Other	7,545,352	9,530,229	(1,984,877)
Capital, Net	<u>93,474,020</u>	<u>87,864,260</u>	<u>5,609,760</u>
Total Assets	<u>112,987,032</u>	<u>109,633,437</u>	<u>3,353,595</u>
Deferred Outflows of Resources	<u>21,529,759</u>	<u>17,720,452</u>	<u>3,809,307</u>
Liabilities			
Current Liabilities	2,964,322	2,830,626	133,696
Noncurrent Liabilities	<u>84,902,296</u>	<u>75,215,638</u>	<u>9,686,658</u>
Total Liabilities	<u>87,866,618</u>	<u>78,046,264</u>	<u>9,820,354</u>
Deferred Intflows of Resources	<u>5,710,993</u>	<u>6,978,609</u>	<u>(1,267,616)</u>
Net Position			
Net Investment in Capital Assets	93,052,080	87,035,379	6,016,701
Restricted			
Expendable	7,201,828	9,385,237	(2,183,409)
Unrestricted	<u>(59,314,728)</u>	<u>(54,091,600)</u>	<u>(5,223,128)</u>
Total Net Position	<u>\$ 40,939,180</u>	<u>\$ 42,329,016</u>	<u>\$ (1,389,836)</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts that are unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$7,298,405 at June 30, 2017, compared to the fiscal year 2016 amount of \$6,283,753. This increase is primarily due to the completion of HVAC repairs to student housing facilities over the past three fiscal years.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, accounts receivable arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. Accounts receivable was \$2,889,310 at June 30, 2017, compared to the fiscal year 2016 amount of \$3,895,291. This decrease is a result of timing on the receipt of state funds. The 2016 fiscal year had several state contracts and grants that had not been received by year-end.

Inventories

The College maintains inventories of merchandise for resale in the Northwest Bookstore. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$904,139 at June 30, 2017, and \$1,188,826 at June 30, 2016. The decrease in fiscal year 2017 inventory is due to timing on the shipping of books for the Fall semester. This decrease can be attributed to the College's increased transition to electronic books for the Fall 2017 semester. With this transition, there were significantly less books in transit at year-end 2017.

Prepaid Expenses

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and amounts submitted to the Bureau of Buildings for the College's share of future construction projects. Prepaid expenses totaled \$875,806 at June 30, 2017, in comparison to \$871,078 at June 30, 2016.

Non-current Assets

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are considered restricted, non-current assets include cash held in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund and cash held in the unexpended plant fund for future capital improvements. The amount of restricted cash and cash equivalents at June 30, 2017 totaled \$7,545,352, in comparison to \$9,530,229 at June 30, 2016. During fiscal year 2017, funds decreased due to funds being released from obligations related to current and future capital projects on campus. Most notably the HVAC repairs to student housing facilities.

Capital Assets, Net

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2017. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$93,474,020 at June 30, 2017, in comparison to \$87,864,260 at June 30, 2016. The largest portion of capital assets of the College consists of buildings. The amount reported prior to depreciation at June 30, 2017 totaled \$96,169,713 or 66.47% of total capital assets compared to \$96,169,713 or 70.45% of total capital assets at June 30, 2016. These building are used for housing students, classrooms, and faculty and staff offices.

The College also has some \$2,355,704 estimated to complete various capital projects at June 30, 2017 compared to \$8,378,468 at June 30, 2016.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Deferred Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflow of resources consists of loss on refunded bonds as well as pensions. The amount related to loss on refunded bonds is amortized over the life of each corresponding bond. The amount, \$7,744, at June 30, 2017 compared to \$15,489 at June 30, 2016 is reported net of annual amortization. The deferred outflow of resources related to pension totals \$21,522,015 at June 30, 2017 compared to \$17,704,963 at June 30, 2016. This increase in deferred outflow is related to a significant increase in deferred outflow from the State retirement system's performance in fiscal year 2016.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2017 for employee benefits, interest on capital debt, and for unpaid goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,222,674 at June 30, 2017, in comparison to \$2,085,144 at June 30, 2016.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year that the College had not earned or expended by the end of the June 30, 2017 fiscal year. The unearned revenue totaled \$262,335 at June 30, 2017, and \$283,460 at June 30, 2016.

Long-Term Liabilities – Current Portion

The current portion of long-term liabilities represents the portion of bond and note indebtedness that is to be payable within one year of June 30, 2017. The amount of the long-term liabilities-current portion at June 30, 2017 was \$420,000, as compared to \$405,000 at June 30, 2016.

Other Current Liabilities

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2017 was \$59,313, as compared to \$57,022 at June 30, 2016.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Non-current Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. Deposits refundable at June 30, 2017 consist of room deposits paid by dormitory students and held in reserve by the College for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2017 was \$117,201 and \$113,991 at June 30, 2016.

Long-term Liabilities

This liability consists of bond indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of long-term liabilities was \$0 at June 30, 2017, as compared to \$420,000 at June 30, 2016. The long-term debt is scheduled to be paid off in December 2017.

Net Pension Liability

This liability is the College's present obligation to pay pension benefits in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net pension liability was \$84,775,411 at June 30, 2017 and \$74,662,277 at June 30, 2016. This increase is a direct result in the State retirement system's performance for the year ended June 30, 2016.

Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources related to pensions totals \$5,710,993 at June 30, 2017 and \$6,978,609 at June 30, 2016. This decrease is a direct result in the State retirement system's performance for the year ended June 30, 2016.

Net Position

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. During fiscal year 2017, total net position decreased by \$1,389,836 or 3.28%. The College's net position is presented as unrestricted, restricted – expendable, and net investment in capital assets. This decrease is directly related to the performance of the State retirement system's during fiscal year 2016, as seen in the "Analysis of Net Position" and "Operating Expenses" sections below.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Analysis of Net Position

Unrestricted net position is net position available to the College for any lawful purpose. The following is a breakdown of unrestricted net position as of June 30, 2017 and June 30, 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Unrestricted General Fund	\$ 7,893,024	\$ 7,776,198	\$ 116,826
Unrestricted Auxiliary Fund	1,756,637	2,068,125	(311,488)
Unrestricted Pension Fund	<u>(68,964,389)</u>	<u>(63,935,923)</u>	<u>(5,028,466)</u>
Total Unrestricted Net Position	<u>\$ (59,314,728)</u>	<u>\$ (54,091,600)</u>	<u>\$ (5,223,128)</u>

The decrease in Unrestricted Net Position is related to the Pension Fund's Net Position. The College's pension expense related to the State retirement system increased nearly \$3 million over fiscal year 2016.

