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FINANCIAL STATEMENTS
ITAWAMBA COMMUNITY COLLEGE

For the Year Ended
June 30, 2019

ITAWAMBA COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Itawamba 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 Itawamba 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 Itawamba Community College Foundation, Inc. were not audited in accordance with Governmental Auditing Standards.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Itawamba 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 3-11, 44, 45, 46 and 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 that collectively comprise Itawamba Community College's financial statements. 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 Schedule of Expenditures of Federal Awards 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 25, 2020 on our consideration of Itawamba Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Itawamba 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 Itawamba 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 25, 2020

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Itawamba Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal years ended June 30, 2019 and 2018. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

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

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

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

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

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

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 47,474,797	\$ 45,069,831
Noncurrent Assets	<u>93,838,474</u>	<u>88,002,867</u>
Total Assets	<u>141,313,271</u>	<u>133,072,698</u>
Deferred Outflows of Resources	<u>3,904,549</u>	<u>4,075,806</u>
Liabilities		
Current Liabilities	4,721,671	5,008,495
Noncurrent Liabilities	<u>63,264,372</u>	<u>67,448,062</u>
Total Liabilities	<u>67,986,043</u>	<u>72,456,557</u>
Deferred Inflows of Resources	<u>6,795,617</u>	<u>2,964,693</u>
Net Position		
Net Investment in Capital Assets	92,395,474	85,234,867
Restricted:		
Expendable	9,413,119	8,623,616
Unrestricted	<u>(31,372,433)</u>	<u>(32,131,229)</u>
Total Net Position	<u>\$ 70,436,160</u>	<u>\$ 61,727,254</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$41,422,112 and \$38,584,731 at June 30, 2019 and 2018, respectively.

Short-term Investments

Short-term investments consist of certificates of deposit with financial institutions. The total amount of short-term investments reported as current assets on the College financial statements were \$729,288 and \$721,824 at June 30, 2019 and 2018, respectively.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$4,935,190 and \$5,107,598 at June 30, 2019 and 2018, respectively.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Inventories

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories maintained for internal departmental use include postage, fuel, and office supplies which make up the balance of the recorded inventory. Inventories totaled \$388,207 and \$655,678 at June 30, 2019 and 2018, respectively.

Noncurrent assets

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2019 and 2018. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$93,838,474 and \$88,002,867 at June 30, 2019 and 2018, respectively.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2019 and 2018 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,351,173 and \$2,576,154 at June 30, 2019 and 2018, respectively.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2019 and 2018 fiscal years. The unearned revenue totaled \$902,210 and \$992,237 at June 30, 2019 and 2018, respectively.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2019 and 2018 fiscal years. The amount of the current portion of long-term debt at June 30, 2019 and 2018 was \$1,355,000 and \$1,325,000, respectively.

Noncurrent Liabilities

Deposits

Deposits represents the deposits paid by students for reservation for and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon checkout at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$110,025 and \$89,875 at June 30, 2019 and 2018, respectively.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the noncurrent portion of long-term debt was \$88,000 and \$1,443,000 at June 30, 2019 and 2018, respectively.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

Net Position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2019 and 2018 were \$70,436,160 and \$61,727,254, respectively.

Analysis of Net Position

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

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

The following is a breakdown of the restricted net position:

	<u>2019</u>	<u>2018</u>
Debt Service	\$ 257,944	\$ 242,638
Capital Projects	8,801,054	6,839,972
Other	<u>354,121</u>	<u>1,541,006</u>
Total Restricted Net Position	<u>\$ 9,413,119</u>	<u>\$ 8,623,616</u>

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

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

For the year ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Tuition and Fees, net	\$ 16,240,619	\$ 15,199,744
Grants and Contracts	22,147,557	21,871,726
Auxiliary Enterprises, net	6,772,350	5,977,400
Other Operating Revenues	<u>1,250,287</u>	<u>2,472,394</u>
Total Operating Revenues	<u>46,410,813</u>	<u>45,521,264</u>
Operating Expenses	<u>73,810,785</u>	<u>72,343,547</u>
Operating Loss	<u>(27,399,972)</u>	<u>(26,822,283)</u>
Nonoperating Revenues:		
State Appropriations	16,705,287	16,938,328
Local Appropriations	6,001,229	5,967,208

