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**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**



**Certified Public Accountants**

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**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE  
AUDITED FINANCIAL STATEMENTS  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 of material misstatement. The Northeast Mississippi Community College Development Foundation, Inc. was not audited in accordance with *Government Auditing standards*.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northeast Mississippi Community College at June 30, 2018, and information of Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of Net Pension Liability and the Schedule of College Contributions - PERS, and the College's Proportionate Share of Net Other Post Employment Benefits Liability and the Schedule of College Contributions – OPEB Plan on pages 5-14 and 53-58, 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 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 Northeast Mississippi Community College's and discretely presented component unit Northeast Mississippi Community College Development Foundation, Inc.'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, 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 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 accompanying supplementary information mentioned above 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 February 28, 2019, on our consideration of Northeast Mississippi Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Northeast Mississippi Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Mississippi Community College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
February 28, 2019  
Booneville, Mississippi

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**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

This section of the Northeast Mississippi Community College's (NEMCC) annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2018. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

**Using the Annual Report**

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

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

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

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

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

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

The following represents a condensed Statement of Net Position as of June 30, 2018 and 2017:

Condensed Statement of Net Position  
June 30, 2018 and 2017

	2018	2017	Increase (Decrease)	Percent Inc.(Dec.)
<b>Assets</b>				
Current Assets	\$ 14,671,338	\$ 14,222,494	\$ 448,844	3.16%
Non-Current Assets				
Other	406,605	718,483	(311,878)	-43.41%
Capital Assets	45,932,443	45,473,261	459,182	1.01%
Total Assets	61,010,386	60,414,238	596,148	0.99%
<b>Deferred Outflows</b>				
OPEB Related	141,604	-	141,604	N/A
Pension Related	3,862,381	8,441,250	(4,578,869)	-54.24%
Total Deferred Outflows	4,003,985	8,441,250	(4,437,265)	-52.57%
<b>Liabilities</b>				
Current Liabilities	1,251,940	1,455,345	(203,405)	-13.98%
Non-Current Liabilities	2,255,352	2,552,273	(296,921)	-11.63%
Net OPEB Liability	1,874,781	-	1,874,781	N/A
Net Pension Liability	38,233,806	41,083,743	(2,849,937)	-6.94%
Total Liabilities	43,615,879	45,091,361	(1,475,482)	-3.27%
<b>Deferred Inflows</b>				
OPEB Related	99,714	-	99,714	N/A
Pension Related	841,717	141,592	700,125	494.47%
Total Deferred Inflows	941,431	141,592	799,839	564.89%
<b>Net Position</b>	<b>\$ 20,457,061</b>	<b>\$ 23,622,535</b>	<b>\$ (3,165,474)</b>	<b>-13.40%</b>

**Assets**

**Current Assets**

**Cash and Cash Equivalents - Current**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$12,499,981 and \$12,513,064, respectively, at June 30, 2018 and 2017.

**Accounts Receivable**

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

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$1,552,233 and \$1,221,861 respectively, at June 30, 2018 and 2017.

**Inventories**

The College maintains inventories of resale merchandise in the Northeast Bookstore. Books, student supplies and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$188,913 and \$321,663, respectively, at June 30, 2018 and 2017.

**Cash and Cash Equivalents - Restricted**

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered non-current are cash in restricted funds to be used for the purpose designated by the funding agency, such as a federal granting agency, or scholarships. The amount of cash and cash equivalents considered non-current at June 30, 2018 and 2017, totaled \$382,605 and \$695,483 respectively.

**Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings. The amount reported is net of accumulated depreciation. Capital assets, net of accumulated depreciation, totaled \$45,932,443 at June 30, 2018, in comparison to \$45,473,261 at June 30, 2017.

**Deferred Outflow of Resources**

**Pension Related**

Pension related deferred outflow of resources are a result of timing differences due to the measurement date of pension expense and other factors. As of June 30, 2018 and 2017, pension related deferred outflow of resources amounted to \$3,862,381 and \$8,441,250, respectively.

**Other Post-Employment Benefits (OPEB) Related**

As a result of implementing GASB Statement No. 75 for the year ended June 30, 2018, OPEB related deferred outflow of resources are a result of timing differences due to the measurement date of OPEB expense and other factors. As of June 30, 2018, OPEB deferred outflow of resources amounted to \$141,604.

**See comments and table after the analysis of net position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at year-end for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$760,744 and \$1,085,920, respectively, at June 30, 2018 and 2017.

**Unearned Revenue**

Unearned revenue represents revenue that was received by the College during the fiscal year but not yet earned. Unearned revenue totaled \$102,712 and \$79,425, respectively, at June 30, 2018 and 2017.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**OPEB Liability-Current Portion**

OPEB-Current Portion represents a portion of the OPEB liability considered due within one year of the statement of net position date. The amount of OPEB Liability-Current Portion at June 30, 2018, was \$83,484. **See comments and table after the analysis of net position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of bond and note indebtedness that is payable within one year of the statement of net position date. The amount of the long-term liabilities-current portion at June 30, 2018 and 2017 was \$305,000 and \$290,000, respectively.

**Noncurrent Liabilities**

**Deposits Refundable**

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is room deposits paid by dormitory students and held in reserve by the college for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2018 and 2017, was \$109,700 and \$95,900, respectively.

**Accrued Leave Liabilities**

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$575,383 at June 30, 2018, as compared to \$574,385 at June 30, 2017.

**Long-Term Liabilities**

This liability consists of bond, and capital lease indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of the long-term liabilities balance was \$1,570,269 at June 30, 2018, as compared to \$1,881,988 at June 30, 2017.

**Net Other Post Employment Benefits (OPEB) Liability**

This liability consists of a portion of an actuarially determined amount as required by Governmental Accounting Standards Board (GASB) Statement No. 75 that is not current and payable within the next fiscal year. The amount of the Net OPEB Liability was \$1,874,781 at June 30, 2018. The year ended June 30, 2018 was the first year this liability was required to be recognized. **See comments and table after the analysis of net position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Net Pension Liability**

This liability consists of a portion of an actuarially determined amount as required by Governmental Accounting Standards Board (GASB) Statement No. 68 that is not current and payable within the next fiscal year. The amount of the Net Pension Liability was \$38,233,806 and \$41,083,743 at June 30, 2018 and 2017, respectively. **See comments and table after the analysis of net position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Deferred Inflow of Resources**

**Pension Related**

Pension related deferred inflow of resources are a result of timing differences due to the measurement date of pension expense and other factors. As of June 30, 2018 and 2017, pension related deferred inflow of resources amounted to \$841,717 and \$141,592, respectively.