Restricted - expendable net position consist of gifts or grants from third-parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted – expendable net position as of June 30, 2017 and June 30, 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Restricted - expendable for			
Unemployment benefits	\$ 116,276	\$ 115,758	\$ 518
Capital improvements	<u>7,085,552</u>	<u>9,269,479</u>	<u>(2,183,927)</u>
Total Restricted - Expendable Net Position	<u>\$ 7,201,828</u>	<u>\$ 9,385,237</u>	<u>\$ (2,183,409)</u>

The decrease in Restricted- Expendable Net Position is related to multiple capital projects taking place at the College during the 2017 fiscal year. This was noted as being anticipated in the prior year report. With several projects still ongoing at year-end, it is anticipated for the Unexpended Plant Fund to have a decrease in Restricted Expendable Net Position next fiscal year as well. The College is well aware of the balance in Unexpended Plant Fund Net Position, therefore there is no fear of fully depleting the Net Position of this fund.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Net investment in capital assets	<u>\$ 93,052,080</u>	<u>\$ 87,035,379</u>	<u>\$ 6,016,701</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

For the year ended June 30, 2017 with comparative information for the year ended June 30, 2016:

	June 30, 2017	June 30, 2016	Variance Positive (Negative)
Total Operating Revenues	\$ 40,006,064	\$ 39,916,680	\$ 89,384
Total Operating Expenses	<u>78,920,429</u>	<u>76,718,035</u>	<u>(2,202,394)</u>
Net Operating Loss	(38,914,365)	(36,801,355)	(2,113,010)
Nonoperating Revenues(Expenses):	<u>28,099,679</u>	<u>29,400,411</u>	<u>(1,300,732)</u>
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(10,814,686)	(7,400,944)	(3,413,742)
Total Other Revenues, Expenses, Gains, or Losses	<u>9,424,850</u>	<u>6,586,100</u>	<u>2,838,750</u>
Change in Net Assets	(1,389,836)	(814,844)	(574,992)
Net Position			
Net Position Beginning of Year	42,329,016	43,143,860	(814,844)
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Net Position End of Year	<u><u>\$ 40,939,180</u></u>	<u><u>\$ 42,329,016</u></u>	<u><u>\$ (1,389,836)</u></u>

Total operating loss for the fiscal year 2017 was \$38,914,365 while the loss for fiscal year 2016 was \$36,801,335. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss. The operating loss in fiscal year 2017 increased due to the increase in pension expense of nearly \$3 million.

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

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

Total operating revenues for fiscal year 2017 were \$40,006,064, compared to \$39,916,680 for fiscal year 2016. Tuition and fees were \$9,015,541, compared to \$8,812,370 for fiscal year 2016, net of the tuition discount which was \$11,082,352 for fiscal year 2017, compared to \$10,116,787 for fiscal year 2016.

Operating expenses for fiscal year 2017, including depreciation and amortization of \$3,565,025, and pension expense of \$9,866,361, totaled \$78,920,429. Operating expenses for fiscal year 2016 totaled \$76,718,035, including depreciation and amortization of \$3,559,371 and pension expense of \$6,897,140. Operating expenses increased in the current fiscal year due to the increase in the College's proportionate share of the State retirement system's pension expense, nearly \$3 million from the previous fiscal year.

Instructional expenditures composed 32.51% of the fiscal year 2017 operating expenses and 32.19% of the fiscal year 2016 operating expenses.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Revenues

Operating Revenues

Tuition and Fees

Tuition and fees includes all tuition and related fees assessed for educational purposes totaling \$20,097,893 for fiscal year 2017, in comparison to \$18,929,157 for fiscal year 2016. The tuition discount for the 2017 fiscal year was \$11,082,352 compared to the fiscal year 2016 tuition discount of \$10,116,787. The tuition and fees increase is a direct result of a board approved tuition rate increase.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2017 and June 30, 2016.

	June 30, 2017	June 30, 2016	Increase (Decrease)
Federal Sources	\$ 21,068,809	\$ 21,185,258	\$ (116,449)
State Sources	4,801,102	4,834,268	(33,166)
Other Sources	432,842	421,852	10,990
Total All Sources	<u>\$ 26,302,753</u>	<u>\$ 26,441,378</u>	<u>\$ (138,625)</u>

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

Sales and Services from Educational Activities

Sales and services from educational activities that totaled \$153,588 for the 2017 fiscal year as compared to \$164,852 for the 2016 fiscal year.

Sales and Services from Auxiliary Enterprises, Net

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

Auxiliary enterprises primarily include the Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$4,054,816 for the 2017 fiscal year as compared to \$3,963,269 for the 2016 fiscal year. The discount for scholarship allowance was \$4,472,456 for fiscal year 2017 and \$4,041,601 for fiscal year 2016.

Other operating revenues

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$479,366 for the 2017 fiscal year as compared to \$534,811 for the 2016 fiscal year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**Management's Discussion and Analysis****For the Year Ended June 30, 2017****Operating Expenses**

Operating expenses for fiscal year 2017 totaled \$ 78,920,429 including salaries and benefits of \$36,881,556, pension expense of \$9,866,361, scholarships of \$7,132,822, utilities of \$1,541,680, commodities/supplies of \$8,492,373, contractual services of \$10,007,771, travel of \$581,952, depreciation and amortization of \$3,565,025, and other operating expense of \$850,889. Operating expenses for fiscal year 2016 totaled \$76,718,035 including salaries and benefits of \$36,200,453, pension expense of \$6,897,140 scholarships of \$8,502,902, utilities of \$1,581,962, commodities/supplies of \$9,376,185, contractual services of \$9,054,227, travel of \$637,967, depreciation and amortization of \$3,559,371, and other operating expense of \$907,828.

Expenses by Function:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Instruction	\$ 25,660,896	\$ 24,696,910	\$ 963,986
Academic Support	1,285,184	1,376,139	(90,955)
Student Services	5,651,335	5,804,899	(153,564)
Institutional Support	6,680,299	6,600,774	79,525
Operations and Maintenance of Plant	13,003,020	13,194,543	(191,523)
Student Financial Aid	6,155,667	7,541,121	(1,385,454)
Auxiliary Enterprises	7,052,642	7,047,138	5,504
Pension Expense	9,866,361	6,897,140	2,969,221
Depreciation and amortization	3,565,025	3,559,371	5,654
Total Operating Expenses by Function	<u>\$ 78,920,429</u>	<u>\$ 76,718,035</u>	<u>\$ 2,202,394</u>

The increase in operating expenses is due to the increase in the College's proportionate share of the State retirement system's pension expense, nearly \$3 million from the previous fiscal year.