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2019	2018
Noncapital Gifts	\$ 1,654,170	\$ 1,467,179
Investment Income, Net	35,265	23,692
Interest expense on capital asset-related debt	(71,744)	(110,732)
Other Nonoperating Revenues	<u>(33,618)</u>	<u>(4,437)</u>
Net Nonoperating Revenues	<u>24,290,589</u>	<u>24,281,238</u>
Income (Loss) Before Other Revenues	<u>(3,109,383)</u>	<u>(2,541,045)</u>
Appropriations restricted for capital purposes	<u>11,818,289</u>	<u>9,116,162</u>
Total Other Revenues	<u>11,818,289</u>	<u>9,116,162</u>
Total Increase in Net Position	<u>8,708,906</u>	<u>6,575,117</u>

Net Position

Net Position at Beginning of Year, as originally stated	61,727,254	57,839,588
Prior Period Adjustment – OPEB	<u>0</u>	<u>(2,687,451)</u>
Net Position – Beginning of Year, as restated	<u>61,727,254</u>	<u>55,152,137</u>
Net Position at End of Year	<u>\$ 70,436,160</u>	<u>\$ 61,727,254</u>

Total operating loss for the fiscal year 2019 and 2018 was \$27,399,972 and \$26,822,283, respectively. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2019 and 2018 were \$46,410,813 and \$45,521,264, respectively. Tuition and fees were \$16,240,619 and \$15,199,744, respectively. The tuition discount was \$3,480,534 and \$3,117,831, respectively. Operating expenses, including depreciation and amortization of \$2,931,023 and \$2,866,230, totaled \$73,810,785 and \$72,343,547, respectively. Of this total \$29,915,869 and \$29,129,533 or 41% and 40% was for instruction.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$16,240,619 and \$15,199,744 for June 30, 2019 and 2018. The tuition discount for the 2019 and 2018 fiscal years was \$3,480,534 and \$3,117,831, respectively.

Grants and Contracts

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

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

	<u>2019</u>	<u>2018</u>
Federal Sources	\$ 14,607,307	\$ 15,202,791
State Sources	<u>7,540,250</u>	<u>6,668,935</u>
Total All Sources	\$ <u>22,147,557</u>	\$ <u>21,871,726</u>

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$1,039,436 and \$2,143,727 for the 2019 and 2018 fiscal years.

Auxiliary Enterprises

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

Operating Expenses

Operating expenses totaling \$73,810,785 and \$72,343,547 include salaries and benefits of \$32,979,345 and \$35,441,314, scholarships and fellowships of \$18,322,505 and \$17,860,581, utilities of \$1,971,434 and \$2,070,972, supplies of \$5,720,788 and \$5,254,090, contractual services of \$11,537,552 and \$8,599,455, and depreciation and amortization of \$2,931,023 and \$2,866,230, respectively for June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Expenses by Function:		
Instruction	\$ 29,915,869	\$ 29,129,533
Academic Support	714,855	717,073
Student Services	4,658,203	4,388,083
Institutional Support	5,817,655	6,615,537
Operations and Maintenance of Plant	5,806,630	5,604,827
Student Financial Aid	18,320,774	17,860,581
Auxiliary Enterprises	5,645,776	5,161,683
Depreciation	<u>2,931,023</u>	<u>2,866,230</u>
Total Operating Expenses by Function	\$ <u>73,810,785</u>	\$ <u>72,343,547</u>

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$16,705,287 for 2019 fiscal year and \$16,938,328 for 2018 fiscal year, of which \$16,705,287 and \$16,938,328 was for operations. State capital aid in the amount of \$6,648,625 and \$2,841,525 was received for the purchase, construction, renovation, and repair of fixed assets for the 2019 and 2018 fiscal years, respectively.

Local Appropriations

The College also receives revenue from counties in the College's district. The College uses the funding for salaries and benefits and for operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$6,001,229 and \$5,967,208 for the 2019 and 2018 fiscal years from the counties. This appropriation was fully recorded by the College during the fiscal year.

Noncapital Gifts

This consists of gifts made to the College from a nongovernmental organization and/or individuals. The cash gifts totaled \$1,654,170 and \$1,467,179 at June 30, 2019 and 2018, respectively.

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2019 and 2018 shows \$35,265 and \$23,692 in investment income.

Other Revenues

State Appropriations for Capital Purposes

\$6,648,625 and \$2,841,525 are the amounts of revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2019 and 2018 fiscal year, respectively.

Local Appropriations for Capital Purposes

This includes revenue received from the counties for capital projects during the fiscal years. The amount of this grant totaled \$5,169,664 and \$5,071,263 for the 2019 and 2018 fiscal years.