**Other Post-Employment Benefits (OPEB) Related**

As a result of implementing GASB Statement No. 75 for the year ended June 30, 2018, OPEB related deferred inflow of resources are a result of timing differences due to the measurement date of OPEB expense and other factors. As of June 30, 2018, OPEB deferred inflow of resources amounted to \$99,714. **See comments and table after the analysis of net position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Net Position**

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2018, was \$20,457,061 as compared to \$23,622,535 at June 30, 2017. **See comments and table after the analysis of net position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Analysis of Net Position**

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

The following is an analysis of net position as of June 30, 2018 and 2017:

	2018	2017	Increase Decrease	Percent Inc.(Dec.)
Net Investment in Capital Assets	\$ 44,057,174	\$ 43,301,273	\$ 755,901	1.75%
Restricted for:				
Scholarships	66,204	42,422	23,782	56.06%
Capital Projects	2,438,422	2,730,827	(292,405)	-10.71%
Unemployment	50,000	50,000	-	0.00%
Specified Programs	303,214	604,857	(301,643)	-49.87%
Total Restricted Net Position	2,857,840	3,428,106	(570,266)	-16.64%
Unrestricted	(26,457,953)	(23,106,844)	(3,351,109)	14.50%
Total Net Position	\$ 20,457,061	\$ 23,622,535	\$ (3,165,474)	-13.40%

**In connection with the implementation of new accounting standards for reporting pension and other post employment benefits information, management presents the following additional information regarding net position. The financial statements are prepared in accordance with generally accepted accounting principles and follow all Governmental Accounting Standards Board (GASB) statements, as applicable. However management believes the following table**

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**presents a more accurate picture of the college's true Unrestricted Net Position, which shows the Unrestricted Net Position exclusive of the effects of the implementation of GASB Statement Nos. 68, 71, and 75.**

	2018	2017	Inc.(Dec.)	% Inc.(Dec.)
Total Unrestricted Net Position (Deficit)	\$ (26,457,953)	\$ (23,106,844)	(3,351,109)	-14.50%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68, 71, and 75	37,129,517	32,784,085	4,345,432	13.25%
Unrestricted Net Position, Exclusive of the Net Pension and OPEB Liabilities Effect	\$ 10,671,564	\$ 9,677,241	\$ 994,323	10.27%

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

The following represents a condensed statement of revenues, expenses, and changes in net position for the years ended June 30, 2018 and 2017:

	2018	2017	Increase (Decrease)	Percent Inc.(Dec.)
Operating Revenue:				
Tuition and Fees, net	\$ 3,333,854	\$ 2,577,553	\$ 756,301	29.34%
Grants and Contracts	15,523,314	15,204,406	318,908	2.10%
Sales and Services of Edu. Activities	586,498	656,375	(69,877)	-10.65%
Auxiliary Enterprises, net	3,286,269	3,580,686	(294,417)	-8.22%
Total Operating Revenues	22,729,935	22,019,020	710,915	3.23%
Operating Expenses	39,734,137	40,184,135	(449,998)	-1.12%
Operating Loss	(17,004,202)	(18,165,115)	1,160,913	6.39%
Non-operating Revenues (Expenses)				
State Appropriations	12,169,756	12,619,313	(449,557)	-3.56%
Local Appropriations	1,585,161	1,638,663	(53,502)	-3.26%
Investment Income	12,367	11,230	1,137	10.12%
Interest Expense on Capital Related Debt	(53,808)	(62,371)	8,563	13.73%
Total Non-operating Revenues	13,713,476	14,206,835	(493,359)	-3.47%
Income (Loss) Before Other Revenues	(3,290,726)	(3,958,280)	667,554	16.86%
Appropriations Restricted for Capital Purposes				
State	60,968	-	60,968	N/A
Local	1,956,749	2,224,207	(267,458)	-12.02%
Change in Net Position	(1,273,009)	(1,734,073)	461,064	26.59%
Net Position, Beginning of Year, as previously reported	23,622,535	25,281,608	(1,659,073)	-6.56%
Prior Period Adjustments	(1,892,465)	75,000	(1,967,465)	-2623.29%
Net Position, Beginning of Year, as restated	21,730,070	25,356,608	(3,626,538)	-14.30%
Net Position, End of Year	\$ 20,457,061	\$ 23,622,535	\$ (3,165,474)	-13.40%



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

Total operating loss for the year ended June 30, 2018, was \$(17,004,202) as compared to \$(18,165,115) for the year ended June 30, 2017. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College shows a significant operating loss. The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

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

Total operating revenues for the year ended June 30, 2018, were \$22,729,935, as compared to \$22,019,020 for the year ended June 30, 2017. Tuition and fees were \$3,333,854 for the year ended June 30, 2018, compared to \$2,577,533 for the year ended June 30, 2017. The tuition discount for the year ended June 30, 2018, was \$7,151,629 compared to \$6,211,463 for the year ended June 30, 2017. Operating expenses for the year ended June 30, 2018, including depreciation expense of \$1,957,342, totaled \$39,734,137. Operating expenses for the year ended June 30, 2017 totaled \$40,184,135, including depreciation of \$1,931,845.

Instructional expenditures comprised 42.39% of the operating expenses for the year ended June 30, 2018, and 40.82% of the operating expenses for the year ended June 30, 2017.

### **Operating Revenues**

#### **Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$3,333,854 for the year ended June 30, 2018, in comparison to \$2,577,553 for the year ended June 30, 2017. The tuition discount for the year ended June 30, 2018, was \$7,151,629 compared to \$6,211,463 for the year ended June 30, 2017.

#### **Grants and Contracts**

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

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

	2018	2017	Increase (Decrease)
Federal Sources	\$ 11,513,171	\$ 10,828,566	\$ 684,605
State Sources	3,684,259	3,701,713	(17,454)
Other Sources	325,884	674,127	(348,243)
Total All Sources	<u>\$ 15,523,314</u>	<u>\$ 15,204,406</u>	<u>\$ 318,908</u>

#### **Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$586,498 for the year ended June 30, 2018, as compared to \$656,375 for the year ended June 30, 2017.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
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**Sales and Services from Auxiliary Enterprises, Net**

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

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,286,269 for the year ended June 30, 2018, as compared to \$3,580,686 for the year ended June 30, 2017. The discount for scholarship allowance was \$1,781,690 for the year ended June 30, 2018, and \$1,808,876 for the year ended June 30, 2017.

**Operating Expenses**

The following is a breakdown of operating expenses by category for the years ended June 30, 2018 and 2017:

	2018	2017	Increase (Decrease)	Percent Inc.(Dec.)
Salaries and Benefits	\$23,317,310	\$23,428,129	\$ (110,819)	-0.47%
Scholarships	3,419,033	3,700,556	(281,523)	-7.61%
Commodities	3,865,089	3,879,879	(14,790)	-0.38%
Contractual Services	4,947,621	5,034,781	(87,160)	-1.73%
Utilities	1,808,878	1,782,460	26,418	1.48%
Travel	418,864	426,485	(7,621)	-1.79%
Depreciation	1,957,342	1,931,845	25,497	1.32%
Total Operating Expenses	<u>\$39,734,137</u>	<u>\$40,184,135</u>	<u>\$ (449,998)</u>	<u>-1.12%</u>

The following is a breakdown of operating expenses by functional classification for the years ended June 30, 2018 and 2017:

	2018	2017	Increase (Decrease)	Percent Inc.(Dec.)
Expenses by Function:				
Instruction	\$ 16,842,076	\$ 16,402,747	\$ 439,329	2.68%
Academic Support	655,661	682,806	(27,145)	-3.98%
Student Services	3,580,184	3,699,183	(118,999)	-3.22%
Institutional Support	5,254,272	5,178,762	75,510	1.46%
Operation and Maintenance of Plant	3,875,642	4,073,423	(197,781)	-4.86%
Student Financial Aid	3,112,730	3,446,737	(334,007)	-9.69%
Auxiliary Enterprises	4,456,230	4,768,632	(312,402)	-6.55%
Depreciation	1,957,342	1,931,845	25,497	1.32%
Total Operating Expenses	<u>\$ 39,734,137</u>	<u>\$ 40,184,135</u>	<u>\$ (449,998)</u>	<u>-1.12%</u>

**Non-operating Revenues (Expenses)**

**State Aid**

The College's largest source of non-operating revenue is appropriations from the State of Mississippi. The College received \$12,169,756 for the year ended June 30, 2018. For comparison, the College received state appropriations of \$12,619,313 for the year ended June 30, 2017. In addition, the College received \$60,968 in restricted state appropriations for the year ended June 30, 2018, as compared to \$0 for the year ended June 30, 2017.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Other Non-Operating Revenues**

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

The College received \$3,541,910 in county appropriations for the year ended June 30, 2018, compared to \$3,862,870 for the year ended June 30, 2017 (including the donation of land valued at \$360,000). The appropriation was received from the five counties that support the College. This appropriation was fully recorded by the College during the fiscal year.

