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FINANCIAL STATEMENTS
NORTHWEST MISSISSIPPI
COMMUNITY COLLEGE

For the Year Ended
June 30, 2019

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Mississippi Community College

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest Mississippi Community College as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Northwest Mississippi Community College, as of June 30, 2019, 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 the Net Pension Liability, the Schedule of College Contributions (PERS), Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB) on pages 1-13, 46, 47, 48 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2020 on our consideration of Northwest Mississippi Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwest 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 Northwest Mississippi Community College's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 27, 2020

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

This section of the Northwest Mississippi Community College (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the college's management.

Using this Report

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

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

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 17,016,493	\$ 15,448,554	\$ 1,567,939
Non Current Assets			
Other	9,598,780	7,170,383	2,428,397
Long-term Receivable	700,000	700,000	-
Capital, Net	<u>89,284,342</u>	<u>91,669,631</u>	<u>(2,385,289)</u>
 Total Assets	 <u>116,599,615</u>	 <u>114,988,568</u>	 <u>1,611,047</u>
 Deferred Outflows of Resources	 <u>10,146,627</u>	 <u>15,741,489</u>	 <u>(5,594,862)</u>
 Liabilities			
Current Liabilities	3,294,236	3,708,997	(414,761)
Noncurrent Liabilities	<u>82,505,498</u>	<u>83,345,349</u>	<u>(839,851)</u>
 Total Liabilities	 <u>85,799,734</u>	 <u>87,054,346</u>	 <u>(1,254,612)</u>
 Deferred Inflows of Resources	 <u>7,607,234</u>	 <u>9,749,880</u>	 <u>(2,142,646)</u>
 Net Position			
Net Investment in Capital Assets	89,284,342	91,669,631	(2,385,289)
Restricted			
Expendable	9,790,849	7,515,297	2,275,552
Unrestricted	<u>(65,735,917)</u>	<u>(65,259,097)</u>	<u>(476,820)</u>
 Total Net Position	 <u>\$ 33,339,274</u>	 <u>\$ 33,925,831</u>	 <u>\$ (586,557)</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts that are unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$12,159,797 at June 30, 2019, compared to the fiscal year 2018 amount of \$10,810,808. This increase is primarily due to the revenues exceeding expenditures significantly in the General and Auxiliary funds for the 2019 fiscal year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, accounts receivable arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. Accounts receivable was \$4,074,936 at June 30, 2019, compared to the fiscal year 2018 amount of \$3,187,177. This increase is a result of timing on the receipt of various state funds.

Inventories

The College maintains inventories of merchandise for resale in the Northwest Bookstore. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$669,541 at June 30, 2019, and \$701,040 at June 30, 2018. This decrease can be attributed to the College's expansion of electronic books for the 2019 fiscal year.

Long-term Receivable-Current Portion

Long-term receivable consists of the agreement with Marshall County to pay the College \$1,000,000 of back taxes over a period of ten years. The outstanding balance reported as a current asset at June 30, 2019 was \$100,000, which is due in the next fiscal year.

Prepaid Expenses

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and amounts submitted to the Bureau of Buildings for the College's share of future construction projects. Prepaid expenses totaled \$12,219 at June 30, 2019, in comparison to \$649,529 at June 30, 2018. This decrease is due to the timing of the College's insurances. In the 2018 fiscal year the insurance was paid prior to year end.

Non-current Assets

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are considered restricted, non-current assets include cash held in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund and cash held in the unexpended plant fund for future capital improvements. The amount of restricted cash and cash equivalents at June 30, 2019 totaled \$9,598,780, in comparison to \$7,170,383 at June 30, 2018. During fiscal year 2019, funds increased due to less capital related projects and expenditures than in prior years.

Long-term Receivable

Long-term receivable consists of the agreement with Marshall County to pay the College \$1,000,000 of back taxes over a period of ten years. The outstanding balance reported as a long-term asset at June 30, 2019 and 2018 was \$700,000. The county did make the required \$100,000 subsequent to year end.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Capital Assets, Net

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2019. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$89,284,342 at June 30, 2019, in comparison to \$91,669,631 at June 30, 2018. The largest portion of capital assets of the College consists of buildings. The amount reported prior to depreciation at June 30, 2019 totaled \$106,210,149 or 72.20% of total capital assets compared to \$106,265,562 or 72.74% of total capital assets at June 30, 2018. These building are used for housing students, classrooms, and faculty and staff offices.

The College also has some \$1,657,886 estimated to complete various capital projects at June 30, 2019 compared to \$1,387,833 at June 30, 2018.

Deferred Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflow of resources consist of Other Post-Employment Benefits "OPEB" as well as pensions. The deferred outflow of resources related to OPEB totals \$311,745 at June 30, 2019 compared to \$217,147 at June 30, 2018. The deferred outflow of resources related to pension totals \$9,834,882 at June 30, 2019 compared to \$15,524,342 at June 30, 2018. This decrease in deferred outflow is related to a significant decrease in deferred outflow from the State retirement system's performance in fiscal year 2018 (measurement period of PERS).

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2019 for employee benefits, accrued payroll, and for unpaid goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,778,949 at June 30, 2019, in comparison to \$3,094,605 at June 30, 2018. This decrease is attributed to the College cutting off purchase orders and credit card activity weeks prior to year end.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year that the College had not earned or expended by the end of the June 30, 2019 fiscal year. The unearned revenue totaled \$282,725 at June 30, 2019, and \$386,300 at June 30, 2018. This decrease is due to the timing of students who register for second summer term classes that do not begin until the next fiscal year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Other Current Liabilities

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2019 was \$65,838, as compared to \$68,414 at June 30, 2018.

Non-current Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. Deposits refundable at June 30, 2019 consist of room deposits paid by dormitory students and held in reserve by the College for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2019 was \$139,016 and \$133,426 at June 30, 2018.

Net OPEB Liability

This liability is the College's present obligation to pay OPEB in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net OPEB liability was \$3,792,722 at June 30, 2019, with \$166,724 considered due within the next fiscal year, while at June 30, 2018 the net OPEB liability was \$3,745,544, with \$159,678 considered due within the next fiscal year.

Net Pension Liability

This liability is the College's present obligation to pay pension benefits in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net pension liability was \$78,740,484 at June 30, 2019 and \$79,626,057 at June 30, 2018. This decrease is a direct result in the State retirement system's performance for the year ended June 30, 2018 (PERS measurement period).

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 then. The deferred inflow of resources related to OPEB totals \$270,239 at June 30, 2019 and \$190,722 at June 30, 2018. The deferred inflow of resources related to pensions totals \$7,336,995 at June 30, 2019 and \$9,559,158 at June 30, 2018. This decrease is a direct result in the State retirement system's performance for the year ended June 30, 2018 (PERS measurement period).

Net Position

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. During fiscal year 2019, total net position decreased by \$586,557 or 1.73%. The College's net position is presented as unrestricted, restricted – expendable, and net investment in capital assets. This decrease is directly related to the performance of the State retirement system's during fiscal year 2018 (PERS measurement period), as seen in the "Analysis of Net Position" and "Operating Expenses" sections below.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Analysis of Net Position

Unrestricted net position is net position available to the College for any lawful purpose. The following is a breakdown of unrestricted net position as of June 30, 2019 and June 30, 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Unrestricted General Fund	\$ 10,460,432	\$ 9,587,664	\$ 872,768
Unrestricted Auxiliary Fund	3,797,464	2,533,231	1,264,233
Unrestricted OPEB and Pension Fund	<u>(79,993,813)</u>	<u>(77,379,992)</u>	<u>(2,613,821)</u>
Total Unrestricted Net Position	<u>\$ (65,735,917)</u>	<u>\$ (65,259,097)</u>	<u>\$ (476,820)</u>

The decrease in Unrestricted Net Position is related to the OPEB and Pension Fund's Net Position. The College's pension expense related to the State retirement system was nearly \$7.3 million in fiscal year 2019.