Non-operating Revenues (Expenses)**State Appropriations**

The College's largest source of non-operating revenue is the State of Mississippi appropriations. These appropriations were for educational and general operations of the College. The College received \$22,344,314 for fiscal year 2017 compared to \$23,885,200 for fiscal year 2016. This decrease is a result of multiple state budget cuts by the Governor of Mississippi.

Local Appropriations

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year. The College received \$5,625,780 in county appropriations for fiscal year 2017, compared to \$5,460,385 for fiscal year 2016.

Interest Income, Net

Interest income includes the amount earned on cash in the bank accounts and from certificates of deposit. The interest income for fiscal year 2017 was \$64,735, as compared to \$38,263 for fiscal year 2016.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Interest Expense on Capital Related Debt

Interest expense on capital asset related debt consists of the amount the College incurred during the 2017 fiscal year. The total expense was \$11,775 for fiscal year 2017, compared to \$19,750 for fiscal year 2016.

Other Revenues, Expenses, Gains, and Losses

State Appropriations Restricted for Capital Purposes

State appropriations restricted for capital purposes consist of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the fiscal year 2017 was \$3,615,108, as compared to \$1,159,811 for fiscal year 2016.

Local Appropriations for Capital Purposes

The College receives non-operating revenue of county appropriations from the eleven county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities; and any debt service portion of appropriations for the payment of debt principal and interest. The College received \$5,712,475 in local appropriations for capital purposes for fiscal year 2017, compared to \$5,412,634 for fiscal year 2016.

Capital Grants and Gifts

Capital grants and gifts include revenue received from outside agencies restricted for capital projects during the fiscal year and the value of capital assets donated to the college. The amount of this grant totaled \$124,210 for fiscal year 2017 as compared to \$207,603 for fiscal year 2016. Capital grants consist of reimbursed career-technical equipment purchases.

Other Additions (Deletions), net

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for fiscal year 2017 was (\$26,943) compared to (\$193,948) for fiscal year 2016.

Statement of Cash Flows

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Condensed Statement of Cash Flows (Direct Method)

For the fiscal year ended June 30, 2017 and June 30, 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	Variance Positive (Negative)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (29,088,455)	\$ (29,365,558)	\$ 277,103
Noncapital Financing Activities	28,142,879	29,479,762	(1,336,883)
Capital and Related Financing Activities	(89,384)	847,397	(936,781)
Investing Activities	<u>64,735</u>	<u>38,263</u>	<u>26,472</u>
Net Increase in Cash and Cash Equivalents	(970,225)	999,864	(1,970,089)
Cash and Cash Equivalents - Beginning of Year	<u>15,813,982</u>	<u>14,814,118</u>	<u>999,864</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 14,843,757</u></u>	<u><u>\$ 15,813,982</u></u>	<u><u>\$ (970,225)</u></u>

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

In comparison, the major sources of funds included in operating activities for fiscal year 2016 include student tuition and fees, \$5,241,345; auxiliary enterprises, \$3,982,364; and grants and contracts, \$28,729,130. The major uses of funds for fiscal year 2016 were payments made to employees and benefit providers, \$41,136,979; payments made to suppliers, \$19,325,280; and for scholarships, \$5,766,636.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$22,511,478 in fiscal year 2017, as compared to \$24,031,759 in fiscal year 2016.

Significant Capital Asset Transactions

During fiscal year 2017, significant construction activity took place at the College. Six construction projects were in progress at year-end with all six of the projects under contract totaling \$15,156,521. In addition, one project totaling \$783,139 was completed during the year.

Significant Subsequent Events

The College has approved a contract for energy services (pursuant to S31-7-14 of the Mississippi Code of 1972) for the building automation system upgrades and elevator modernization projects in the amount of \$1,618,718.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Factors Impacting Future Periods

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

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**Statement of Net Position****June 30, 2017****Assets**

Current Assets

Cash and cash equivalents	\$ 7,298,405
Accounts receivables, net	2,889,310
Inventories	904,139
Prepaid expenses	875,806
Total Current Assets	11,967,660

Non-current Assets

Restricted cash and cash equivalents	7,545,352
Capital assets, net of accumulated depreciation	93,474,020
Total Non-current Assets	101,019,372

Total Assets**112,987,032****Deferred Outflows of Resources**

Loss on bond refunding	7,744
Pensions	21,522,015
Total Deferred Outflows of Resources	21,529,759

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	2,222,674
Unearned revenue	262,335
Long-term liabilities, current portion	420,000
Other current liabilities	59,313
Total Current Liabilities	2,964,322

Non-current Liabilities

Deposits refundable	117,201
Discount on bond refunding	(3,870)
Premium on bond refunding	13,554
Net pension liability	84,775,411
Total Non-current Liabilities	84,902,296

Total Liabilities**87,866,618****Deferred Inflows of Resources**

Pensions	5,710,993
Total Deferred Inflows of Resources	5,710,993

Net Position

Net investment in capital assets	93,052,080
Restricted for	
Unemployment compensation	116,276
Capital projects	7,085,552
Unrestricted	(59,314,728)
Total Net Position	\$ 40,939,180

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position

December 31, 2016

Assets

Current Assets:

Cash	\$	22,364
Contributions Receivable		92,315
Investments		<u>961,354</u>

Total Current Assets		<u><u>1,076,033</u></u>
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Non-Current Assets:

Cash		239,815
Investments		<u>8,454,561</u>

Total Non-Current Assets		<u>8,694,376</u>
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Total Assets	\$	<u><u>9,770,409</u></u>
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Liabilities

Current Liabilities:

Accounts Payable	\$	<u>14,463</u>
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Net Assets

Unrestricted		44,788
Temporarily restricted		2,095,348
Permanently restricted		<u>7,615,810</u>

Total Net Assets		<u>9,755,946</u>
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Total Liabilities and Net Assets	\$	<u><u>9,770,409</u></u>
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The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