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts and the interest earned on the College's short-term investments. The investment income for the year ended June 30, 2018, was \$12,367 as compared to \$11,230 for the year ended June 30, 2017.

**Non-operating Expenses**

This consists of the interest expense on capital asset-related debt the College incurred for the year ended June 30, 2018. The total expense amounted to \$53,808 compared to \$62,371 for the year ended June 30, 2017.

**Statement of Cash Flows**

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

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

The following is a condensed statement of cash flows for the years ended June 30, 2018 and 2017:

	2018	2017
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (13,194,960)	\$ (13,146,374)
Noncapital Financial Activities	13,786,400	14,428,848
Capital and Related Financing Activities	(928,785)	401,837
Investing Activities	11,384	10,297
Net Increase (Decrease) in Cash and Cash Equivalents	(325,961)	1,694,608
Cash and Cash Equivalents - Beginning of the Year	13,208,547	11,513,939
Cash and Cash Equivalents - End of the Year	\$ 12,882,586	\$ 13,208,547

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

The major sources of funds included in operating activities include student tuition and fees of \$3,109,508, auxiliary enterprises of \$3,216,828, and grants and contracts of \$15,126,795. The major uses of funds were payments made to/on behalf of employees, \$20,861,836, to suppliers, \$11,010,714 and to scholarships \$3,419,033.

**Significant Capital Asset Transactions**

Capital improvements consisted primarily of construction-in-progress of additions/renovations to campus sidewalks and lighting to improve safety and security around campus, as well as the purchase of a building to be used for a future Career and Technical Education Center, and equipment upgrades.

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2018 financial situation. The threat of continuing reductions in the level of State appropriations, increased costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases all impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately 31.76% of the College's fiscal year 2018 revenue, including appropriations for capital purposes, down from 32.76% from fiscal year 2017. State appropriations continue to be the single largest source of operating revenue for the College. The level of State support is therefore one of the key factors influencing the College's financial condition. As of the date of this report, state support for fiscal year 2019 had not been cut, however, if revenue collections fail to meet state estimates, cuts during fiscal year 2019 are possible.

The College expects level enrollment for the next year.

In July 2018, the college issued debt in the amount of \$8,155,000 through the Mississippi Development Bank for the purpose of constructing a Baseball/Softball Complex. Also In July, the college signed a construction contract in the amount of \$7,842,947 for the construction of the Complex. Including architectural and engineering fees, the total cost of the Complex is estimated to be approximately \$8.4 million. The balance of funds needed to complete the project will be covered through private donations and reserves from the college's plant funds.

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

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

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**Northeast Mississippi Community College**  
**Statement of Net Position**  
**June 30, 2018**

**Assets**

Current assets:

Cash and cash equivalents	\$ 12,499,981
Accounts receivable, net (Note 4)	1,552,233
Inventories	188,913
Prepaid expenses	430,211
<b>Total Current Assets</b>	<b>14,671,338</b>

Noncurrent assets:

Restricted cash and cash equivalents	382,605
Restricted short-term investments	24,000
Capital assets, net of depreciation (Note 6)	45,932,443
<b>Total Noncurrent Assets</b>	<b>46,339,048</b>
<b>Total Assets</b>	<b>61,010,386</b>

**Deferred Outflows of Resources**

OPEB related	141,604
Pension related	3,862,381
<b>Total Deferred Outflows of Resources</b>	<b>4,003,985</b>

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	760,744
Unearned revenues	102,712
Net OPEB Liabilities - current portion	83,484
Long-term liabilities - current portion (Note 7)	305,000
<b>Total Current Liabilities</b>	<b>1,251,940</b>

Noncurrent liabilities:

Deposits refundable	109,700
Accrued leave liabilities	575,383
Long-term liabilities (Note 7)	1,570,269
Net OPEB Liability	1,874,781
Net pension liability	38,233,806
<b>Total Noncurrent Liabilities</b>	<b>42,363,939</b>
<b>Total Liabilities</b>	<b>43,615,879</b>

**Deferred Inflows of Resources**

OPEB related	99,714
Pension related	841,717
<b>Total Deferred Inflows of Resources</b>	<b>941,431</b>

**Net Position**

Net investment in capital assets	44,057,174
Restricted for:	
Expendable:	
Scholarships	66,204
Capital projects and repairs	2,438,422
Unemployment	50,000
Specified Programs	303,214
Unrestricted	(26,457,953)
<b>Total Net Position</b>	<b>\$ 20,457,061</b>

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

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Financial Position  
June 30, 2018**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 116,865
Cash surrender value life insurance investment (Note 4)	11,031
Investments (Note 4)	701,587
Unconditional promises to give (net) (Note 3)	<u>69,576</u>

<b>Total current assets</b>	<u>899,059</u>
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**Endowment investments**

Investments (Note 4)	<u>2,474,416</u>
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<b>Total endowment investments</b>	<u>2,474,416</u>
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<b>Property and equipment (net) (Note 5)</b>	<u>80,600</u>
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<b>Long-term unconditional promises to give (Note 3)</b>	<u>188,987</u>
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<b>Total assets</b>	<u><u>\$ 3,643,062</u></u>
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**Liabilities**

Current liabilities

Accounts payable	<u>\$ 10,517</u>
Total current liabilities	<u>10,517</u>

<b>Total liabilities</b>	<u>10,517</u>
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**Net assets**

Unrestricted net assets	420,196
Temporarily restricted net assets	737,933
Permanently restricted assets	<u>2,474,416</u>

<b>Total net assets</b>	<u>3,632,545</u>
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<b>Total liabilities and net assets</b>	<u><u>\$ 3,643,062</u></u>
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The notes to the financial statements are an integral part of this statement.