Restricted - expendable net position consist of gifts or grants from third-parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted – expendable net position as of June 30, 2019 and June 30, 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Restricted - expendable for			
Unemployment benefits	\$ 138,963	\$ 117,237	\$ 21,726
Capital improvements	<u>9,651,886</u>	<u>7,398,060</u>	<u>2,253,826</u>
Total Restricted - Expendable Net Position	<u>\$ 9,790,849</u>	<u>\$ 7,515,297</u>	<u>\$ 2,275,552</u>

The increase in Restricted- Expendable Net Position is due to a decrease in capital related projects and expenditures during the 2019 fiscal year.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Net investment in capital assets	<u>\$ 89,284,342</u>	<u>\$ 91,669,631</u>	<u>\$ (2,385,289)</u>

This decrease is due to the College's depreciation exceeding any new additions to capital assets.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

For the year ended June 30, 2019 with comparative information for the year ended June 30, 2018:

	June 30, 2019	June 30, 2018	Variance Positive (Negative)
Total Operating Revenues	\$ 36,415,567	\$ 38,563,161	\$ (2,147,594)
Total Operating Expenses	<u>71,209,773</u>	<u>76,522,563</u>	<u>5,312,790</u>
Net Operating Loss	(34,794,206)	(37,959,402)	3,165,196
Nonoperating Revenues(Expenses):	<u>27,325,535</u>	<u>26,946,966</u>	<u>378,569</u>
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(7,468,671)	(11,012,436)	3,543,765
Total Other Revenues, Expenses, Gains, or Losses	<u>6,882,114</u>	<u>6,781,892</u>	<u>100,222</u>
Change in Net Position	(586,557)	(4,230,544)	3,643,987
Net Position			
Net Position Beginning of Year	33,925,831	41,839,180	(7,913,349)
Prior Period Adjustment	<u>-</u>	<u>(3,682,805)</u>	<u>3,682,805</u>
Net Position Beginning of Year, as restated	<u>33,925,831</u>	<u>38,156,375</u>	<u>(4,230,544)</u>
Net Position End of Year	<u><u>\$ 33,339,274</u></u>	<u><u>\$ 33,925,831</u></u>	<u><u>\$ (586,557)</u></u>

Total operating loss for the fiscal year 2019 was \$34,794,206, while the loss for fiscal year 2018 was \$37,959,402. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

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

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

Total operating revenues for fiscal year 2019 were \$36,415,567, compared to \$38,563,161 for fiscal year 2018. Tuition and fees were \$7,909,525, compared to \$8,744,260 for fiscal year 2018, net of the tuition discount which was \$11,376,037 for fiscal year 2019, compared to \$11,921,004 for fiscal year 2018. The decrease in operating revenue is due to a decrease in full-time enrollment for fiscal year 2019, while not increasing tuition charges.

Operating expenses for fiscal year 2019, including depreciation and amortization of \$3,609,774, and pension expense of \$7,280,255, totaled \$71,209,773. Operating expenses for fiscal year 2018 totaled \$76,522,563, including depreciation and amortization of \$3,796,891, and pension expense of \$9,457,682. Operating expenses decreased in the current fiscal year due to a decrease in capital related repairs and maintenance projects that did not meet capitalization thresholds.

Instructional expenditures composed 35.74% of the fiscal year 2019 operating expenses and 33.37% of the fiscal year 2018 operating expenses.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Revenues

Operating Revenues

Tuition and Fees

Tuition and fees includes all tuition and related fees assessed for educational purposes totaling \$19,285,562 for fiscal year 2019, in comparison to \$20,665,264 for fiscal year 2018. The tuition discount for the 2019 fiscal year was \$11,376,037 compared to the fiscal year 2018 tuition discount of \$11,921,004. The tuition and fees decrease is a due to a decrease in full-time enrollment. This is also the cause for the decrease in the tuition discount.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2019 and June 30, 2018.

	June 30, 2019	June 30, 2018	Increase (Decrease)
Federal Sources	\$ 19,222,471	\$ 20,324,055	\$ (1,101,584)
State Sources	4,605,835	4,829,004	(223,169)
Other Sources	321,562	273,778	47,784
Total All Sources	<u>\$ 24,149,868</u>	<u>\$ 25,426,837</u>	<u>\$ (1,276,969)</u>

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

Sales and Services from Educational Activities

Sales and services from educational activities that totaled \$177,480 for the 2019 fiscal year as compared to \$162,557 for the 2018 fiscal year.

Sales and Services from Auxiliary Enterprises, Net

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

Auxiliary enterprises primarily include the Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,637,565 for the 2019 fiscal year as compared to \$3,725,551 for the 2018 fiscal year. The discount for scholarship allowance was \$4,300,341 for fiscal year 2019 and \$4,506,348 for fiscal year 2018.

Other operating revenues

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$541,129 for the 2019 fiscal year as compared to \$503,956 for the 2018 fiscal year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Operating Expenses

Operating expenses for fiscal year 2019 totaled \$71,209,773 including salaries and benefits of \$35,750,057, OPEB expense of \$184,673, pension expense of \$7,280,255, scholarships of \$5,574,483, utilities of \$1,741,002, commodities/supplies of \$7,267,257, contractual services of \$8,691,703, travel of \$520,265, depreciation and amortization of \$3,609,774, and other operating expense of \$590,304. Operating expenses for fiscal year 2018 totaled \$76,522,563 including salaries and benefits of \$36,069,278, OPEB expense of \$195,992, pension expense of \$9,457,682, scholarships of \$5,814,218, utilities of \$1,818,989, commodities/supplies of \$8,405,009, contractual services of \$9,735,280, travel of \$452,676, depreciation and amortization of \$3,796,891, and other operating expense of \$776,548.

Expenses by Function:

	June 30, 2019	June 30, 2018	Increase (Decrease)
Instruction	\$ 25,450,416	\$ 25,538,086	\$ (87,670)
Academic Support	1,206,814	1,149,338	57,476
Student Services	5,401,937	5,430,119	(28,182)
Institutional Support	6,358,232	6,539,746	(181,514)
Operations and Maintenance of Plant	10,846,446	12,572,626	(1,726,180)
Student Financial Aid	4,386,072	4,836,629	(450,557)
Auxiliary Enterprises	6,485,154	7,005,454	(520,300)
OPEB Expense	184,673	195,992	(11,319)
Pension Expense	7,280,255	9,457,682	(2,177,427)
Depreciation and amortization	3,609,774	3,796,891	(187,117)
Total Operating Expenses by Function	<u>\$ 71,209,773</u>	<u>\$ 76,522,563</u>	<u>\$ (5,312,790)</u>

The decrease in operating expenses is due to the decrease major repairs and renovations to various facilities in 2019. The largest decrease is due to the decrease in Pension expense of \$2,177,427, which is a reflection on the improved performance of the State's Retirement System and the economy.

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriations. These appropriations were for educational and general operations of the College. The College received \$20,928,822 for fiscal year 2019 compared to \$21,012,499 for fiscal year 2018. This decrease is a result of decreased full-time enrollment.