Operating Revenues	
Tuition and fees (net of scholarship allowances of \$11,082,352)	\$ 9,015,541
Federal grants and contracts	21,068,809
State grants and contracts	4,801,102
Nongovernmental grants and contracts	432,842
Sales and services of educational departments	153,588
Auxiliary enterprises:	
Bookstore (net of scholarship allowances of \$2,716,985)	2,535,434
Food Services (net of scholarship allowances of \$1,030,690)	838,471
Student housing (net of scholarship allowances of \$724,781)	611,169
Other Auxiliary revenues	69,742
Other operating revenues	479,366
Total Operating Revenues	<u>40,006,064</u>
Operating Expenses	
Salaries and wages	31,821,764
Fringe benefits	5,059,792
Pension expense	9,866,361
Travel	581,952
Contractual services	10,007,771
Utilities	1,541,680
Scholarships and fellowships	7,132,822
Commodities	8,492,373
Depreciation and amortization expense	3,565,025
Other operating expenses	850,889
Total Operating Expenses	<u>78,920,429</u>
Operating Income (Loss)	<u>(38,914,365)</u>
Non-operating Revenues (Expenses)	
State Appropriations	22,344,314
Local Appropriations	5,625,780
Insurance loss recoveries	76,625
Interest income	64,735
Interest expense on capital asset-related debt	(11,775)
Net Non-operating Revenues (Expenses)	<u>28,099,679</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	<u>(10,814,686)</u>
Other Revenues, Expenses, Gains, and Losses	
State appropriations restricted for capital purposes	3,615,108
Local appropriations restricted for capital purposes	5,712,475
Capital grants and contracts - federal	124,210
Other additions (deletions), net	(26,943)
Net Other Revenues, Expenses, Gains, and Losses	<u>9,424,850</u>
Changes in Net Position	(1,389,836)
Net Position - Beginning	<u>42,329,016</u>
Net Position - End of year	<u>\$ 40,939,180</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Activities

For the Year Ended December 31, 2016

Unrestricted Net Assets

Unrestricted Revenues and Gains	
Contributions	\$ 14,097
In-kind donations	366,400
Interest income	963
Total Unrestricted Revenues and Gains	<u>381,460</u>
 Net Assets Released From Restrictions	 <u>5,000</u>
 Total Unrestricted Revenues, Gains, and Other Support	 <u>386,460</u>
 Expenses	
Like kind payroll expense	250,884
Like kind education related expense	115,516
Other related expenses	24,470
Total Expenses	<u>390,870</u>
 Increase (Decrease) in Unrestricted Net Assets	 <u>(4,410)</u>

Temporarily Restricted Net Assets

Contributions	293,248
Interest & dividends (net of management fees)	223,308
Fundraisers (net)	40,053
Net unrealized gain (loss) on investments	152,298
Education related activities	(158,132)
Scholarships	(456,488)
Transfers from temporarily restricted	<u>(100,394)</u>
 Increase (Decrease) in Temporarily Restricted Net Assets	 <u>(6,107)</u>

Permanently Restricted Net Assets

Endowment Contributions	346,590
Transfer from temporarily restricted assets (net)	<u>95,394</u>
 Increase (Decrease) in Permanently Restricted Net Assets	 <u>441,984</u>

Increase (Decrease) in Total Net Assets	431,467
 Net Assets - Beginning of Year	 <u>9,324,479</u>
 Net Assets - End of Year	 <u>\$ 9,755,946</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**Statement of Cash Flows
For the Year Ended June 30, 2017****Cash Flows from Operating Activities**

Tuition and fees	\$ 5,090,309
Grants and contracts	27,105,754
Sales and services of educational departments	153,588
Payments to suppliers	(18,665,690)
Payments to employees for salaries and benefits	(41,708,062)
Payments for utilities	(1,541,680)
Payments for scholarships and fellowships	(3,848,718)
Auxiliary enterprise charges:	
Bookstore	2,535,434
Food services	838,471
Student housing	632,729
Other	69,742
Other receipts (payments)	249,668
Net Cash Provided (Used) by Operating Activities	<u>(29,088,455)</u>

Cash Flows from Noncapital Financing Activities

State appropriations	22,511,478
Local appropriations	5,629,110
Agency transfers (net)	13,463
Custodial transfers (net)	(11,172)
Federal loan receipts	7,598,231
Federal loan disbursements	(7,598,231)
Net Cash Provided by Noncapital Financing Activities	<u>28,142,879</u>

Cash Flows from Capital and Related Financing Activities

Cash paid for capital assets	(5,588,561)
Capital appropriations received	5,715,792
Capital grants and contracts received	124,210
Principal paid on capital debt	(405,000)
Capital debt interest paid	(12,450)
Other sources (uses)	76,625
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(89,384)</u>

Cash Flows from Investing Activities

Interest received on investments	<u>64,735</u>
Net Cash Provided (Used) by Investing Activities	<u>64,735</u>

Net Increase (Decrease) in Cash and Cash Equivalents (970,225)

Cash and Cash Equivalents - Beginning of the Year 15,813,982

Cash and Cash Equivalents - End of the Year \$ 14,843,757
continued

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**Statement of Cash Flows
For the Year Ended June 30, 2017****Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities:**

Operating income (loss)	\$ (38,914,365)
Adjustments to reconcile net income (loss) to net cash provide (used) by operating activities	
Depreciation and amortization expense	3,565,025
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables, net	832,170
Inventories	284,687
Prepaid expenses	(4,728)
Deferred outflows	5,028,466
Increase (decrease) in liabilities:	
Accounts payable	138,205
Unearned revenues	(21,125)
Deposits refundable	3,210
Total adjustments	<u>9,825,910</u>

Net Cash Provided (Used) by Operating Activities \$ (29,088,455)

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

Tuition and fees	\$ 3,284,104
Institutional payments for scholarships and fellowships	(3,284,104)
Payments by State on construction	<u>3,615,108</u>
Total Non-cash Operating, Capital, and Financing Activities	<u><u>\$ 3,615,108</u></u>

Cash and Cash Equivalents

Cash and cash equivalents classified as current assets	\$ 7,298,405
Cash and cash equivalents classified as non-current assets	<u>7,545,352</u>