**Northeast Mississippi Community College**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2018**

**Operating revenues**

Tuition and fees (net of scholarship allowance of \$7,151,629)	\$ 3,333,854
Federal grants and contracts	11,513,171
State grants and contracts	3,684,259
Nongovernmental grants and contracts	325,884
Sales and services of educational departments	586,498
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$685,900)	448,429
Food services (net of scholarship allowances of \$954,334)	658,356
Bookstore (net of scholarship allowance of \$141,456)	1,883,372
Other auxiliary revenues	296,112
<b>Total operating revenues</b>	<u>22,729,935</u>

**Operating expenses**

Salaries and wages	16,064,827
Fringe benefits	2,427,454
Pension expense	4,825,029
Travel	418,864
Contractual services	4,947,621
Utilities	1,808,878
Scholarships and fellowships	3,419,033
Commodities	3,865,089
Depreciation	1,957,342
<b>Total operating expenses</b>	<u>39,734,137</u>

**Operating Income (loss)**

(17,004,202)

**Nonoperating revenues (expenses)**

State appropriations	12,169,756
Local appropriations	1,585,161
Investment income	12,367
Interest expense on capital asset-related debt	(53,808)
<b>Total net nonoperating revenues (expenses)</b>	<u>13,713,476</u>

**Income (loss) before other revenues (expenses)**

(3,290,726)

State appropriations restricted for capital purposes	60,968
Local appropriations restricted for capital purposes	1,956,749

**Change in net position**

(1,273,009)

**Net position**

Net position - beginning of year, as previously reported	23,622,535
Prior period adjustments (Note 3)	(1,892,465)
Net position - beginning of year, as restated	<u>21,730,070</u>
<b>Net position - end of year</b>	<u><u>\$ 20,457,061</u></u>

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



**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Activities  
For the year ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenues</b>				
Contributions	\$ 18,145	\$ 889,691	\$ -	\$ 907,836
Dividends	61,652	-	-	61,652
Interest	177	-	-	177
Administrative fee income	20,711	-	-	20,711
Grants revenue	1,547	-	-	1,547
Memberships	5,000	-	-	5,000
Gain (loss) sale of assets	382,506	-	-	382,506
Unrealized gain(loss) on assets	(231,467)	-	-	(231,467)
<b>Total public support and revenues</b>	<b>258,271</b>	<b>889,691</b>	<b>-</b>	<b>1,147,962</b>
<b>Expenses and losses</b>				
Program expense	59,644	925,863	-	985,507
Management & general expense	105,202	-	-	105,202
Fund raising expense	103,679	-	-	103,679
<b>Total expenses and losses</b>	<b>268,525</b>	<b>925,863</b>	<b>-</b>	<b>1,194,388</b>
<b>Change in net assets before other revenues (expenses)</b>	<b>(10,254)</b>	<b>(36,172)</b>	<b>-</b>	<b>(46,426)</b>
<b>Other revenues and (expense)</b>				
Transfers	(53,091)	(131,909)	185,000	-
<b>Total other revenues (expenses)</b>	<b>(53,091)</b>	<b>(131,909)</b>	<b>185,000</b>	<b>-</b>
<b>Change in net assets</b>	<b>(63,345)</b>	<b>(168,081)</b>	<b>185,000</b>	<b>(46,426)</b>
<b>Net assets, beginning of year, as previously reported</b>	<b>473,526</b>	<b>906,014</b>	<b>2,289,416</b>	<b>3,668,956</b>
Prior period adjustment	10,015	-	-	10,015
<b>Net assets, beginning of year, as restated</b>	<b>483,541</b>	<b>906,014</b>	<b>2,289,416</b>	<b>3,678,971</b>
<b>Net assets end of year</b>	<b>\$ 420,196</b>	<b>\$ 737,933</b>	<b>\$ 2,474,416</b>	<b>\$ 3,632,545</b>

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

**Northeast Mississippi Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

**Cash flows from operating activities**

Tuition and fees	\$ 3,109,508
Grants and contracts	15,126,795
Sales and services of educational departments	643,492
Payments to suppliers	(11,010,714)
Payments to employees for salaries and benefits	(20,861,836)
Payments for scholarships and fellowships	(3,419,033)
Auxiliary enterprise charges:	
Student housing	378,528
Food service	658,561
Bookstore	1,884,083
Other auxiliary enterprises	295,656

<b>Net cash provided (used) by operating activities</b>	<b>(13,194,960)</b>
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**Cash flows from noncapital financing activities**

State appropriations	12,193,476
Local appropriations	1,592,924

<b>Net cash provided (used) by noncapital financing activities</b>	<b>13,786,400</b>
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**Cash flows from capital and related financing activities**

Capital appropriations	1,969,990
Cash paid for capital assets	(2,547,891)
Principal paid on capital debt and leases	(290,000)
Interest paid on capital debt and leases	(60,884)

<b>Net cash provided (used) by capital and related financing activities</b>	<b>(928,785)</b>
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**Cash flows from investing activities**

Investment in certificate of deposits	(1,000)
Interest received on investments	12,384

<b>Net cash provided (used) by investing activities</b>	<b>11,384</b>
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Net Increase (Decrease) in Cash and Cash Equivalents	(325,961)
Cash and Cash Equivalents - Beginning of the Year	13,208,547
Cash and Cash Equivalents - End of the Year	<b>\$ 12,882,586</b>

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

**Northeast Mississippi Community College**  
**Statement of Cash Flows (continued)**  
**For the Year Ended June 30, 2018**

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

<b>Operating income (loss)</b>	<u>\$ (17,004,202)</u>
--------------------------------	------------------------

**Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities**

Difference in OPEB and pension expense and cash outlays	2,452,967
Depreciation Expense	1,957,342
Bad Debt Expense	266,348
Book value of disposed assets	6,074
Changes in assets and liabilities	
(Increase) decrease in assets:	
Student Receivables	(331,515)
Other Receivables	(309,946)
Inventories	132,750
Prepaid expenses	(264,305)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(138,558)
Unearned revenues	23,287
Deposits refundable	13,800
Accrued leave liability	<u>998</u>

<b>Total adjustments</b>	<u>3,809,242</u>
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<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (13,194,960)</u></u>
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**Noncash Investing, Capital, and Financing Activities**

Payments by State on construction projects	<u>\$ 60,968</u>
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<b>Total noncash investing, capital and financing activities</b>	<u><u>\$ 60,968</u></u>
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The notes to the financial statements are an integral part of this statement.

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

**Operating activities**

Change in net assets	\$ (46,426)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	177
Net unconditional promises to give	216,105
Accounts payable	<u>(5,785)</u>
Net cash provided by operating activities	<u>164,071</u>

**Investing activities**

Investments	<u>(122,389)</u>
Net cash used by investing activities	<u>(122,389)</u>

Net increase(decrease) in cash and cash equivalents 41,682

Cash and cash equivalents beginning of year 75,183

Cash and cash equivalents end of year \$ 116,865

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

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**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies

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

The Community College is governed by a fifteen-member board of trustees, selected by the board of supervisors of Alcorn, Prentiss, Tippah, Tishomingo, and Union counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case, the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the Community College works jointly with the Mississippi State Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

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

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

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

During the year ended June 30, 2018, the Foundation contributed \$786,894 to the College for scholarships, athletics and building programs and reimbursed the College for \$196,324 in Foundation expenses.