Local Appropriations

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year. The College received \$6,182,998 in county appropriations for fiscal year 2019, compared to \$5,775,085 for fiscal year 2018.

Interest Income, Net

Interest income includes the amount earned on cash in the bank accounts and from certificates of deposit. The interest income for fiscal year 2019 was \$204,627, as compared to \$116,494 for fiscal year 2018.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Other Revenues, Expenses, Gains, and Losses

State Appropriations Restricted for Capital Purposes

State appropriations restricted for capital purposes consist of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the fiscal year 2019 was \$249,199, as compared to \$860,340 for fiscal year 2018. This decrease is due to the completion of a Bureau of Buildings project, Allied Health Building, during the fiscal year 2019.

Local Appropriations for Capital Purposes

The College receives non-operating revenue of county appropriations from the eleven county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities; and any debt service portion of appropriations for the payment of debt principal and interest. The College received \$6,496,751 in local appropriations for capital purposes for fiscal year 2019, compared to \$5,888,890 for fiscal year 2018.

Capital Grants and Gifts

Capital grants and gifts include revenue received from outside agencies restricted for capital projects during the fiscal year and the value of capital assets donated to the college. The amount of this grant totaled \$203,374 for fiscal year 2019 as compared to \$165,007 for fiscal year 2018. Capital grants consist of reimbursed career-technical equipment purchases.

Other Additions (Deletions), net

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for fiscal year 2019 was (\$67,210) compared to (\$132,345) for fiscal year 2018.

Statement of Cash Flows

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Cash Flows (Direct Method)

For the fiscal year ended June 30, 2019 and June 30, 2018:

	June 30, 2019	June 30, 2018	Variance Positive (Negative)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (28,947,555)	\$ (28,279,996)	\$ (667,559)
Noncapital Financing Activities	26,827,138	26,800,178	26,960
Capital and Related Financing Activities	5,693,176	4,500,758	1,192,418
Investing Activities	204,627	116,494	88,133
Net Increase (Decrease) in Cash and Cash Equivalents	3,777,386	3,137,434	639,952
Cash and Cash Equivalents - Beginning of Year	17,981,191	14,843,757	3,137,434
Cash and Cash Equivalents - End of Year	<u>\$ 21,758,577</u>	<u>\$ 17,981,191</u>	<u>\$ 3,777,386</u>

The major sources of funds included in operating activities for fiscal year 2019 include student tuition and fees, \$2,861,002; auxiliary enterprises, \$3,646,980; and grants and contracts, \$23,541,128. The major uses of funds for fiscal year 2019 were payments made to employees and benefit providers, \$41,914,494; payments made to suppliers, \$14,813,346; and for scholarships, \$1,741,002.

In comparison, the major sources of funds included in operating activities for fiscal year 2018 include student tuition and fees, \$4,193,585; auxiliary enterprises, \$3,765,651; and grants and contracts, \$25,153,489. The major uses of funds for fiscal year 2018 were payments made to employees and benefit providers, \$39,733,585; payments made to suppliers, \$18,553,602; and for scholarships, \$1,712,544.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$20,617,064 in fiscal year 2019, as compared to \$21,029,976 in fiscal year 2018.

Significant Capital Asset Transactions

During fiscal year 2019, there was a significant decrease in capital related projects and expenditures, but there were three projects ongoing at year end. With these projects scheduled to complete in fiscal year 2020, capital activity should increase in next fiscal year.

Significant Subsequent Events

The College has approved a \$24,000,000 bond issue to be closed in March 2020 for the construction of a state of the art performing arts center. The College has also earmarked Bureau of Building funds for the construction of a new student housing facility with estimated capacity of 160+ beds.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Financial Implications of GASB Pronouncements

The College implemented GASB 68 in fiscal year 2015, and GASB 75 in fiscal year 2018. The objectives of these GASB Statements are to improve accounting and financial reporting by state and local governmental entities related to pensions and OPEB. The implications of these new pronouncements distort the College's true activity and financial position; therefore, the following statements eliminate the impact of these GASB Statements to provide a more useful report on the College's operations and net position. Depreciation is also removed, as this expense is non-budgeted and non-cash.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Total Net Position	\$ 33,339,274	\$ 33,925,831	\$ (586,557)
Deferred Outflows of Resource- Pension	(9,834,882)	(15,524,342)	5,689,460
Deferred Outflows of Resource- OPEB	(311,745)	(217,147)	(94,598)
Deferred Inflows of Resource- Pensions	7,336,995	9,559,158	(2,222,163)
Deferred Inflows of Resource- OPEB	270,239	190,722	79,517
Net Pension Liability	78,740,484	79,626,057	(885,573)
Net OPEB Liability	<u>3,792,722</u>	<u>3,745,544</u>	<u>47,178</u>
Total Impact on GASB 68 and 75	<u>79,993,813</u>	<u>77,379,992</u>	<u>2,613,821</u>
Net Position net of GASB 68 and 75	<u>113,333,087</u>	<u>111,305,823</u>	<u>2,027,264</u>
Less Net Investments in Capital Assets	(89,284,342)	(91,669,631)	2,385,289
Less Restricted Net Postion	<u>(9,790,849)</u>	<u>(7,515,297)</u>	<u>(2,275,552)</u>
Unrestricted Net of GASB 68 and 75	<u>\$ 14,257,896</u>	<u>\$ 12,120,895</u>	<u>\$ 2,137,001</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2019

GASB 68, GASB 75, and Other Non-cash Items Impact on Change in Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Change in Net Position	\$ (586,557)	\$(4,230,544)	\$ 3,643,987
GASB 68 Impact	2,581,724	4,696,484	(2,114,760)
GASB 75 Impact	32,097	36,314	(4,217)
Depreciation	<u>3,609,774</u>	<u>3,796,891</u>	<u>(187,117)</u>
Change in Net Position after GASB 68, GASB 75, and Other Non-cash Items	\$ 5,637,038	\$ 4,299,145	\$ 1,337,893
Change in Net Position- Operation	2,158,727	2,022,195	136,532
Change in Net Position- Plant	3,478,311	2,276,950	1,201,361

Factors Impacting Future Periods

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

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

The College is also accredited through the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOC"). Continued accreditation is the backbone for a higher education institution like the College in order to assure the educational quality and improve effectiveness of the institution. The College's accreditation was reaffirmed by SACSCOC in June 2018. The next decision on reaffirmation of accreditation through the SACSCOC is scheduled for June of 2027.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Net Position
June 30, 2019

Assets	
Current Assets	
Cash and cash equivalents	\$ 12,159,797
Accounts receivables, net	4,074,936
Inventories	669,541
Long-term receivable, current portion	100,000
Prepaid expenses	12,219
Total Current Assets	<u>17,016,493</u>
Non-current Assets	
Restricted cash and cash equivalents	9,598,780
Long-term receivable	700,000
Capital assets, net of accumulated depreciation	89,284,342
Total Non-current Assets	<u>99,583,122</u>
Total Assets	<u>116,599,615</u>
Deferred Outflows of Resources	
OPEB	311,745
Pensions	9,834,882
Total Deferred Outflows of Resources	<u>10,146,627</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	2,778,949
Unearned revenue	282,725
Net OPEB liability, current portion	166,724
Other current liabilities	65,838
Total Current Liabilities	<u>3,294,236</u>
Non-current Liabilities	
Deposits refundable	139,016
Net OPEB liability	3,625,998
Net pension liability	78,740,484
Total Non-current Liabilities	<u>82,505,498</u>
Total Liabilities	<u>85,799,734</u>
Deferred Inflows of Resources	
OPEB	270,239
Pensions	7,336,995
Total Deferred Inflows of Resources	<u>7,607,234</u>
Net Position	
Net investment in capital assets	89,284,342
Restricted for	
Unemployment compensation	138,963
Capital projects	9,651,886
Unrestricted	<u>(65,735,917)</u>
Total Net Position	<u>\$ 33,339,274</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
December 31, 2018