Total Cash and Cash Equivalents \$ 14,843,757
concluded

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

**Statement of Cash Flows
For the Year Ended December 31, 2016**

Cash Flows from Operating Activities

Increase (decrease) in net assets	\$ 431,467
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Unrealized (gain) loss on investments	(152,298)
Interest and dividends restricted for reinvestment	(223,308)
(Increase) decrease in operating assets	
Promises to give	177,652
Increase (decrease) in operating liabilities	
Accounts payable	3,222
(Increase) decrease in restricted cash	<u>(136,710)</u>
Net cash provided (used) by operating activities	<u>100,025</u>

Cash Flows from Investing Activities

Investments sold	280,939
Investments purchased	<u>(380,000)</u>
Net cash provided (used) by investing activities	<u>(99,061)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 964

Current Cash and Cash Equivalents - Beginning 21,400

Current Cash and Cash Equivalents - Ending \$ 22,364

The Foundation paid no income tax or interest during 2016

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2017

1. Summary of Significant Accounting Policies.

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

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

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

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

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

During the year ended June 30, 2017, the Foundation provided \$395,869 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation’s financial statements are presented at the end of the College’s Notes to the Financial Statements. Complete financial statements for the Foundation can be obtained from: 4975 Highway 51 North – Senatobia, MS 38668.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2017

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

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

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

See Note 12 for further details.

- L. Long-term Liabilities and Bond Discounts and Bond Premiums – Bond discounts and bond premiums are being amortized over the remaining life of the issued bonds using the straight-line method.
- M. Unearned Revenues – Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- N. Compensated Absences – The College Board of Trustees leave policy provides for personal and sick leave for all nine, ten, and twelve-month employees. The College's policy does not provide for payment of accumulated leave beyond the current fiscal year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- O. Non-current Liabilities – Non-current liabilities include principal amounts of bonds payable that will not be paid in the next fiscal year, dormitory housing deposits, and the bond discounts and bond premiums are being amortized over the remaining life of the issued bonds.
- P. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- Q. Classification of Revenues – The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations, and investment income.
- R. Tax Revenues (Local Appropriations) – The College receives ad valorem taxes from each county in its eleven county district. Each county assesses a tax millage in support of the College as required by state law.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

- S. State Appropriations – The College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed based on a full-time equivalent funding formula which is based on total credit hours generated by all students with special consideration given only to high cost programs. Currently, the first 15% of the appropriations are split equally among the colleges, and the remaining 85% of the appropriations are allocated based on the college's full-time equivalency.
- T. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements according to GASB guidance and under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- U. Net Position – GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Fund Balance". Net Position is classified in three categories:
- a. Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
 - b. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors.
 - c. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted – expendable.
- The unrestricted net position balance of (\$59,314,728) at June 30, 2017, includes \$904,139 reserved for inventories and a remaining amount of (\$60,218,867).
- V. Income Taxes – The college is recognized a local governing authority and is excluded by the Internal Revenue Service from federal income taxation.
- W. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. Cash and Cash Equivalents.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, none of the college's bank balance of \$17,716,782 was exposed to custodial credit risk.

3. Accounts Receivable.

Accounts receivable consist of the following at June 30, 2017:

Student tuition	\$ 6,472,507
Federal, state, and private grants and contracts	2,135,696
State appropriations	241,220
Local appropriations	256,655
Other	<u>93,232</u>
Total Accounts Receivable	9,199,310
Less allowance for doubtful accounts	<u>(6,310,000)</u>
Net Accounts Receivable	<u><u>\$ 2,889,310</u></u>

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

4. Inventory.

Inventory as of June 30, 2017 consists of the following:

Bookstore	<u>\$ 904,139</u>
Total Inventory	<u><u>\$ 904,139</u></u>

5. Prepaid Expenses.

Prepaid expense as of June 30, 2017 consists of the following:

Insurance and bonds	<u>\$ 875,806</u>
Total Prepaid Expenses	<u><u>\$ 875,806</u></u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2017

6. Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2017, is presented as follows:

	Beginning Balance July 1, 2016	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance June 30, 2017
Nondepreciable Capital Assets:					
Land	\$ 6,714,072	\$ -	\$ -	\$ -	\$ 6,714,072
Construction in progress	3,117,347	8,193,306	-	(783,139)	10,527,514
Livestock	123,300	17,730	20,430	-	120,600
Total Nondepreciable Capital Assets	<u>9,954,719</u>	<u>8,211,036</u>	<u>20,430</u>	<u>(783,139)</u>	<u>17,362,186</u>
Depreciable Capital Assets:					
Improvements other than buildings	14,673,408	-	-	783,139	15,456,547
Buildings	96,169,713	-	-	-	96,169,713
Equipment	13,106,701	896,810	685,618	-	13,317,893
Library books	2,598,808	113,553	330,563	-	2,381,798
Total Depreciable Capital Assets	<u>126,548,630</u>	<u>1,010,363</u>	<u>1,016,181</u>	<u>783,139</u>	<u>127,325,951</u>
Less Accumulated Depreciation for:					
Improvements other than buildings	5,294,045	549,819	-	-	5,843,864
Buildings	31,881,046	1,663,608	-	-	33,544,654
Equipment	9,490,975	1,210,585	661,375	-	10,040,185
Library books	1,973,023	142,954	330,563	-	1,785,414
Total Accumulated Depreciation	<u>48,639,089</u>	<u>3,566,966</u>	<u>991,938</u>	<u>-</u>	<u>51,214,117</u>
Total Depreciable Capital Assets, Net	<u>77,909,541</u>	<u>(2,556,603)</u>	<u>24,243</u>	<u>783,139</u>	<u>76,111,834</u>
Capital Assets, Net	<u>\$ 87,864,260</u>	<u>\$ 5,654,433</u>	<u>\$ 44,673</u>	<u>\$ -</u>	<u>\$ 93,474,020</u>

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

	Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 years	1-10%	5,000
Library books	10 years	0%	-

7. Construction Commitments and Financing.

The College has contracted for various construction projects as of June 30, 2017. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

Project Title	Funded by	State Sources	Other
Dormitory Efficiency Improvements Phase IV	NWCC	\$ -	\$ 234,757
Football Fieldhouse	NWCC	-	13,296
Tech III Efficiency Improvements	NWCC	-	49,783
Tech III Roofing Project	NWCC	-	76,532
Coliseum Parking Lot Resurface	NWCC	-	869,622
Allied Health Building	State Funds	<u>1,111,714</u>	-
Totals		<u>\$ 1,111,714</u>	<u>\$ 1,243,990</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**Notes to the Financial Statements****For the Year Ended June 30, 2017****8. Operating Lease as Lessor**

The University of Mississippi entered into a 5-year operating lease with the College during the 2017 fiscal year in order to occupy a portion of the College's DeSoto Center location. The College received \$250,000 in lease revenue from the University of Mississippi for the year ended June 30, 2017. Future lease receipts are as follows:

Years Ending June 30	Amount
2018	\$ 275,000
2019	300,000
2020	325,000
2021	350,000
Totals	<u>\$1,250,000</u>

9. Accounts Payable and Accrued Liabilities.

Accounts payable and accrued liabilities consist of the following at June 30, 2017. All accounts payable and accrued liabilities are considered current liabilities of the college.