Statement of Cash Flows

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

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

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

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (22,925,935)	\$ (20,877,231)
Noncapital Financing Activities	24,125,064	24,308,922
Capital and Related Financing Activities	1,610,451	(1,026,912)
Investing Activities	<u>27,801</u>	<u>21,680</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,837,381	2,426,459
Cash and Cash Equivalents – Beginning of the Year	<u>38,584,731</u>	<u>36,158,272</u>
Cash and Cash Equivalents – End of the Year	<u>\$ 41,422,112</u>	<u>\$ 38,584,731</u>

The major sources of funds included in operating activities include student tuition and fees, \$15,683,478 and \$15,256,977, auxiliary enterprises, \$6,796,225 and \$5,970,036, and grants and contracts, \$23,024,880 and \$20,159,411. The major uses of funds were payments made to employees, \$31,822,316 and \$31,553,843, for scholarships and fellowships, \$18,322,505 and \$17,860,581 and to suppliers, \$5,713,545 and \$4,384,930 for fiscal year end June 30, 2019 and 2018.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$16,498,026 and \$16,982,730 for June 30, 2019 and 2018, respectively.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2019 financial situation. The decrease in the level of State support, compensation increases, student tuition and fee increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

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

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

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

ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2019

	June 30, 2019
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 41,422,112
Short-term investments	729,288
Accounts receivables, net	4,935,190
Inventories	388,207
Total Current Assets	<u>47,474,797</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	93,838,474
Total Noncurrent Assets	<u>93,838,474</u>
Total Assets	<u><u>141,313,271</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - OPEB	129,739
Deferred outflows - pensions	3,774,810
Total Deferred Outflows of Resources	<u><u>3,904,549</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	2,351,173
Unearned revenues	902,210
Current portion of net OPEB liability	113,288
Long-term debt - current portion	1,355,000
Total Current Liabilities	<u>4,721,671</u>
Noncurrent liabilities:	
Deposits refundable	110,025
Net pension liability	60,611,211
Net OPEB liability	2,455,136
Long-term debt	88,000
Total Noncurrent Liabilities	<u>63,264,372</u>
Total Liabilities	<u><u>67,986,043</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - OPEB	267,099
Deferred inflows - pensions	6,528,518
Total Deferred Inflows of Resources	<u><u>6,795,617</u></u>
NET POSITION	
Net Investment in Capital Assets	92,395,474
Restricted for:	
Expendable:	
Capital projects	8,801,054
Debt service	257,944
Other purposes	354,121
Unrestricted (Deficit)	<u>(31,372,433)</u>
Total Net Position	<u><u>\$ 70,436,160</u></u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 1,285,700	\$ 1,757,552
Investments, at fair value	9,829,566	8,550,284
Unconditional promises to give, net	4,000	77,334
Interest receivable	<u>8,753</u>	<u>329</u>
Total assets	<u>\$ 11,128,019</u>	<u>\$ 10,385,499</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ <u>3,965</u>	\$ <u>-</u>
Total liabilities	<u>3,965</u>	<u>-</u>
Net assets:		
Without donor restrictions	8,861,349	8,861,377
With donor restrictions	<u>2,262,705</u>	<u>1,524,122</u>
Total net assets	<u>11,124,054</u>	<u>10,385,499</u>
Total liabilities and net assets	<u>\$ 11,128,019</u>	<u>\$ 10,385,499</u>

See accompanying notes to financial statements.

ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2019

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$3,480,534)	\$ 16,240,619
Federal grants and contracts	14,607,307
State grants and contracts	7,540,250
Sales and services of educational departments	210,851
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$198,127)	1,559,498
Food services (net of scholarship allowances of \$198,127)	1,730,102
Bookstore	2,966,078
Other auxiliary revenues	516,672
Other operating revenues	<u>1,039,436</u>
Total Operating Revenues	<u>46,410,813</u>
Operating Expenses:	
Salaries and wages	24,523,296
Fringe benefits	8,456,049
Travel	348,138
Contractual services	11,537,552
Utilities	1,971,434
Scholarships and fellowships	18,322,505
Commodities	5,720,788
Depreciation and amortization expense	<u>2,931,023</u>
Total Operating Expenses	<u>73,810,785</u>
Operating Income (Loss)	<u>(27,399,972)</u>
Nonoperating Revenues (Expenses):	
State appropriations	16,705,287
Local appropriations	6,001,229
Gifts	1,654,170
Investment income	35,265
Interest expense on capital asset-related debt	(71,744)
Other nonoperating revenues (expenses)	<u>(33,618)</u>
Total Net Nonoperating Revenues (Expenses)	<u>24,290,589</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>(3,109,383)</u>
State appropriations restricted for capital purposes	6,648,625
Local appropriations restricted for capital purposes	<u>5,169,664</u>
Total Other Revenues (Expenses)	<u>11,818,289</u>
Change in Net Position	8,708,906
Net Position:	
Net Position - Beginning of Year	<u>61,727,254</u>
Net Position - End of Year	<u>\$ 70,436,160</u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With summarized information for the year ended June 30, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>	<u>Total 2018</u>
Revenue:				
Contributions	\$ 69,610	\$ 96,438	\$ 166,048	\$ 393,302
Grants		25,000	25,000	-
Investment income	180,591	-	180,591	130,223
Net realized and unrealized (losses) gains on investments	508,870	-	508,870	409,071
Net assets released from restrictions	<u>3,935</u>	<u>(3,935)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>763,006</u>	<u>117,503</u>	<u>880,509</u>	<u>932,596</u>
Expenses:				
Distributions for educational purposes	132,203	-	132,203	113,553
Support services:				
Management and general:				
Operational expenses	2,960	-	2,960	2,482
Professional development	6,750	-	6,750	17,000
Other expenses	<u>41</u>	<u>-</u>	<u>41</u>	<u>100</u>
Total expenses	<u>141,954</u>	<u>-</u>	<u>141,954</u>	<u>133,135</u>
Change in net assets	621,052	117,503	738,555	799,461
Net assets at beginning of year	<u>8,240,297</u>	<u>2,145,202</u>	<u>10,385,499</u>	<u>9,586,038</u>
Net assets at end of year	<u>\$ 8,861,349</u>	<u>\$ 2,262,705</u>	<u>\$ 11,124,054</u>	<u>\$ 10,385,499</u>

See accompanying notes to financial statements.

ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash Flows from Operating Activities:

Tuition and fees	\$ 15,683,478
Grants and contracts	23,024,880
Sales and services of educational departments	210,851
Payments to suppliers	(5,713,545)
Payments to employees for salaries and benefits	(31,822,316)
Payments for utilities	(1,930,845)
Payments for scholarships and fellowships	(18,322,505)
Auxiliary enterprise charges:	
Student housing	1,579,648
Food services	1,730,102
Bookstore	2,973,859
Other auxiliary enterprises	512,616
Other receipts (payments)	(10,852,158)
Net Cash Provided (Used) by Operating Activities	<u>(22,925,935)</u>

Cash Flows from Noncapital Financing Activities:

State appropriations	16,498,026
Local appropriations	5,972,868
Gifts and grants for other than capital purposes	1,654,170
Net Cash Provided (Used) by Noncapital Financing Activities	<u>24,125,064</u>

Cash Flows from Capital and Related Financing Activities:

Cash paid for capital assets	(8,800,248)
Capital appropriations received	11,818,289
Principal paid on capital debt and leases	(1,325,000)
Interest paid on capital debt and leases	(82,590)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,610,451</u>

Cash Flows from Investing Activities:

Short-term investments	(7,464)
Interest received on investments	35,265
Net Cash Provided (Used) by Investing Activities	<u>27,801</u>

Net Increase (Decrease) in Cash and Cash Equivalents	2,837,381
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Cash and Cash Equivalents - Beginning of the Year	<u>38,584,731</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 41,422,112</u></u>
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ITAWAMBA 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)	\$ <u>(27,402,199)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Pension and OPEB expense	1,153,752
Depreciation and amortization expense	2,931,023
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	408,030
Inventories	267,471
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(214,135)
Unearned revenues	(90,027)
Deposits refundable	<u>20,150</u>
Total adjustments	<u>4,476,264</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(22,925,935)</u></u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 738,555	\$ 799,461
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized losses (gains) on investments	(508,870)	(409,071)
Changes in assets and liabilities:		
Unconditional promises to give	73,334	100,881
Interest receivable	(8,424)	(59)
Accounts payable	<u>3,965</u>	<u>(4,675)</u>
Net cash provided by (used in) operating activities	<u>298,560</u>	<u>486,537</u>
Cash flows from investing activities:		
Purchase of investments	<u>(770,412)</u>	<u>(277,939)</u>
Net cash provided by (used in) investing activities	<u>(770,412)</u>	<u>(277,939)</u>
Net change in cash	(471,852)	208,598
Cash at beginning of year	<u>1,757,552</u>	<u>1,548,954</u>
Cash at end of year	<u>\$ 1,285,700</u>	<u>\$ 1,757,552</u>

See accompanying notes to financial statements.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Itawamba Community College reports the following discretely presented component unit:

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

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

During the year ended June 30, 2019, the Foundation distributed \$132,203 to the College.