Assets

Current Assets:

Cash	\$ 213,581
Unconditional promises to give, net	-
Investments	<u>10,661,667</u>

Total Assets	\$ <u>10,875,248</u>
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Liabilities

Accounts Payable	<u>\$ -</u>
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Net Assets

Without donor restrictions	63,261
With donor restrictions	<u>10,811,987</u>

Total Net Assets	<u>10,875,248</u>
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Total Liabilities and Net Assets	\$ <u>10,875,248</u>
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The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues

Tuition and fees (net of scholarship allowances of \$11,376,037)	\$ 7,909,525
Federal grants and contracts	19,222,471
State grants and contracts	4,605,835
Nongovernmental grants and contracts	321,562
Sales and services of educational departments	177,480
Auxiliary enterprises:	
Bookstore (net of scholarship allowances of \$2,552,484)	2,142,290
Food Services (net of scholarship allowances of \$1,026,217)	811,303
Student housing (net of scholarship allowances of \$721,640)	610,933
Other Auxiliary revenues	73,039
Other operating revenues	541,129
Total Operating Revenues	<u>36,415,567</u>

Operating Expenses

Salaries and wages	30,873,527
Fringe benefits	4,876,530
OPEB Expense	184,673
Pension expense	7,280,255
Travel	520,265
Contractual services	8,691,703
Utilities	1,741,002
Scholarships and fellowships	5,574,483
Commodities	7,267,257
Depreciation and amortization expense	3,609,774
Other operating expenses	590,304
Total Operating Expenses	<u>71,209,773</u>

Operating Income (Loss) (34,794,206)

Non-operating Revenues (Expenses)

State Appropriations	20,928,822
Local Appropriations	6,182,998
Insurance loss recoveries	9,088
Interest income	204,627
Net Non-operating Revenues (Expenses)	<u>27,325,535</u>

Income (Loss) Before Other Revenues, Expenses, Gains and Losses (7,468,671)

Other Revenues, Expenses, Gains, and Losses

State appropriations restricted for capital purposes	249,199
Local appropriations restricted for capital purposes	6,496,751
Capital grants and contracts - federal	203,374
Other additions (deletions), net	(67,210)
Net Other Revenues, Expenses, Gains, and Losses	<u>6,882,114</u>

Changes in Net Position (586,557)

Net Position - Beginning of year 33,925,831

Net Position - End of year \$ 33,339,274

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 14,086	\$ 692,052	\$ 706,138
Investment income, net	713	(491,440)	(490,727)
Special events, net	31,581	0	31,581
Net assets released from restrictions	<u>601,817</u>	<u>(601,817)</u>	<u>-</u>
Total revenue	<u>648,197</u>	<u>(401,205)</u>	<u>246,992</u>
Expenditures:			
Program services:			
Distributions for educational purposes	<u>622,838</u>	<u>-</u>	<u>622,838</u>
Total program services	<u>622,838</u>	<u>-</u>	<u>622,838</u>
Support services:			
Management and general	71,575	-	71,575
Fundraising	<u>286,302</u>	<u>-</u>	<u>286,302</u>
Total support services	<u>357,877</u>	<u>-</u>	<u>357,877</u>
Total expenditures	<u>980,715</u>	<u>-</u>	<u>980,715</u>
Change in net assets before contributed services	(332,518)	(401,205)	(733,723)
Contributed services from NWCC	<u>357,877</u>	<u>-</u>	<u>357,877</u>
Change in net assets	25,359	(401,205)	(375,846)
Net Assets - Beginning of Year	<u>37,902</u>	<u>11,213,192</u>	<u>11,251,094</u>
Net Assets - End of Year	<u>\$ 63,261</u>	<u>\$ 10,811,987</u>	<u>\$ 10,875,248</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities

Tuition and fees	\$ 2,861,002
Grants and contracts	23,541,128
Sales and services of educational departments	177,480
Payments to suppliers	(14,813,346)
Payments to employees for salaries and benefits	(41,914,494)
Payments for utilities	(1,741,002)
Payments for scholarships and fellowships	(975,320)
Auxiliary enterprise charges:	
Bookstore	2,142,290
Food services	811,303
Student housing	620,348
Other	73,039
Other receipts (payments)	270,017
Net Cash Provided (Used) by Operating Activities	<u>(28,947,555)</u>

Cash Flows from Noncapital Financing Activities

State appropriations	20,617,064
Local appropriations	6,212,649
Agency transfers (net)	(5,997)
Custodial transfers (net)	3,422
Federal loan receipts	5,053,017
Federal loan disbursements	(5,053,017)
Net Cash Provided by Noncapital Financing Activities	<u>26,827,138</u>

Cash Flows from Capital and Related Financing Activities

Cash received on long-term receivable	-
Cash paid for capital assets	(1,042,496)
Capital appropriations received	6,523,210
Capital grants and contracts received	203,374
Principal paid on capital debt	-
Capital debt interest paid	-
Other sources (uses)	9,088
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>5,693,176</u>

Cash Flows from Investing Activities

Interest received on investments	204,627
Net Cash Provided (Used) by Investing Activities	<u>204,627</u>

Net Increase (Decrease) in Cash and Cash Equivalents 3,777,386

Cash and Cash Equivalents - Beginning of the Year 17,981,191

Cash and Cash Equivalents - End of the Year \$ 21,758,577
continued

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2019

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

Operating income (loss)	\$ (34,794,206)
Adjustments to reconcile net income (loss) to net cash provide (used) by operating activities	
Depreciation and amortization expense	3,609,774
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables, net	(632,112)
Inventories	31,499
Prepaid expenses	637,310
Deferred outflows	5,594,862
Increase (decrease) in liabilities:	
Accounts payable	(315,656)
Unearned revenues	(103,575)
Deposits refundable	5,590
Deferred inflows	(2,142,646)
Net OPEB liability	47,178
Net pension liability	(885,573)
Total adjustments	<u>5,846,651</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (28,947,555)</u>

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

Tuition and fees	\$ 4,599,163
Institutional payments for scholarships and fellowships	(4,599,163)
Payments by State on construction	<u>249,199</u>
Total Non-cash Operating, Capital, and Financing Activities	<u>\$ 249,199</u>

Cash and Cash Equivalents

Cash and cash equivalents classified as current assets	\$ 12,159,797
Cash and cash equivalents classified as non-current assets	<u>9,598,780</u>
Total Cash and Cash Equivalents	<u>\$ 21,758,577</u>
	concluded

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ (375,846)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized (gain) loss on investments, net	761,562
Change in unconditional promises to give, net	50,000
Change in accounts payable	(19,172)
Contributions restricted for long-term investments	-
Interest and dividends restricted for reinvestment	<u>(270,122)</u>
Net cash provided (used) by operating activities	<u>146,422</u>

Cash Flows from Investing Activities

Purchases of investments	(335,214)
Proceeds from sales and maturities of investments	<u>-</u>
Net cash provided (used) by investing activities	<u>(335,214)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(188,792)
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Cash at beginning of year	<u>402,373</u>
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Cash at end of year	<u><u>\$ 213,581</u></u>
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The notes to the financial statements are an integral part of this statement

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies.