Employee salary and benefits	\$ 1,190,624
Payments to suppliers and contractors	1,026,426
Student payables	4,924
Interest on capital-related debt	<u>700</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 2,222,674</u>

10. Unearned Revenue

Unearned revenue consists of the following at June 30, 2017:

Summer II tuition and fees	\$ 221,960
Summer II room and board	<u>40,375</u>
Total Unearned Revenue	<u>\$ 262,335</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

11. Long-term Liabilities.

Long-term liabilities of the College consist of bonds payable and refundable student dormitory housing deposits that are expected to be liquidated at least one year from June 30, 2017. Bond premiums, discounts, and deferred loss on bond refunding, as well as issuance costs, are amortized over the life of the bonds using the straight-line method.

Information regarding original issue amounts, interest rates, and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2017, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Interest Rate</u>	<u>Maturity</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bonded Debt								
Educational Facilities Refunding Bonds, Series 2012	1,935,000	2.50% - 2.00%	2018	\$ 825,000	\$ -	\$405,000	\$ 420,000	\$ 420,000
Total Bonded Debt				<u>825,000</u>	<u>-</u>	<u>405,000</u>	<u>420,000</u>	<u>420,000</u>
Other Long-term Liabilities								
Deposits refundable				113,991	96,508	93,298	117,201	-
Discount on bond refunding				(7,740)	-	(3,870)	(3,870)	-
Premium on bond refunding				<u>27,110</u>	<u>-</u>	<u>13,556</u>	<u>13,554</u>	<u>-</u>
Total Other Long-term Liabilities				<u>133,361</u>	<u>96,508</u>	<u>102,984</u>	<u>126,885</u>	<u>-</u>
Total				<u>\$ 958,361</u>	<u>\$ 96,508</u>	<u>\$507,984</u>	<u>\$ 546,885</u>	<u>\$ 420,000</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

The aggregate maturities of long-term liabilities for the years subsequent to June 30, 2017 are as follows:

<u>Years Ending June 30</u>	<u>Bonded Debt</u>	<u>Interest</u>	<u>Total</u>
2018	420,000	8,400	428,400
Totals	<u>\$420,000</u>	<u>\$ 8,400</u>	<u>\$ 428,400</u>

12. Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$4,838,109, \$ 4,761,501, and \$4,774,177, respectively, which equaled the required contributions for each year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

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

At June 30, 2017, the College reported a liability of \$84,775,411 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, The College's proportion was 0.4746 percent, which was a decrease from the proportionate share at June 30, 2015 of 0.4830 percent.

For the year ended June 30, 2017, the College recognized pension expense of \$9,866,361. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Measurement Period</u>	<u>Amortization Period</u>	<u>Beginning Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2017</u>
Deferred Outflows of Resources:						
Difference between expected and actual experience	2014	3.78	\$ 579,526	\$ -	\$ 325,576	\$ 253,950
	2015	3.72	1,149,014	-	422,431	726,583
	2016	3.48	-	1,962,443	563,921	1,398,522
			<u>1,728,540</u>	<u>1,962,443</u>	<u>1,311,928</u>	<u>2,379,055</u>
Changes in proportion and differences between college contribution and proportionate share of contributions	2015	3.72	<u>414,956</u>	<u>-</u>	<u>152,558</u>	<u>262,398</u>
Net difference between projected and actual investment earnings on pension plan investments	2015	5.00	4,368,542	-	1,092,135	3,276,407
	2016	5.00	-	8,373,785	1,674,757	6,699,028
			<u>4,368,542</u>	<u>8,373,785</u>	<u>2,766,892</u>	<u>9,975,435</u>
Changes of assumptions	2015	3.72	<u>6,431,901</u>	<u>-</u>	<u>2,364,669</u>	<u>4,067,232</u>
College contributions subsequent to the measurement date	2015	3.72	4,761,024	-	4,761,024	-
	2016	3.48	-	4,837,895	-	4,837,895
			<u>4,761,024</u>	<u>4,837,895</u>	<u>4,761,024</u>	<u>4,837,895</u>
Total Deferred Outflows of Resources			<u>\$ 17,704,963</u>	<u>\$ 15,174,123</u>	<u>\$ 11,357,071</u>	<u>\$ 21,522,015</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

	<u>Measurement Period</u>	<u>Amortization Period</u>	<u>Beginning Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2017</u>
Deferred Inflows of Resources:						
Changes in proportion and differences between college contribution and proportionate share of contributions	2014	3.78	\$ 670,742	\$ -	\$ 376,821	\$ 293,921
	2016	3.48	<u>-</u>	<u>1,384,357</u>	<u>397,804</u>	<u>986,553</u>
			<u>670,742</u>	<u>1,384,357</u>	<u>774,625</u>	<u>1,280,474</u>
Net difference between projected and actual investment earnings on pension plan investments	2014	5.00	<u>6,307,867</u>	<u>-</u>	<u>2,102,623</u>	<u>4,205,244</u>
Changes of assumptions	2016	3.48	<u>-</u>	<u>316,112</u>	<u>90,837</u>	<u>225,275</u>
Total Deferred Inflows of Resources			<u>\$ 6,978,609</u>	<u>\$ 1,700,469</u>	<u>\$ 2,968,085</u>	<u>\$ 5,710,993</u>

\$4,837,895 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
2018	\$ 6,524,422	\$ (2,885,185)	\$ 3,639,237
2019	5,447,367	(2,591,261)	2,856,106
2020	3,037,574	(234,547)	2,803,027
2021	<u>1,674,757</u>	<u>-</u>	<u>1,674,757</u>
Totals	<u>\$ 16,684,120</u>	<u>\$ (5,710,993)</u>	<u>\$ 10,973,127</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2017