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

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (continued)

- C. Basis of Accounting - The Financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net - Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories - Inventories consist of supplies. Inventories are stated at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- H. Prepaid Expenses - Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.
- J. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 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 Outflow of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has deferred outflows, which are presented as a deferred outflow for pension and deferred outflow for other post employment benefits.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (continued)

- L. Unearned Revenues - Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- M. Compensated Absences - The Northeast Mississippi Community College Board of Trustees has adopted an employee medical leave policy. The policy provides for the payment of up to ten accumulated leave days at the time of an employee's termination. To be eligible for this payment, the employee must have been employed for five years and must have accumulated leave time. At termination, a qualified employee may receive pay for their accumulated leave time up to a maximum of ten days. Additionally, any leave certified toward retirement with the Public Employee's Retirement System of Mississippi will not be subject to payment. The total accrued leave for all employees as of June 30, 2018, was \$575,383. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.
- N. Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- O. Post-Employment Benefits Other than Pensions (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognized benefit payments when due and payable in accordance with the benefit terms.
- P. Deferred Inflow of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has deferred inflows, which are presented as a deferred inflow for pension and deferred inflow for other post employment benefits.
- Q. Net Position - Net position of the College is classified in three components. Net position, net investment in capital assets and reduced by the outstanding balances of long-term debt used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a



**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (continued)

Q. Net Position (continued)

particular purpose as specified by creditors, grantors or donors external to the College, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans. Gifts (pledges) that are received on an installment basis are recorded at net present value.

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

S. State Appropriations - The Community College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high cost programs.

T. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

Policies:

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

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

The carrying amount of the College's deposits with financial institutions reported in the statement of net position as cash and cash equivalents was \$12,882,586. Additionally, the College had certificates of deposit with a carrying value of \$24,000 reported as investments in the statement of net position. At June 30, 2018, none of the College's deposits were exposed to custodial credit risk.

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

The following table summarizes the carrying value of the college's investments reported on the statement of net position:

	<u>June 30, 2018</u>
Investments	<u>\$ 24,000</u>

The following table summarizes the categorization of investments at June 30, 2018:

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of Deposit	1	<u>\$ 24,000</u>	FDIC Insured

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

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investment is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2018, the College did not have any investments to which this would apply.

3. Prior Period Adjustments

There was one Prior Period Adjustment recorded during the year ended June 30, 2018, to restate beginning net position as a result of the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The effect was a decrease in net position in the amount of \$1,892,465.

4. Accounts Receivable

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

	Total Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Accounts Receivable - Student			
Student tuition and fees	\$ 2,247,839	\$ 2,146,827	\$ 101,012
Auxiliary enterprises	1,683,983	1,608,310	75,673
Accounts Receivable - Student	3,931,822	3,755,137	176,685
Accounts Receivable - Other			
Auxiliary enterprises	45,114	39,209	5,905
Grants and contracts	1,148,968	-	1,148,968
State appropriations	125,580	-	125,580
Local appropriations	84,194	-	84,194
Other	10,901	-	10,901
Accounts Receivable - Other	1,414,757	39,209	1,375,548
Accounts Receivable	\$ 5,346,579	\$ 3,794,346	\$ 1,552,233

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

5. Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$26,457,953) includes the effect of deferring the recognition of revenues and expenses resulting from deferred inflows and deferred outflows from pensions and other post-employment benefits. The \$3,862,381 balance of pension related deferred outflows of resources will be recognized as expense and will decrease the unrestricted net position over the next 3 years. The \$141,604 balance of other post-employment benefits related deferred outflows of resources, will be recognized as expense and will decrease the unrestricted net position over the next 6 years. The \$841,717 balance of pension related deferred inflows of resources will be recognized as revenue and will increase the unrestricted net position over the next 4 years. The \$99,714 balance of other post-employment benefits related deferred inflows of resources will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

6. Capital Assets

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

	Beginning Balance 7/1/2017	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2018
<b>Nondepreciable Capital Assets:</b>					
Land	\$2,983,068	\$154,200	\$ -	\$ -	\$3,137,268
Construction in progress	1,068,157	1,338,908	-	-	2,407,065
<b>Total Nondepreciable Capital Assets</b>	<b>4,051,225</b>	<b>1,493,108</b>	<b>-</b>	<b>-</b>	<b>5,544,333</b>
<b>Depreciable Capital Assets:</b>					
Improvements other than Buildings	5,370,769	-	-	-	5,370,769
Buildings	66,549,439	586,415	-	-	67,135,854
Equipment	7,623,372	332,227	284,289	-	7,671,310
Library Books	1,252,133	10,848	-	-	1,262,981
<b>Total Depreciable Capital Assets</b>	<b>80,795,713</b>	<b>929,490</b>	<b>284,289</b>	<b>-</b>	<b>81,440,914</b>
<b>Less Accumulated Depreciation for:</b>					
Improvements other than Buildings	3,102,696	179,835	-	-	3,282,531
Buildings	29,444,759	1,130,290	-	-	30,575,049
Equipment	5,641,480	634,587	278,215	-	5,997,852
Library Books	1,184,742	12,630	0	-	1,197,372
<b>Total Accumulated Depreciation</b>	<b>39,373,677</b>	<b>1,957,342</b>	<b>278,215</b>	<b>-</b>	<b>41,052,804</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>41,422,036</b>	<b>(1,027,852)</b>	<b>6,074</b>	<b>-</b>	<b>40,388,110</b>
<b>Capital Assets, Net</b>	<b>\$45,473,261</b>	<b>\$465,256</b>	<b>\$6,074</b>	<b>\$ -</b>	<b>\$45,932,443</b>

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

6. Capital Assets (continued)

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

Construction in progress is composed of the following amounts:

	Spent to June 30, 2018	Remaining Commitment
Baseball/Softball Complex	\$ 338,957	\$ 175,009
Sidewalk and Lighting Project	1,865,414	-
Ripley Center	60,968	-
Seth Pounds Auditorium	3,088	-
Northeast at Corinth Phase III	3,486	-
Fine Arts Complex	135,152	-
Total Construction in Progress	<u>\$ 2,407,065</u>	<u>\$ 175,009</u>

The Baseball/Softball Complex commitments as of June 30, 2018 included only the engineering/architect design fees. Subsequent to June 30, 2018, the college entered into a contract for construction of the Baseball/Softball Complex in the amount of \$7,842,947.

The Sidewalk and Lighting Project was not completed as of June 30, 2018. However, the college had no remaining commitment because the contractor was in liquidating damages for non-completion of the project. The liquidating damages accrued were more than enough to offset any remaining amounts of work to be completed by the contractor, therefore, no remaining commitment has been disclosed.

The Ripley Center work to-date as of June 30, 2018 included only architect fees for design. This project is owned/managed by the State of Mississippi Bureau of Buildings, therefore there is no commitment for the college.