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

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

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

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

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

During the year ended June 30, 2019, the Foundation provided \$462,563 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation’s financial statements are presented at the end of the College’s Notes to the Financial Statements. Complete financial statements for the Foundation can be obtained from: 4975 Highway 51 North – Senatobia, MS 38668.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

- D. Basis of Accounting – The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- The College prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. The College has the option to apply any other accounting literature unless the literature conflicts with or contradicts a GASB pronouncement.
- E. Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- F. Accounts Receivable – Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories – Inventories consist of books, supplies, and dry goods in the bookstore. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.
- H. Prepaid Expenses – Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year(s).
- I. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as restricted cash and cash equivalents on the Statement of Net Position. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.
- J. Long-term Receivable – Long-term receivable consists of the agreement with Marshall County to pay the College \$1,000,000 of back taxes over a period of ten years. These payments are in equal annual installments of \$100,000, and split equally between the College’s General and Unexpended Plant funds.
- K. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost on the date of acquisition, or, if donated, at fair value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 7 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.
- L. Deferred outflows/inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows for the college are future pension related as well as OPEB related.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

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. Deferred inflows for the college are future pension related as well as OPEB related.

See Note 13 and 14 for further details.

- M. Unearned Revenues – Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- N. Compensated Absences – The College Board of Trustees leave policy provides for personal and sick leave for all nine, ten, and twelve-month employees. The College's policy does not provide for payment of accumulated leave beyond the current fiscal year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- O. Non-current Liabilities – Non-current liabilities include dormitory housing deposits.
- P. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- Q. Postemployment 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, 2018. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.
- 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, and (3) most federal, state, and local grants and contracts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

- S. Tax Revenues (Local Appropriations) – The College receives ad valorem taxes from each county in its eleven county district. Each county assesses a tax millage in support of the College as required by state law.
- T. State Appropriations – The College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed based on a full-time equivalent funding formula which is based on total credit hours generated by all students with special consideration given only to high cost programs. Currently, the first 15% of the appropriations are split equally among the colleges, and the remaining 85% of the appropriations are allocated based on the college's full-time equivalency.
- U. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements according to GASB guidance and under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- V. Net Position – GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Fund Balance". Net Position is classified in three categories:
- a. Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
 - b. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors.
 - c. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted – expendable.
- The unrestricted net position balance of (\$65,735,917) at June 30, 2019, includes \$669,541 reserved for inventories and a remaining amount of (\$66,405,458).
- W. Income Taxes – The college is recognized a local governing authority and is excluded by the Internal Revenue Service from federal income taxation.
- X. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. Cash and Cash Equivalents.

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2019, none of the college's bank balance of \$23,145,987 was exposed to custodial credit risk.

3. Accounts Receivable.

Accounts receivable consist of the following at June 30, 2019:

Student tuition	\$ 7,363,558
Federal, state, and private grants and contracts	3,024,463
State appropriations	535,501
Local appropriations	223,409
Other	<u>109,005</u>
Total Accounts Receivable	11,255,936
Less allowance for doubtful accounts	<u>(7,181,000)</u>
Net Accounts Receivable	<u>\$ 4,074,936</u>

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

4. Long-term Receivable.

Long-term receivable as of June 30, 2019 consists of the following:

Current portion	\$ 100,000
Non-current portion	<u>700,000</u>
Total Notes Receivable	<u>\$ 800,000</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2019

5. Inventory.

Inventory as of June 30, 2019 consists of the following:

Bookstore	\$ 669,541
Total Inventory	<u>\$ 669,541</u>

6. Prepaid Expenses.

Prepaid expense as of June 30, 2019 consists of the following:

Insurance and bonds	\$ 12,219
Total Prepaid Expenses	<u>\$ 12,219</u>

7. Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2019, is presented as follows:

	Beginning Balance July 1, 2018	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance June 30, 2019
Nondepreciable Capital Assets:					
Land	\$ 6,739,072	\$ -	\$ -	\$ -	\$ 6,739,072
Construction in progress	29,770	615,534	-	(56,823)	588,481
Livestock	121,500	19,571	29,071	-	112,000
Total Nondepreciable Capital Assets	<u>6,890,342</u>	<u>635,105</u>	<u>29,071</u>	<u>(56,823)</u>	<u>7,439,553</u>
Depreciable Capital Assets:					
Improvements other than buildings	16,130,472	-	-	56,823	16,187,295
Buildings	106,265,562	-	55,413	-	106,210,149
Equipment	14,379,400	591,139	97,697	-	14,872,842
Library books	2,415,222	85,022	94,993	-	2,405,251
Total Depreciable Capital Assets	<u>139,190,656</u>	<u>676,161</u>	<u>248,103</u>	<u>56,823</u>	<u>139,675,537</u>
Less Accumulated Depreciation for:					
Improvements other than buildings	6,414,614	533,554	-	-	6,948,168
Buildings	35,087,690	1,867,598	1,108	-	36,954,180
Equipment	11,059,248	1,078,489	94,292	-	12,043,445
Library books	1,849,815	130,133	94,993	-	1,884,955
Total Accumulated Depreciation	<u>54,411,367</u>	<u>3,609,774</u>	<u>190,393</u>	<u>-</u>	<u>57,830,748</u>
Total Depreciable Capital Assets, Net	<u>84,779,289</u>	<u>(2,933,613)</u>	<u>57,710</u>	<u>56,823</u>	<u>81,844,789</u>
Capital Assets, Net	<u>\$ 91,669,631</u>	<u>\$ (2,298,508)</u>	<u>\$ 86,781</u>	<u>\$ -</u>	<u>\$ 89,284,342</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2019

	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%	-

8. Construction Commitments and Financing.

The College has contracted for various construction projects as of June 30, 2019. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

Project Title	Funded by	State Sources	Other
Senatobia Campus Entrance and Signage	NWCC	\$ -	\$ 260,000
Oxford Site Repair	NWCC	-	209,309
Football Field Phase I	NWCC	-	1,188,577
Totals		<u>\$ -</u>	<u>\$ 1,657,886</u>

9. Operating Lease

The University of Mississippi entered into a 5-year operating lease with the College during the 2017 fiscal year in order to occupy a portion of the College's DeSoto Center location. The College received \$300,000 in lease revenue from the University of Mississippi for the year ended June 30, 2019. Future lease receipts are as follows:

Years Ending June 30	Amount
2020	325,000
2021	350,000
Totals	<u>\$675,000</u>

10. Accounts Payable and Accrued Liabilities.

Accounts payable and accrued liabilities consist of the following at June 30, 2019. All accounts payable and accrued liabilities are considered current liabilities of the college.

Employee salary and benefits	\$ 1,133,863
Payments to suppliers and contractors	1,633,483
Student payables	<u>11,603</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 2,778,949</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

11. Unearned Revenue

Unearned revenue consists of the following at June 30, 2019:

Summer II tuition and fees	\$ 233,000
Summer II room and board	<u>49,725</u>
Total Unearned Revenue	<u>\$ 282,725</u>

12. Long-term Liabilities.

Long-term liabilities of the College consist of refundable student dormitory housing deposits that are expected to be liquidated at least one year from June 30, 2019.