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
College's proportionate share of the net pension liability	\$ 108,701,084	\$ 84,775,411	\$ 64,924,858

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

13. Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2017:

Functional Classification	Salaries and Wages	Fringe Benefits	Pension	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation and Amortization	Other	Total
Instruction	\$ 19,116,872	\$ 2,595,732	\$ -	\$ 198,074	\$ 2,295,210	\$ 31,704	\$ 426,778	\$ 996,526	\$ -	\$ -	\$ 25,660,896
Academic support	1,012,430	153,532	-	6,288	20,204	-	-	92,730	-	-	1,285,184
Student services	3,058,756	513,853	-	320,608	551,317	-	626,025	529,671	-	51,105	5,651,335
Institutional support	3,761,028	609,001	-	52,498	1,373,271	-	-	180,983	-	703,518	6,680,299
Operation of plant	3,489,345	806,496	-	1,287	5,016,253	1,209,336	-	2,480,159	-	144	13,003,020
Student aid	-	-	-	-	-	-	6,080,019	-	-	75,648	6,155,667
Auxiliary enterprises	1,383,333	381,178	-	3,197	751,516	300,640	-	4,212,304	-	20,474	7,052,642
Pension expense	-	-	9,866,361	-	-	-	-	-	-	-	9,866,361
Depreciation and amortization	-	-	-	-	-	-	-	-	3,565,025	-	3,565,025
Total Operating Expenses	<u>\$ 31,821,764</u>	<u>\$ 5,059,792</u>	<u>\$ 9,866,361</u>	<u>\$ 581,952</u>	<u>\$ 10,007,771</u>	<u>\$ 1,541,680</u>	<u>\$ 7,132,822</u>	<u>\$ 8,492,373</u>	<u>\$ 3,565,025</u>	<u>\$ 850,889</u>	<u>\$ 78,920,429</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2017

14. Risk Management.

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

15. Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2017, the fund was adequately funded with a balance of \$116,276.

16. Concentrations.

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

17. Contingencies.

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

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

18. Consistency Between Reporting Periods.

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

19. Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Northwest Mississippi Community College evaluated the activity of the College through January 10, 2018, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On November 9, 2017 the College approved a contract for energy services (pursuant to S31-7-14 of the Mississippi Code of 1972) for the building automation system upgrades and elevator modernization projects in the amount of \$1,618,718.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2016

1. Description of Organization and Summary of Significant Accounting Policies

Organization

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

Basis of Accounting and Financial Statement Presentation

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

Unrestricted- Resources over which the board of directors has discretionary control.

Temporarily Restricted- Those resources subject to donor imposed restrictions which will be satisfied by actions of the Foundation or passage of time.

Permanently Restricted- Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation.

Revenue Recognition

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

Use of Estimates

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

Cash and Cash Equivalents

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2016

Promises to Give

Promises to give are unconditional promises that are recognized as revenue when the promise is received. Promises that are expected to be collected in less than one year are reported at net realizable value.

Promises that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows.

Amortization of the resulting discount is recognized as additional donation revenue. Management has determined that no allowance for uncollectible accounts is necessary. This policy was adopted for the year 2013 and was not applied retroactively.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) of the 1986 Internal Revenue Code and from state income taxes by the Mississippi Department of Revenue. The Foundation is not classified by the Internal Revenue Service as a private foundation. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016. Fiscal years ending on or after December 31, 2013, remain subject to examination by federal and state tax authorities.

Investments

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

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

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

Volunteer Labor

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

2. Office Space

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2016

3. Investments

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

Bank Certificate of Deposit	<u>\$ 98,717</u>
Merrill Lynch Managed Holdings:	
TMA/Lord Abbett Taxable	2,320,305
TMA/Neuberger Berman Taxable Int.	1,952,464
TMA/MFS LCV	1,078,816
TMA/Montag & Caldwell LCG	990,192
Foreign Equities	
TMA/MFS Clearbridge ValCore Intl. EQ	719,957
TMA/MFS Inst. Intl. Growth	434,110
TMA/London Co. Dividend Focused	412,003
TMA/RBA Rish-Bal. GLBLETF Strategy	<u>1,409,351</u>
 Total Managed Holdings	 <u>9,317,198</u>
 Total Investments	 <u><u>\$ 9,415,915</u></u>

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

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

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividend and Interest Income	\$ 223,308	\$ -	\$ 223,308
Interest	963	963	-
Unrealized Gains (Losses)	<u>152,298</u>	<u>-</u>	<u>152,298</u>
 Total	 <u><u>\$ 376,569</u></u>	 <u><u>\$ 963</u></u>	 <u><u>\$ 375,606</u></u>

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

4. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2016

for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"> Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

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

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

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 9,317,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,317,198</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2016

5. Endowment Fund

Permanently restricted net assets at December 31, 2016 consist of endowment funds established to provide scholarships for qualifying students of Northwest Mississippi Community College. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the funds is to be expended for scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No endowment funds are received that do not have donor-imposed restrictions.

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

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

The composition of endowment net assets and the changes in endowment net assets for the year ending December 31, 2016 are presented on the statement of activities as permanently restricted net assets.

6. Promises to Give

The Foundation has received promises to give from a donor. The estimated value of these pledges for which a value can be determined was approximately \$100,000 as of December 31, 2016. This pledge is designated to benefit the Northwest Mississippi Community College Workforce Development Program. This pledge is recorded in the financial statements as promises to give. All are due in two years. No allowance for uncollectibles has been established.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION**Notes to the Financial Statements
For the Year Ended December 31, 2016**

Promises to give consist of the following:

Due in less than one year	\$ 50,000
Due in one to five years	<u>50,000</u>
Total promises to give	100,000
Less: Discount to Present Value at 5.5%	<u>(7,685)</u>
Net promises to give at December 31, 2016	<u><u>\$ 92,315</u></u>

7. Educational Related Activities

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

Supplies for NWCC Programs	\$ 108,966
Student Account Related Expenses	39,635
NWCC Program Travel Related	<u>9,531</u>
Total Education Related Expense	<u><u>\$ 158,132</u></u>

8. Fund Raising Revenue and Expense

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

	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
2+2 Golf Tournament	\$ 33,391	\$ 9,933	\$ 23,458
Bull-O-Rama	16,226	8,819	7,407
Rodeo	<u>26,057</u>	<u>16,869</u>	<u>9,188</u>
Totals	<u><u>\$ 75,674</u></u>	<u><u>\$ 35,621</u></u>	<u><u>\$ 40,053</u></u>

8. Other Concentrations

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

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

10. Related Party Transactions

One board member's family owns and operates two golfing facilities in the area, Cherokee Valley Golf Club. The Foundation paid \$7,537 for 2016, in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2016

11. 2+2 Scholarship Initiative

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

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

The Foundation did not send UM any funds for 2016 and owed UM \$11,728 at December 31, 2016.