7. Long-Term Liabilities

Long-term liabilities of the College consist of notes and bonds payable, original issue premiums, and certain other liabilities that are expected to be liquidated beyond one year from June 30, 2018.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

7. Long-Term Liabilities (continued)

Description	Original Issue	Interest Rate	Maturity	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
Notes Payable								
G.O. Refunding								
Notes, Series 2014	\$ 2,935,000	3.125%	12/2028	\$ 2,095,000	\$ -	\$ 290,000	\$ 1,805,000	\$ 305,000
Total Long-Term Debt				2,095,000	-	290,000	1,805,000	305,000
Original Issue Premium				76,988	-	6,719	70,269	-
Other Long-Term Liabilities								
Accrued Leave Liability				574,385	998	-	575,383	-
Deposits Refundable				95,900	13,800	-	109,700	-
Net OPEB Liability				-	1,958,265	-	1,958,265	84,831
Net Pension Liability				41,083,743	-	2,849,937	38,233,806	-
Total Other Liabilities				41,754,028	1,973,063	2,849,937	40,877,154	84,831
Total Long-Term Liabilities				\$ 43,926,016	\$ 1,973,063	\$ 3,146,656	\$ 42,752,423	\$ 389,831

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

	Notes Payable	Interest	Total
2019	\$ 305,000	\$ 50,019	\$ 355,019
2020	310,000	40,794	350,794
2021	325,000	31,269	356,269
2022	100,000	24,894	124,894
2023	100,000	21,894	121,894
2024-2028	545,000	61,771	606,771
2029	120,000	1,950	121,950
Totals	\$ 1,805,000	\$ 232,591	\$ 2,037,591

8. Risk Management

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

9. Contingencies

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

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

10. Natural Classifications with Functional Classifications

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

Functional Classifications	Salaries & Wages	Pension Expense	Fringe Benefits	Travel	Contractual Services	Utilities & Communication	Scholarships & Fellow ships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,042,591	\$ 3,012,264	\$ 1,420,366	\$ 182,281	\$ 1,017,793	\$ 99,069	\$ 284,433	\$ 783,279	\$ -	\$ 16,842,076
Academic support	394,780	124,950	62,852	21,013	33,905	384	-	17,777	-	655,661
Student services	1,938,310	603,332	307,125	110,006	251,224	26,671	20,870	322,646	-	3,580,184
Institutional support	2,385,549	676,869	363,289	104,430	1,302,653	99,371	1,000	321,111	-	5,254,272
Operation of plant	1,005,589	318,694	212,130	1,100	723,058	1,171,765	-	443,306	-	3,875,642
Student aid	-	-	-	-	-	-	3,112,730	-	-	3,112,730
Auxiliary enterprises	298,008	88,920	61,692	34	1,618,988	411,618	-	1,976,970	-	4,456,230
Depreciation	-	-	-	-	-	-	-	-	1,957,342	1,957,342
Total Operating Expenses	<u>\$ 16,064,827</u>	<u>\$ 4,825,029</u>	<u>\$ 2,427,454</u>	<u>\$ 418,864</u>	<u>\$ 4,947,621</u>	<u>\$ 1,808,878</u>	<u>\$ 3,419,033</u>	<u>\$ 3,865,089</u>	<u>\$ 1,957,342</u>	<u>\$ 39,734,137</u>



**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**11. Defined Benefit Pension Plan**

General Information about the Pension Plan

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

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

*Contributions* - PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018, was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and maybe amended only by the State of Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016, were \$2,401,029, \$2,348,955, and \$2,315,002, respectively, which equaled the required contributions for each year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2018, the College reported a liability of \$38,233,806 for its proportionate share of the net pension liability. The net pension liability was

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

11. Defined Benefit Pension Plan (continued)

measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2018, net pension liability was 0.2300 percent, which was based on a measurement date of June 30, 2017. This was no change from its proportionate share used to calculate the June 30, 2017, net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$4,825,029. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 549,346	\$ 278,981
Net difference between projected and actual earnings on pension plan investments	-	478,237
Changes of assumptions	850,056	65,151
Changes in proportion and differences between College contributions and proportionate share of contributions	61,950	19,348
College contributions subsequent to the measurement date	2,401,029	-
Total	<u>\$ 3,862,381</u>	<u>\$ 841,717</u>

\$2,401,029 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	\$ 726,699
2020	595,850
2021	35,624
2022	<u>(738,538)</u>
Total	<u>\$ 619,635</u>

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

11. Defined Benefit Pension Plan (continued)

Inflation: 3.00%  
Salary increases: 3.25-18.50%, including inflation  
Investment rate of return: 7.75%, net of pension plan investment expenses, including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	<u>100.00%</u>	

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

**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 one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

11. Defined Benefit Pension Plan (continued)

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
College's proportionate share of the Net Pension Liability	<u>\$50,146,189</u>	<u>\$ 38,233,806</u>	<u>\$ 28,343,940</u>

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

12. Other Post-Employment Benefits (OPEB)

General Information about the OPEB Plan.

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

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

12. Other Post-Employment Benefits (OPEB) (continued)

cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

*Contributions* - The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$83,484 for the year ended June 30, 2018.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB* – At June 30, 2018, the College reported a long-term liability of \$1,874,781 and a short-term liability of \$83,484, for a total liability of \$1,958,265 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the College's proportion was 0.2496%. This was an increase of 0.0084% from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of \$107,394. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 99,714
Changes in proportion and differences between College contributions and proportionate share of contributions	58,120	-
College's contributions subsequent to the measurement date	83,484	-
Total	<u>\$ 141,604</u>	<u>\$ 99,714</u>

The Implicit rate subsidy of \$83,484 reported as deferred outflows of resources related to OPEB resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

12. Other Post-Employment Benefits (OPEB) (continued)

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (7,297)
2020	(7,297)
2021	(7,297)
2022	(7,297)
2023	(7,297)
2024	<u>(5,109)</u>
Total	<u>\$ (41,594)</u>

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

Inflation	3.00%
Salary increases	3.25-18.50%, including wage inflation
Long-term investment	
rate of return, net of OPEB plan investment	
expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement date	3.56%
Prior measurement date	3.01%
Year FNP is projected to be depleted	
Measurement date	2017
Prior measurement date	2016
Single equivalent interest rate, net of OPEB plan	
Investment expense, including inflation	
Measurement date	3.56%
Prior measurement date	3.01%
Health care cost trends, Medicare supplement	
Claims, Pre-Medicare	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2023

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

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

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

12. Other Post-Employment Benefits (OPEB) (continued)

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

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

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

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

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

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Net OPEB Liability	\$ 2,009,982	\$ 1,958,265	\$ 1,919,753

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,808,590	\$ 1,958,265	\$ 2,129,137

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

**Northeast Mississippi Community College  
Notes to the Financial Statements  
For the Year Ended June 30, 2018**

**13. Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition 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 evaluated the activity of the entity through February 28, 2019, and determined the following events for disclosure. No adjustments were considered necessary to these financials.

In July 2018, the college issued debt in the amount of \$8,155,000 through the Mississippi Development Bank for the purpose of constructing a Baseball/Softball Complex.

Also in July 2018, the college signed a construction contract in the amount of \$7,842,947 for the construction of a Baseball/Softball Complex.



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**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

Note 1: Summary of Significant Accounting Policies

A. Description of Business Activities

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

B. Reporting Entity

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

C. Basis of Accounting

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

D. Use of Estimates

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

E. Cash and Cash Equivalents

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

F. Investments

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

Investments in cash surrender value life insurance policies are stated at fair value. Fair value is determined annually, based on the cash surrender value calculated by the insurer.

Investment income is accrued on fixed income securities based on the current fair market value and yield percentage.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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

**G. Unconditional Promises to Give**

The Foundation has recorded unconditional promises to give of \$258,563 at June 30, 2018, of which \$69,576 is current and \$188,987 is long-term. The Foundation expects to receive payment on the current portion during 2019.

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

**H. Property and Equipment**

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

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

Depreciation is computed on a straight-line basis using the estimated useful lives (5 to 20 years) of the various assets.

**I. Long-Lived Assets**

The Foundation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amounts as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2018.