Description and Purpose	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Deposits refundable	<u>\$ 133,426</u>	<u>\$ 101,085</u>	<u>\$ 95,495</u>	<u>\$ 139,016</u>	<u>\$ -</u>
Total	<u>\$ 133,426</u>	<u>\$ 101,085</u>	<u>\$ 95,495</u>	<u>\$ 139,016</u>	<u>\$ -</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

13. 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 is available at www.pers.ms.gov.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$4,698,531, \$4,761,198, and \$4,838,109, respectively, which equaled the required contributions for each year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

At June 30, 2019, the College reported a liability of \$78,740,484 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, The College's proportion was 0.4734 percent, which was a decrease from the proportionate share at June 30, 2017 of 0.4790 percent.

For the year ended June 30, 2019, the College recognized pension expense of \$7,280,255. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Measurement Period	Amortization Period	Ending Balance June 30, 2018	Additions	Deletions	Ending Balance June 30, 2019
Deferred Outflows of Resources:						
Difference between expected and actual experience	2015	3.72	\$ 304,152	\$ -	\$ 304,152	\$ -
	2016	3.48	834,601	-	563,921	270,680
	2018	3.90	-	101,123	25,929	75,194
			<u>1,138,753</u>	<u>101,123</u>	<u>894,002</u>	<u>345,874</u>
Changes in proportion and differences between college contribution and proportionate share of contributions						
	2015	3.72	109,840	-	109,840	-
	2017	3.37	522,123	-	220,305	301,818
			<u>631,963</u>	<u>-</u>	<u>330,145</u>	<u>301,818</u>
Net difference between projected and actual investment earnings on pension plan investments						
	2015	5.00	2,184,272	-	1,092,136	1,092,136
	2016	5.00	5,024,271	-	1,674,757	3,349,514
			<u>7,208,543</u>	<u>-</u>	<u>2,766,893</u>	<u>4,441,650</u>
Changes of assumptions						
	2015	3.72	1,702,563	-	1,702,563	-
	2017	3.37	81,322	-	34,313	47,009
			<u>1,783,885</u>	<u>-</u>	<u>1,736,876</u>	<u>47,009</u>
College contributions subsequent to the measurement date						
	2017	3.37	4,761,198	-	4,761,198	-
	2018	3.90	-	4,698,531	-	4,698,531
			<u>4,761,198</u>	<u>4,698,531</u>	<u>4,761,198</u>	<u>4,698,531</u>
Total Deferred Outflows of Resources			<u>\$ 15,524,342</u>	<u>\$ 4,799,654</u>	<u>\$ 10,489,114</u>	<u>\$ 9,834,882</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

	Measurement Period	Amortization Period	Ending Balance June 30, 2018	Additions	Deletions	Ending Balance June 30, 2019
Deferred Inflows of Resources:						
Difference between expected and actual experience	2017	3.37	\$ 581,009	\$ -	\$ 245,151	\$ 335,858
Changes in proportion and differences between college contribution and proportionate share of contributions	2016	3.48	588,749	-	397,805	190,944
	2018	3.90	-	989,696	253,768	735,928
			588,749	989,696	651,573	926,872
Net difference between projected and actual investment earnings on pension plan investments	2014	5.00	2,102,621	-	2,102,621	-
	2017	5.00	6,152,341	-	1,538,086	4,614,255
	2018	5.00	-	1,770,511	354,102	1,416,409
			8,254,962	1,770,511	3,994,809	6,030,664
Changes of assumptions	2016	3.48	134,438	-	90,837	43,601
Total Deferred Inflows of Resources			\$ 9,559,158	\$ 2,760,207	\$ 4,982,370	\$ 7,336,995

\$4,698,531 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Deferred Outflows	Deferred Inflows	Total
2020	\$ 3,318,120	\$ (2,625,654)	\$ 692,466
2021	1,794,895	(2,236,661)	(441,766)
2022	23,336	(2,120,578)	(2,097,242)
2023	-	(354,102)	(354,102)
Totals	\$ 5,136,351	\$ (7,336,995)	\$ (2,200,644)

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
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Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 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 as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S Broad	27%	4.60%
International Equity	18%	4.50%
Emerging Markets Equity	4%	4.75%
Global	12%	4.75%
Fixed Income	18%	0.75%
Real Estate	10%	3.50%
Private Equity	8%	5.10%
Emerging Debt	2%	2.25%
Cash	1%	0.00%
Total	100%	

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 former rate (15.75%) through June 30, 2019, and at the current employer contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$ 103,678,624	\$ 78,740,484	\$ 58,013,598

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

14. Other Postemployment 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. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

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 cost of insurance. The Plan offers a Base option and a Select option for

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
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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 \$166,724 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the College reported a liability of \$3,792,722 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018, the College's proportion was 0.4903% percent. This was an increase from 0.4774% percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized OPEB expense of \$184,673. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
Changes in proportion and differences between college contribution and proportionate share of contributions	\$ 137,299	\$ -	\$ 137,299
Difference in Expected vs Actual Experience	7,722	-	7,722
Changes of assumptions	-	(270,239)	(270,239)
College's contributions subsequent to the measurement date	<u>166,724</u>	<u>-</u>	<u>166,724</u>
	<u>\$ 311,745</u>	<u>\$ (270,239)</u>	<u>\$ 41,506</u>

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\$166,724 reported as deferred outflows of resources related to OPEB resulting from school 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:

Years Ending June 30	Deferred Outflows	Deferred Inflows	Total
2020	\$ 28,163	\$ (54,382)	\$ (26,219)
2021	28,163	(54,382)	(26,219)
2022	28,163	(54,382)	(26,219)
2023	28,163	(54,382)	(26,219)
2024	25,138	(44,344)	(19,206)
Thereafter	7,231	(8,367)	(1,136)
Totals	<u>\$ 145,021</u>	<u>\$ (270,239)</u>	<u>\$ (125,218)</u>

Actuarial assumptions. The total OPEB liability in the June 30, 2018 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, including wage inflation	3.25-18.50%
Long-term Investments Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate:	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted:	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation:	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends:	
Medicare Supplemental Claims Pre-Medicare	7.75% for 2018 decreasing to an ultimate rate of 4.75% by 2028

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, 2018 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.5%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018.

The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an 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 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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 4,204,140	\$ 3,792,722	\$ 3,438,893

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	1% Increase
Net OPEB liability	\$ 3,513,315	\$ 3,792,722	\$ 4,110,051

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2019

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was \$1,000,000 as of June 30, 2018, the measurement date, but with an expectation to be depleted immediately. The fiduciary net position projections are based upon the financial status of the Plan on the measurement date, the indicated set of methods and assumptions, and the requirements of GASB 74 and 75. As such the fiduciary net position projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan or the Plan's ability to make benefit payments in future years. Additional details of the Plan's fiduciary net position are available in the separately issued **GASB Statement No. 75 Report for the Mississippi State School Employees' Life and Health Insurance Plan.**

15. Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2019:

Functional Classification	Salaries and Wages	Fringe Benefits	OPEB and Pension	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation and Amortization	Other	Total
Instruction	\$ 18,770,469	\$ 2,572,790	\$ -	\$ 213,029	\$ 2,255,899	\$ 32,451	\$ 605,188	\$ 1,000,590	\$ -	\$ -	\$ 25,450,416
Academic support	952,486	151,918	-	1,887	19,356	-	-	81,167	-	-	1,206,814
Student services	3,016,463	468,173	-	232,317	497,537	-	610,515	521,269	-	55,663	5,401,937
Institutional support	3,575,865	582,950	-	70,090	1,451,530	-	-	191,818	-	485,979	6,358,232
Operation of plant	3,215,407	730,731	-	1,993	3,731,946	1,370,909	-	1,795,404	-	56	10,846,446
Student aid	-	-	-	-	-	-	4,358,780	-	-	27,292	4,386,072
Auxiliary enterprises	1,342,837	369,968	-	949	735,435	337,642	-	3,677,009	-	21,314	6,485,154
OPEB expense	-	-	184,673	-	-	-	-	-	-	-	184,673
Pension expense	-	-	7,280,255	-	-	-	-	-	-	-	7,280,255
Depreciation and amortization	-	-	-	-	-	-	-	-	3,609,774	-	3,609,774
Total Operating Expenses	\$ 30,873,527	\$ 4,876,530	\$ 7,464,928	\$ 520,265	\$ 8,691,703	\$ 1,741,002	\$ 5,574,483	\$ 7,267,257	\$ 3,609,774	\$ 590,304	\$ 71,209,773

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements

For the Year Ended June 30, 2019

16. Risk Management.

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

17. Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2019, the fund was adequately funded with a balance of \$118,689.