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

12. Royalty Agreement

In May 2005, the Foundation entered an agreement with Pearson Education Publishing allowing the College to customize mathematics and biology textbooks. The Foundation receives a \$10 per book royalty. The royalty income is designated for use by the mathematics and biology department. The Foundation received \$18,296 for 2016.

13. In-Kind Donations

The College provides staffing and other expense for the Foundation. The amount attributable to this expense totaled \$366,400 in 2016.

14. Temporarily Restricted Net Assets

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

15. Permanently Restricted Net Assets

Permanently restricted net assets of \$7,615,810 at 2016 are restricted to investments in perpetuity, the income from which is expendable to support scholarships for the College's students. In 2016, there were approximately 796 donors.

16. Subsequent Events

Events that occur after the statement of financial position but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management of Northwest Mississippi Community College Foundation evaluated the activity of the Foundation through January 10, 2018, and determined that no further disclosures are necessary.

Required Supplementary Information

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of the College's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2017

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.4746%	0.4830%	0.4780%
College's proportionate share of the net pension liability	\$ 84,775,411	\$ 74,662,277	\$ 58,020,449
College's covered-employee payroll	30,231,738	30,312,201	29,179,453
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	280.42%	246.31%	198.84%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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 June 30th of the year prior to the fiscal year presented.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of the College Contributions
Year Ended June 30, 2017

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,838,109	\$ 4,761,501	\$ 4,774,177
Contributions in relation to the contractually required contribution	<u>4,837,895</u>	<u>4,761,024</u>	<u>4,773,594</u>
Contribution deficiency (excess)	<u>\$ 214</u>	<u>\$ 477</u>	<u>\$ 583</u>
College's covered-employee payroll	30,718,147	30,231,738	30,312,201
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Required Supplementary Information
Year Ended June 30, 2017

Pension Schedules

(1) Changes of assumptions

2015:

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.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.45%, respectively.

2016:

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

(2) Changes in benefit provisions

2016:

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

SUPPLEMENTARY INFORMATION

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Labor</u>		
WIA - Cluster:		
Pass-through programs from:		
Mississippi Department of Employment Security		
WIA/WIOA - Adult Program	17.258	34,223
WIA/WIOA - Dislocated Workers Formula Grant	17.278	25,741
South Delta Planning and Development District		
WIA/WIOA - Adult Program	17.258	2,500
Three Rivers Planning and Development District		
WIA/WIOA - Adult Program	17.258	647,806
WIA/WIOA - Youth Activities	17.259	393,252
WIA/WIOA - Dislocated Worker Formula Grant	17.278	<u>238,749</u>
Total WIA/WIOA Cluster		1,342,271
South Delta Planning and Development District		
WIA/WIOA - National Emergency Grant	17.277	<u>75,854</u>
Total U.S. Department of Labor		<u>1,418,125</u>
<u>Veterans Administration</u>		
Post-911 Veteran Educational Assistance	64.027	<u>1,860</u>
<u>U.S. Department of Education</u>		
Student Financial Aid - Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	409,173
Federal Work-study Program (FWS)	84.033	261,738
Federal Pell Grant Program	84.063	18,049,145
Federal Direct Student Loans	{2} 84.268	<u>3,421,249</u>
Total Student Financial Aid Cluster		<u>22,141,305</u>
TRIO - Student Support Services	84.042	<u>279,109</u>
Pass-through programs from:		
Mississippi Community College Board		
Adult Education - State Grant Program	84.002	<u>348,532</u>
Mississippi Department of Education		
Vocational Education - Basic Grants to States	84.048	<u>351,279</u>
Total U.S. Department of Education		<u>23,120,225</u>
<u>U.S. Department of Health and Human Services</u>		
Mississippi Community College Board		
Child Care and Development Block Grant (CCDBG)	93.575	<u>40,304</u>
Mississippi Corridor Consortium		
Temporary Assistance for Needy Families	93.558	<u>33,754</u>
Total U.S. Department of Health and Human Services		<u>74,058</u>
Total		<u>\$ 24,614,268</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Notes to the Schedule of Expenditures of Federal Awards:

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Northwest Mississippi Community College under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Loan or loan guarantee programs

The federal award programs of the College had no outstanding loan balances nor were there any loan guarantees as of June 30, 2017.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Northwest Mississippi Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 10, 2018. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 10, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited the Northwest Mississippi Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that

are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the College's internal control over compliance.

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

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

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 10, 2018



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

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

We have audited the basic financial statements of Northwest Mississippi Community College (the "College"), as of and for the year ended June 30, 2017, and have issued our report dated January 10, 2018. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

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

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

This report is intended for the information of the College's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 10, 2018

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Financial Statements:

- | | |
|---|----------------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | <u>Unmodified</u> |
| 2. Material noncompliance relating to the general purpose financial statements? | <u>No</u> |
| 3. Internal control over financial reporting: | |
| a. Material weakness (es) identified? | <u>No</u> |
| b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>None reported</u> |

Federal Awards:

- | | |
|---|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>Unmodified</u> |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | <u>No</u> |
| b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>None reported</u> |
| 6. Any audit finding(s) disclosed that are required to be reported in Accordance with 2 CFR 200.516(a)? | <u>No</u> |
| 7. Federal programs identified as major programs: | |
| Federal Supplemental Educational Opportunity Grants | <u>CFDA # 84.007</u> |
| Federal Work-Study Program | <u>CFDA # 84.033</u> |
| Federal Pell Grant Program | <u>CFDA # 84.063</u> |
| Federal Direct Student Loans | <u>CFDA # 84.268</u> |
| WIA – Adult Program | <u>CFDA # 17.258</u> |
| WIA – Youth Activities | <u>CFDA # 17.259</u> |
| WIA – Dislocated Worker Formula Grant | <u>CFDA # 17.278</u> |
| 8. The dollar threshold used to distinguish between types A and type B programs: | <u>\$750,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>Yes</u> |

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)?

No

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs.

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