**J. Recognition of Donor Restrictions**

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**K. Financial Reporting**

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

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

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

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

**L. Statement of Functional Expenses**

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

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and GAAP provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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

**N. Income Taxes**

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

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the Association are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**Note 2: Economic Dependence and Concentration**

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

**Note 3: Promises to give**

Unconditional promises to give

Unrestricted	\$ -
Temporarily restricted	258,563
Permanently restricted	<u>-</u>
Total	<u><u>\$ 258,563</u></u>

Reported As

Current	\$ 69,576
Long-term	<u>188,987</u>
	<u><u>\$ 258,563</u></u>

These pledges are due as follows:

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

Due in less than one year	\$ 69,576
Due in one to five years	187,451
Due in six to ten years	<u>42,000</u>
Total	299,027
Less: discounts to present value	(23,205)
Less: allowances for bad debts	<u>(17,259)</u>
Net unconditional promises to give at June 30, 2018	<u><u>\$ 258,563</u></u>

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**Note 4: Investments**

Investments as of June 30 are summarized as follows:

	Cost	Fair Value
Dodge & Cox Income	\$ 491,107	\$ 480,328
FDIC Insured Sweep	35,830	35,830
Franklin Mutual Discovery Z Fund	211,015	221,497
Goldman Sachs Large Cap Growth Insights Fund	216,823	231,483
John Hancock Disciplined Value	136,166	166,638
John Hancock Disciplined Value Mid Cap	51,274	78,554
John Hancock Intl Growth I	169,958	219,600
John Hancock Strategic Income Opportunities I	188,905	180,057
JP Morgan Equity Income R6	275,815	258,456
Meridian Small Cap Growth	92,707	112,025
Oppenheimer Total Return Bond Fund	425,150	407,717
Pioneer Multi-Asset Ultra Short	258,329	256,313
Pioneer Strategic Income	189,366	180,754
T Rowe Price Growth Stock	75,888	96,504
T Rowe Price Mid Cap Growth Fund	49,409	77,901
Undiscovered Mgrs. Behavioral Value	154,675	169,473
Sub-Total	<u>\$ 3,022,417</u>	<u>3,173,130</u>
Cash Surrender Value Life Insurance Investment		11,031
Accrued Investment Income		2,873
Total		<u>\$ 3,187,034</u>
Unrestricted & Temporarily Restricted		\$ 712,618
Permanently Restricted		2,474,416
Total		<u>\$ 3,187,034</u>

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

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

	Total	Unrestricted	Temporarily Restricted
Dividend and Interest Income	\$ 61,829	\$ 61,829	\$ -
Realized Gain (Loss) on Assets	<u>382,506</u>	<u>382,506</u>	<u>-</u>
Total	<u>\$ 444,335</u>	<u>\$ 444,335</u>	<u>\$ -</u>

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**Note 5: Property and equipment**

The following is a summary of property and equipment:

Land	\$ 80,000
Office Equipment	38,568
Less: Accumulated Depreciation	<u>(37,968)</u>
	<u>\$ 80,600</u>

Depreciation expense totaled \$177 for the year.

**Note 6: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Athletics	\$ 326,353
Building Endowments	1,596
Endowments	101,050
College Programs	187,111
Fine Arts	20,002
Other	3,859
Scholarships	<u>97,962</u>
	<u>\$ 737,933</u>

**Note 7: Permanently Restricted Net Assets**

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

Scholarships - Haney	\$ 1,037,833
Scholarships - Martin	100,049
Scholarships - Miller	227,840
Scholarships - Rees	100,000
Scholarships - Woods	125,000
Scholarships - Various	<u>883,694</u>
	<u>\$ 2,474,416</u>

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**Note 8: Fair Value Measurements**

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

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

Unrestricted and temporarily restricted investments and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Inputs are Unobservable (Level 3)
<b>Financial Assets:</b>				
Cash surrender value life insurance investment	\$ 11,031	\$ -	\$ -	\$ 11,031
Unrestricted and temporarily restricted investments	701,587	701,587	-	-
Unconditional promises to give	258,563	-	-	258,563
<b>Endowment Investments:</b>				
Investments	2,474,416	2,474,416	-	-

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

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

Level 2 – Inputs to the valuation methodology include

- \*Quoted prices for similar assets or liabilities in active markets;
- \*Quoted prices for identical assets or liabilities in inactive markets;
- \*Inputs other than quoted prices that are observable for the asset or liability;



**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

When available, The Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 and Level 3 were available to the Foundation.

Level 3 investments consist of a life insurance policy and unconditional promises to give. The life insurance investment is carried at its cash surrender value which approximates fair value to be realized if the policy were voluntarily terminated before its maturity or an insured event occurs. Unconditional promises due within one year are recorded net of allowance for bad debts. Unconditional promises due after one year are recorded at net present value using a 4% discount.

**Note 9: Related Party Transactions**

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

Salary & fringe benefits	\$ 167,619
Postage & Freight	1,441
Advertising	15,000
Tutoring Project	9,200
Other	<u>3,064</u>
	<u><u>\$ 196,324</u></u>

The members of the Foundation Board of Directors contributed \$6,668 to the Foundation during this fiscal year.

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

**Note 10: Compensated Absences**

The Foundation does not have a policy for compensated absences.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**Note 11:     Donated Services**

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

**Note 12:     Prior Period Adjustments**

There was one prior period adjustment recorded during the year ended June 30, 2018, to record an investment in a cash surrender life insurance policy, for which, the Foundation was designated the beneficiary by a donor in 2002. The investment had not been recorded previously. The effect was an increase in cash surrender value life insurance investment and an increase in unrestricted net assets in the amount of \$10,015.

**Note 13:     Subsequent Events**

Events that occur after the statement of financial position date, but before the financial statements were 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 balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Foundation through December 5, 2018, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements. No adjustments are considered necessary to these financial statements.

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

	2018	2017	2016	2015
College's proportion of the net pension liability (asset)	0.2300%	0.2300%	0.2301%	0.2272%
College's proportionate share of the net pension liability (asset)	\$ 38,233,806	\$ 41,083,743	\$ 35,565,058	\$ 27,578,041
College's covered payroll	\$ 14,914,000	\$ 14,698,425	\$ 14,373,797	\$ 13,883,181
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	256.36%	279.51%	247.43%	198.64%
Plan Fiduciary net position as a percentage of the total pension liability (asset)	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,401,029	\$ 2,348,955	\$ 2,315,002	\$ 2,263,873
Contributions in relation to the contractually required contribution	<u>\$ 2,401,029</u>	<u>\$ 2,348,955</u>	<u>\$ 2,315,002</u>	<u>\$ 2,263,873</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 15,244,629	\$ 14,914,000	\$ 14,698,425	\$ 14,373,797
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

**Northeast Mississippi Community College**  
**Schedule of the College's Proportionate Share of the Net OPEB Liability**  
**OPEB Plan**  
**Last 10 Fiscal Years\***

	2018
College's proportion of the net OPEB liability	0.2496%
College's proportionate share of the net OPEB liability	\$ 1,958,265
College's covered-employee payroll	\$ 15,244,629
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	12.85%
Plan Fiduciary net position as a percentage of the total OPEB liability (asset)	0.00%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented beginning in fiscal year ended June 30, 2018, and until a full 10-year trend is compiled, the College will only present information for the years which information is available.