18. Concentrations.

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

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

20. Consistency Between Reporting Periods.

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

21. Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$65,735,917) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$4,698,531 resulting from the college contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$5,136,351 balance of the deferred outflow of resources related to pensions at June 30, 2019 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 or 4 years. The \$7,336,995 balance of the deferred inflow of resources related to pension at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position amount over the next 3 or 4 years.

The unrestricted net position (deficit) amount of (\$65,735,917) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$166,724 resulting from the college contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$145,021 balance of the deferred outflow of resources related to OPEB at June 30, 2019 will be recognized as OPEB expense and will decrease the unrestricted net position amount over the next 6 years. The \$270,239 balance of the deferred inflow of resources

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2019

related to OPEB at June 30, 2019, will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

22. Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Northwest Mississippi Community College evaluated the activity of the College through February 27, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

During fiscal year 2019, there was a significant decrease in capital related projects and expenditures, but there were three projects ongoing at year end. With these projects scheduled to complete in fiscal year 2020, capital activity should increase in next fiscal year.

The College has approved a \$24,000,000 bond issue to be closed in March 2020 for the construction of a state of the art performing arts center. The College has also earmarked Bureau of Building funds for the construction of a new student housing facility with estimated capacity of 160+ beds.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2018

1. Description of Organization and Summary of Significant Accounting Policies

Organization

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

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Foundation adopted the provisions of Accounting Standards Update ("ASC") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Council's liquidity, financial performance, and cash flows.

Cash and Cash Equivalents

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

Investments

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

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the on the existence or nature of any donor restrictions.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2018

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Estimates

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

Prior Year Information

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Contributed Services

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

Premises

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes or periods:

Donor-restricted for other educational purposes	\$ 915,321
Donor-restricted endowment	<u>9,896,666</u>
Total net assets with donor restrictions	<u><u>\$ 10,811,987</u></u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2018

3. Endowment

The Foundation's endowment consists of approximately 345 individual donor-restricted endowment funds established for a variety of purposes. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely, and the income from the fund is expended for scholarships and other NWCC related educational expenditures. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Foundation appropriated amounts for expenditure and any purpose restrictions have been met. The Foundation has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

At December 31, 2018, the endowment fund is composed of:

Amounts required to be invested in perpetuity	<u>\$ 9,896,666</u>
Total donor-restricted endowment	<u>\$ 9,896,666</u>

The composition of endowment net assets for this fund and the changes in endowment net assets as December 31, 2018, is as follows:

Endowment net assets, January 1, 2018	\$ 10,238,715
Contributions	426,492
Investment return (net)	(491,440)
Amounts appropriated for expenditure	<u>(277,101)</u>
Endowment net assets, December 31, 2018	<u>\$ 9,896,666</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2018

4. Investments

Investments made by the Foundation that are included on the statement of net position are summarized at fair market values:

	Fair Value (Level 1)
Bank certificate of deposit	\$ 100,506
Merrill Lynch managed holdings:	
TMA/Lord Abbett Taxable	2,598,372
TMA/Neuberger Berman	2,138,401
TMA/MFS LCV	794,824
TMA/Loomis Sayles large cap growth	814,382
Foreign holdings:	
TMA/MFS Clearbridge ValCore Intl. EQ	307,926
TMA/MFS International Growth	313,550
TMA/London Co. Dividend Focused	656,388
TMA/RBA Risk-Bal. GLBLETF Strategy	1,478,390
TMA/Blackrock TACT WDP BAL 60/40	1,458,928
Total managed holdings	10,561,161
Total investments	\$ 10,661,667

Level 1: Bank certificate of deposit and the Merrill Lunch managed funds are valued at the closing price reported in the active market on which the individual securities or funds are traded.

The following schedule summarizes net investment income and its classification in the statement of activities for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 713	\$ 270,122	\$ 270,835
Net realized and unrealized gains (losses)		(761,562)	(761,562)
Total	\$ 713	\$ (491,440)	\$ (490,727)

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2018

5. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial Assets at year-end	\$ 10,875,248
Less those unavailable with on year, due to:	
Donor-restricted for distributions for educational purposes	915,321
Donor-restricted formaintain as an endowment	<u>9,896,666</u>
Financial assets available to meet cash needs for general expenditures within year	<u><u>\$ 10,811,987</u></u>

6. Analysis of Expenditures

The table below presents the Foundation's expenditures by both their function and nature for fiscal year December 31, 2018:

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$506,976	\$ -	\$ -	\$506,976
Education supplies and activities	115,862	-	-	115,862
Salaries and benefits	-	48,431	193,725	242,156
Postage and printing	-	11,517	46,069	57,586
Office supplies and equipment	-	4,499	17,997	22,496
Meals	-	3,349	13,396	16,745
Services and professional fees	-	2,757	11,030	13,787
Travel	-	658	2,631	3,289
Insurance	-	279	1,114	1,393
Advertising	-	85	340	425
Total Education Related Expense	<u>\$622,838</u>	<u>\$ 71,575</u>	<u>\$286,302</u>	<u>\$980,715</u>

7. Special Event Revenues and Expenditures

The following revenues and expenditures are a result of special events for fiscal year December 31, 2018:

	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
2+2 Golf Tournament	\$ 40,762	\$ 25,595	\$ 15,167
Bull-O-Rama	18,860	11,692	7,168
Ranger Bluegrass Festival	47,192	38,259	8,933
Rodeo	<u>24,922</u>	<u>24,609</u>	<u>313</u>
Totals	<u>\$ 131,736</u>	<u>\$ 100,155</u>	<u>\$ 31,581</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2018

8. Related Party Transactions

One board member's family owns and operates a golfing facility in the area, Cherokee Valley Golf Club. The Foundation paid \$7,777 for 2018, in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative.

9. 2+2 Scholarship Initiative

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

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

The Foundation receives funds and pays all expenses related to the 2+2 Scholarship Golf Tournament. The tournament revenues are split 50% to each UM Foundation and NWCC Foundation. The UM Foundation receives other contributions related to the 2+2 Scholarship Initiative. The Foundation sent UM \$26,878 during 2018 (\$12,110 for the 2017 tournament and \$14,768 for the 2018 tournament).

10. Royalty Agreement

In May 2005, the Foundation entered an agreement with Pearson Education Publishing allowing the College to customize mathematics and biology textbooks. The Foundation receives a \$10 per book royalty. The royalty income is designated for use by the mathematics and biology department. The Foundation received \$16,192 for 2018.