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- E. Short-Term Investments – The College considers all highly liquid investments with an original maturity of more than three months but less than twelve months to be short-term investments.
- F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories - Inventories consist of bookstore, printing and food service supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- H. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- I. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports \$3,774,810 of deferred outflows related to its pension plan and \$129,739 related to OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports \$6,528,518 of deferred inflows related to its pension plan and \$267,099 related to OPEB.

See Note 8 and 9 for further details.

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- K. Compensated Absences - The College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- L. 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.
- M. 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.
- N. Classification of Revenues - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- O. State Appropriations – Itawamba Community College receives funds from the State of Mississippi through the State Board of Community and Junior Colleges. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high costs programs.
- P. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- Q. Net Position - GASB Statement No. 63 reports equity as "Net Position" rather than "Net Assets". Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs.
- R. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by the management of the Institution. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenues and expenses. It is at least reasonably possible that the estimates and assumptions used could change within the next year.

NOTE 2 – CASH AND INVESTMENTS

Policies:

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 – CASH AND INVESTMENTS - continued

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.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the institution will not be able to recover deposits or collateral securities that are in the possession of an outside party. The institution does not have a formal policy for custodial credit risk. 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 Depository Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the institution. As of June 30, 2019, \$0 of the institution's bank balance was exposed to custodial credit risk.

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

The following table summarizes the carrying values of the college's investments reported on the statement of net position at June 30, 2019:

Short-term investments	\$ <u>729,288</u>
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The following table summarizes the categorization of investments at June 30, 2019:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	Less than 1	\$ <u>729,288</u>	Not Rated

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

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

Custodial Credit Risk - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2019, the College did not have any investments to which this would apply.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 – CASH AND INVESTMENTS - continued

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent of more of total investments is required. This government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2019, the college did not have any investments to which this would apply.

NOTE 3 – ACCOUNTS RECEIVABLE

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

Student tuition	\$ 2,117,595
Auxiliary enterprises and other operating activities	10,929
Federal, state, and private grants and contracts	2,953,268
State appropriations	390,146
Local appropriations	344,954
Other	<u>12,575</u>
Total Accounts Receivable	5,829,467
Less allowance for doubtful accounts	<u>894,277</u>
Net Accounts Receivable	<u>\$ 4,935,190</u>

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 1,151,137	\$ 75,000	\$ 0	\$ 1,226,137
Construction in progress	<u>9,942,943</u>	<u>7,676,386</u>	<u>(4,323,613)</u>	<u>13,295,716</u>
Total Nondepreciable Capital Assets	<u>\$ 11,094,080</u>	<u>\$ 7,751,386</u>	<u>\$ (4,323,613)</u>	<u>\$ 14,521,853</u>
Depreciable Capital Assets:				
Improvements other than buildings	\$ 12,768,879	\$ 48,940	\$ 0	\$ 12,817,819
Buildings	98,455,509	4,274,673	0	102,730,182
Equipment	9,991,023	1,010,969	(521,027)	10,480,965
Library books	<u>2,084,411</u>	<u>37,893</u>	<u>(33,582)</u>	<u>2,088,722</u>
Total Depreciable Capital Assets	<u>\$ 123,299,822</u>	<u>\$ 5,372,475</u>	<u>\$ (554,609)</u>	<u>\$ 128,117,688</u>

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 – CAPITAL ASSETS - continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less Accumulated				
Depreciation for:				
Improvements other				
than buildings	\$ 6,555,115	\$ 373,661	\$ 0	\$ 6,928,776
Buildings	29,560,590	1,926,389	0	31,486,979
Equipment	8,417,814	562,623	(487,409)	8,493,028
Library books	<u>1,857,516</u>	<u>68,350</u>	<u>(33,582)</u>	<u>1,892,284</u>
Total Accumulated				
Depreciation	<u>\$ 46,391,035</u>	<u>\$ 2,931,023</u>	<u>\$ (520,991)</u>	<u>\$ 48,801,067</u>
Total Depreciable				
Capital Assets, Net	<u>\$ 76,908,787</u>	<u>\$ 2,441,452</u>	<u>\$ (33,618)</u>	<u>\$ 79,316,621</u>
Capital Assets, Net	<u>\$ 88,002,867</u>	<u>\$ 10,192,838</u>	<u>\$ (4,357,231)</u>	<u>\$ 93,838,474</u>