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

**Northeast Mississippi Community College  
Schedule of College Contributions  
OPEB Plan  
Last 10 Fiscal Years**

	<u>2018</u>
Contractually required contribution	\$ 83,484
Contributions in relation to the contractually required contribution	<u>\$ 83,484</u>
Contribution deficiency (excess)	\$ -
College's covered-employee payroll	\$ 15,244,629
Contributions as a percentage of covered-employee payroll	0.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented beginning in fiscal year ended June 30, 2018, and until a full 10-year trend is compiled, the College will only present information for the years which information is available.

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

**Northeast Mississippi Community College  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018**

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 7.75%, respectively.

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

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 1.00% and a maximum rate of 5.00%.

3. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

**Northeast Mississippi Community College**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2018**

3. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Other Post-Employment Benefits (OPEB) Schedules

1. Changes of Assumptions

2017

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

2. Changes in Benefit Provisions

2017

None

3. Methods and assumptions used in calculations of Actuarially Determined Contributions

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

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



**Northeast Mississippi Community College Development Foundation, Inc.**  
**Schedule of Functional Expenses**  
**For the Year Ending June 30, 2018**

	Program Expenses				Support Services			Total
	Unrestricted Program	Temporarily Restricted	Permanently Restricted	Total	Management	Fund Raising	Total	Expenses
Awards	\$ 10,018	\$ -	\$ -	\$ 10,018	\$ 500	\$ 2,558	\$ 3,058	\$ 13,076
College Support - Grants	1,547	-	-	1,547	-	-	-	1,547
Scholarships	-	580,898	-	580,898	-	-	-	580,898
Program Expense:								
College Employee Enhancement	-	3,609	-	3,609	-	-	-	3,609
College Sports	-	136,265	-	136,265	-	-	-	136,265
Fine Art	-	82,541	-	82,541	-	-	-	82,541
College Programs	-	85,326	-	85,326	-	-	-	85,326
Endowed Scholarships	-	14,886	-	14,886	-	-	-	14,886
Discretionary Fund	3,788	-	-	3,788	-	-	-	3,788
Other	-	1,627	-	1,627	-	-	-	1,627
Administrative:				-				
Administrative Fee	-	20,711	-	20,711	-	-	-	20,711
Bank Charges	16,013	-	-	16,013	198	-	198	16,211
Epay Fees	-	-	-	-	653	-	653	653
Car Allowance	2,700	-	-	2,700	1,620	6,480	8,100	10,800
Depreciation	-	-	-	-	177	-	177	177
Dues & Subscriptions	-	-	-	-	3,896	-	3,896	3,896
Insurance	-	-	-	-	400	-	400	400
Legal & Accounting	-	-	-	-	13,200	-	13,200	13,200
Meals & Entertainment	370	-	-	370	2,230	1,795	4,025	4,395
Office Supplies	-	-	-	-	4,657	-	4,657	4,657
Payroll Taxes	1,487	-	-	1,487	3,586	5,364	8,950	10,437
Postage	-	-	-	-	1,063	891	1,954	1,954
Printing & Advertising	350	-	-	350	2,094	4,845	6,939	7,289
Professional Development	-	-	-	-	5,270	-	5,270	5,270
Retirement	3,060	-	-	3,060	6,944	10,749	17,693	20,753
Salaries	19,430	-	-	19,430	46,884	70,115	116,999	136,429
Telephone	881	-	-	881	2,157	882	3,039	3,920
Travel	-	-	-	-	9,673	-	9,673	9,673
	<u>\$ 59,644</u>	<u>\$ 925,863</u>	<u>\$ -</u>	<u>\$ 985,507</u>	<u>\$ 105,202</u>	<u>\$ 103,679</u>	<u>\$ 208,881</u>	<u>\$ 1,194,388</u>

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

The accompanying notes are an integral part of these financial statements.

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Education</b>			
Direct:			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant	84.007		\$ 65,040
Federal Family Education Loans	84.032		3,976,270
Federal Work Study Programs	84.033		147,279
Federal Pell Grant Program	84.063		9,015,682
Total Student Financial Assistance Cluster			<u>13,204,271</u>
 Total Direct Funding			<u>13,204,271</u>
 Passed Through MS Department of Education			
Adult Basic Education Grants to States	84.002		336,940
Career and Technical Basic Grants to States	84.048	V048A170024	164,708
Total MS Department of Education			<u>501,648</u>
 Total U. S. Department of Education			<u>13,705,919</u>
 <b>U. S. Department of Labor</b>			
Workforce Investment Opportunity Act Cluster			
Passed Through Three Rivers Planning & Development District			
WIOA Adult Program	17.258	17-07-10	694,916
WIOA Youth Activities	17.259	17-06-30	348,213
Total Three Rivers Planning and Development District			<u>1,043,129</u>
Passed Through Mississippi Community College Board			
WIA Dislocated Worker Formula Grants	17.278		55,611
Total Mississippi Community College Board			<u>55,611</u>
 Total Workforce Investment Opportunity Act Cluster			<u>1,098,740</u>
 Total U.S. Department of Labor			<u>1,098,740</u>
 <b>U.S. Department of Transportation</b>			
Passed Through MS Department of Transportation			
Highway Planning and Construction	20.205	STP-0055- 00(037)LPA/106906- 70100	526,888
Total MS Department of Transportation			<u>526,888</u>
 Total U.S. Department of Transportation			<u>526,888</u>
 <b>Appalachian Regional Commission</b>			
Direct			
Appalachian Area Development	23.002		42,687
 Total Appalachian Regional Commission			<u>42,687</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Passed Through MS Department of Human Services			
Temporary Assistance for Needy Families	93.558	1801MSTANF	188,181
Child Care and Development Block Grant	93.575	1801MSCCDF	148,003
Total MS Department of Human Services			<u>336,184</u>
<b>        Total U.S. Department of Health and Human Services</b>			<u>336,184</u>
<b>National Aeronautics and Space Administration</b>			
Passed Through University of Mississippi			
Aerospace Educations Services Program	43.001		10,500
Total University of Mississippi			<u>10,500</u>
<b>        Total National Aeronautics and Space Administration</b>			<u>10,500</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 15,720,918</u>

**Notes to the Supplementary Information**

The accompanying schedule includes all federal awards administrated by Northeast Mississippi Community College. 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).

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

Pass-through entity numbers not included are not assigned.

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

Expenditures presented on the schedule of expenditures of Federal awards are recognized following the cost principles as found in the Uniform Guidance. The College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northeast Mississippi Community College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northeast Mississippi Community College's basic financial statements, and have issued our report thereon dated February 28, 2019. We have audited the financial statements of Northeast Mississippi Community College Foundation in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
February 28, 2019



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

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

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

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

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

### **Report on Internal Control Over Compliance**

Management of the Northeast Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northeast Mississippi Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Northeast Mississippi Community College's internal control over compliance.

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

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

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
February 28, 2019



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

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

We have audited the financial statements of the business-type activities of Northeast Mississippi Community College as of and for the year ended June 30, 2018, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated February 28, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
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February 28, 2019

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**Northeast Mississippi Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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

**Financial Statements:**

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

**Federal Awards:**

4. Internal control over major programs:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified: None Reported
5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Program on Cluster</u>
84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
17.258, 17.259, 17.278	Workforce Investment Opportunity Act Cluster

8. The dollar threshold used to distinguish between Type A and type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? No

**Section II: Financial Statement Findings**

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

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

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