11. Concentrations of Credit Risk

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

12. Subsequent Events

Management has evaluated subsequent events through May 15, 2019, the date on which the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Required Supplementary Information
Year Ended June 30, 2019

Schedule of the College's Proportionate Share of the Net Pension Liability:

Last 10 Fiscal Years*	2015	2016	2017	2018	2019
College's proportion of the net pension liability	0.4780%	0.4830%	0.4746%	0.4790%	0.4734%
College's proportionate share of the net pension liability	\$ 58,020,449	\$ 74,662,277	\$ 84,775,411	\$ 79,626,057	\$ 78,740,484
College's covered payroll	29,179,453	30,312,201	30,231,738	30,718,147	30,231,697
College's proportionate share of the net pension liability as a percentage of its covered payroll	198.84%	246.31%	280.42%	259.22%	260.46%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%	61.49%	62.54%

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Required Supplementary Information
Year Ended June 30, 2019

Schedule of College Contributions (PERS):

Schedule of the College's Contributions (10 years):
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 4,774,177	\$ 4,761,501	\$ 4,838,109	\$ 4,761,198	\$ 4,698,531
Contributions in relation to the contractually required contribution	4,774,177	4,761,501	4,838,109	4,761,198	4,698,531
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	30,312,201	30,231,738	30,718,147	30,231,697	29,831,938
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Required Supplementary Information
Year Ended June 30, 2019

Schedule of the College's Proportionate Share of the Net OPEB Liability:

Last 10 Fiscal Years*	2018	2019
College's proportion of the total OPEB liability	0.4774%	0.4903%
College's proportionate share of the net OPEB liability	\$ 3,745,544	\$ 3,792,722
College's covered payroll	30,231,697	29,831,938
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.39%	12.71%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	12.91%

Schedule of College Contributions (OPEB):

Last 10 Fiscal Years*	2018	2019
Actuarially determined contribution	\$ 159,678	\$ 166,724
Contributions in relation to the actuarially determined contribution	159,678	166,724
Contribution deficiency (excess)	\$ -	\$ -
College's covered payroll	30,231,697	29,831,938
Contributions as a percentage of covered payroll	0.53%	0.56%

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

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

These schedules are presented to illustrate the requirement to show information for 10 years. However, GASB No. 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Required Supplementary Information
Year Ended June 30, 2019

Pension Schedules

1) Changes of assumptions

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar 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% to 7%.

2016:

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

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 increases 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.

2) Change 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 31st of each preceding year with a minimum rate of one percent and a maximum rate of five percent

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, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.75% to 19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense including inflation

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Required Supplementary Information
Year Ended June 30, 2019

OPEB Schedules

1) Changes of assumptions

2018:

- The Single Equivalent Interest Rate (SEIR) was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2017:

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

2) Change in benefit provisions.

2018 and 2017:

- none

3) Method and assumptions used in calculations of actuarially determined contributions

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, 2017 actuarial valuation) were used to determine contribution rates reported in the schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3.00%
Salary increase, including wage inflation	3.25% to 18.50%
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	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity/Grant Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Labor</u>			
WIA - Cluster:			
Pass-through programs from:			
Mississippi Department of Employment Security			
WIA/WIOA - Adult Program	17.258	N/A	\$ 71,857
WIA/WIOA - Dislocated Workers Formula Grant	17.278	N/A	50,848
South Delta Planning and Development District			
WIA/WIOA - Adult Program	17.258	18-AMP-200	5,000
Three Rivers Planning and Development District			
WIA/WIOA - Adult Program	17.258	18-09-10	796,384
WIA/WIOA - Youth Activities	17.259	18-07-30	422,465
WIA/WIOA - Dislocated Worker Formula Grant	17.278	18-09-10	241,431
Total WIA/WIOA Cluster			<u>1,587,985</u>
Total U.S. Department of Labor			<u>1,587,985</u>
<u>Appalachian Regional Commission</u>			
Appalachian Area Development	23.002	MS-19155-18	<u>20,273</u>
<u>Veterans Administration</u>			
Post-911 Veteran Educational Assistance	64.027		<u>2,775</u>
<u>U.S. Department of Education</u>			
Student Financial Aid - Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		246,738
Federal Work-study Program (FWS)	84.033		267,415
Federal Pell Grant Program	84.063		15,551,281
Federal Direct Student Loans	84.268		2,133,615
Total Student Financial Aid Cluster			<u>18,199,049</u>
TRIO - Student Support Services	84.042		<u>309,205</u>
Pass-through programs from:			
Mississippi Community College Board			
Adult Education - State Grant Program	84.002	V002A180025	<u>495,253</u>
Mississippi Department of Education			
Vocational Education - Basic Grants to States	84.048	V048A180024	<u>450,781</u>
Total U.S. Department of Education			<u>19,454,288</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from:			
Family Resource Center of North Mississippi			
Temporary Assistance for Needy Families	93.558	N/A	<u>71,601</u>
Mississippi Community College Board			
Child Care and Development Block Grant (CCDBG)	93.575	1801MSCCDF	<u>318,815</u>
Mississippi Corridor Consortium			
Temporary Assistance for Needy Families	93.558	N/A	<u>78,723</u>
Mississippi Institutions of Higher Learning			
Temporary Assistance for Needy Families	93.558	219-036E	<u>25,000</u>
Total U.S. Department of Health and Human Services			<u>494,139</u>
Total			<u>\$ 21,559,460</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Notes to the Schedule of Expenditures of Federal Awards:

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Northwest Mississippi Community College under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

2) Summary of Significant Accounting Policies

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

3) Indirect Cost Rate

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

4) Loan or loan guarantee programs

The federal award programs of the College had no outstanding loan balances nor were there any loan guarantees as of June 30, 2019.

5) Federal Direct Student Loans

For purposes of this schedule, loans made to students under the Federal Direct Student Loan (CFDA #84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance are included in the financial statements since the loans are made and subsequently collected by federal lending institutions.

Federal grants per this schedule	\$ 21,559,460
Student loans	<u>(2,133,615)</u>
	<u>\$ 19,425,845</u>

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Michael Little, CPA

Rudolph Franks, CPA (1933-2019)

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

Board of Trustees
Northwest Mississippi Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Mississippi Community College as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Northwest Mississippi Community College's basic financial statements, and have issued our report thereon dated February 27, 2020. The financial statements of Northwest Mississippi Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest 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 Northwest Mississippi Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Mississippi Community College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 27, 2020

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

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

Board of Trustees
Northwest Mississippi Community College

Report on Compliance for Each Major Federal Program

We have audited Northwest Mississippi Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northwest Mississippi Community College's major federal programs for the year ended June 30, 2019. Northwest Mississippi Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest 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 Northwest 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 Northwest Mississippi Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Northwest 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 Northwest 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 Northwest 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.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 27, 2020

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Tupelo, MS 38802
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Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

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

Board of Trustees
Northwest Mississippi Community College

We have audited the financial statements of Northwest Mississippi Community College as of and for the year ended June 30, 2019, and have issued our report dated February 27, 2020. 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*. The financial statements of Northwest Mississippi Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
February 27, 2020

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s) **Name of Federal Program or Cluster**

Cluster of Programs - WIA:

17.258	WIA – Adult Program
17.259	WIA – Youth Activities
17.277	WIA – National Emergency Grant
17.278	WIA – Dislocated Worker Formula Grant

Cluster of Programs - Student Financial Aid:

84.063	Federal Pell Grant Program
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000
Auditee qualified as low-risk auditee? X Yes No

**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

There were no findings related to the financial statements.

SECTION 3 – FEDERAL AWARD FINDINGS:

There were no findings related to federal award programs.