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

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities of the college consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2019. Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2019, is listed in the following schedule.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2019	Due Within One Year
<u>Bonded Debt</u>								
1981 Dorm Revenue Bonds	2,008,000	3.00%	10/2021	\$ 208,000	\$ 0	\$ 60,000	\$ 148,000	\$ 60,000
2011 Refunding Bonds	9,720,000	2.00%-3.00%	02/2020	2,560,000	0	1,265,000	1,295,000	1,295,000
Total Bonded Debt				2,768,000	0	1,325,000	1,443,000	1,355,000
<u>Other Long-term Liabilities</u>								
Deposits Refundable				89,875	113,825	93,675	110,025	0
Total Other Long-term Liabilities				89,875	113,825	93,675	110,025	0
Total				\$ 2,857,875	\$ 113,825	\$ 1,418,675	\$ 1,553,025	\$ 1,355,000
Due within one year							1,355,000	
Total Long-term Liabilities							\$ 198,025	

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5 – LONG-TERM LIABILITIES – continued

A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

	<u>Debt</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,355,000	\$ 44,640	\$ 1,399,640
2021	60,000	3,990	63,990
2022	<u>28,000</u>	<u>2,610</u>	<u>30,610</u>
Totals	<u>\$ 1,443,000</u>	<u>\$ 51,240</u>	<u>\$ 1,494,240</u>

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 – FUNCTIONAL EXPENSE CLASSIFICATIONS

Natural Classifications with Functional Classifications.

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

Functional Classification		Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation & Amortization Expense		Total
									Other	Other	
Instruction	\$	15,963,517	\$ 5,330,978	\$ 128,475	\$ 7,324,766	\$ 13,495	\$ 1,611	\$ 1,153,027	\$ 0	\$ 0	29,915,869
Academic support		436,782	163,611	2,159	84,333	0	0	27,970	0	0	714,855
Student services		2,815,465	1,006,109	148,849	443,840	0	120	243,820	0	0	4,658,203
Institutional support		2,999,335	1,056,805	66,517	907,995	125	0	786,878	0	0	5,817,655
Operation of plant		1,702,541	673,629	1,783	1,155,721	1,420,879	0	852,077	0	0	5,806,630
Student aid		0	0	0	0	0	18,320,774	0	0	0	18,320,774
Auxiliary enterprises		605,656	224,971	355	1,620,897	536,935	0	2,657,016	0	0	5,645,776
Depreciation		0	0	0	0	0	0	0	2,931,023	0	2,931,023
Total Operating Expenses	\$	24,523,296	\$ 8,456,049	\$ 348,138	\$ 11,537,552	\$ 1,971,434	\$ 18,322,505	\$ 5,720,788	\$ 2,931,023	\$ 0	73,810,785

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7 – CONSTRUCTION COMMITMENTS AND FINANCING

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

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Federal Sources</u>	<u>Funded by</u>			<u>Other</u>
			<u>State Sources</u>	<u>Institutional Funds</u>		
Student Services Bld	\$ <u>782,400</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>782,400</u>	\$ <u>0</u>	
Total	\$ <u>782,400</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>782,400</u>	\$ <u>0</u>	

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description- Employees of Itawamba Community College are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS. It is also available on their website 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 school districts. For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% of your annual base benefit for each full fiscal year of retirement prior to the year in which you reach age 55 (Retirement Tiers 1 through 3) or age 60 (Retirement Tier 4), plus 3% compounded for each fiscal year thereafter, beginning with the fiscal year in which you turn age 55.

Employee membership data related to the Plan, as of June 30, 2018 was as follows:

Retirees and Survivors	104,973
Terminated Vested Employees	16,578
Inactive Nonvested Members	52,763
Active Members	<u>150,687</u>
Total	<u><u>325,001</u></u>

Contributions- The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and Itawamba Community College is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the College to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. The College's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$3,674,071, \$3,665,132 and \$3,849,222, respectively, which equaled the required contributions for each year.

For the year ended June 30, 2019, Itawamba Community College's total payroll for all employees was \$24,087,745. Total covered payroll was also \$23,327,424. Covered payroll refers to all compensation paid by the College to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions- At June 30, 2019, Itawamba Community College reported a liability of \$60,611,211 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.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued

Itawamba Community College's proportion of the net pension liability was based on a projection of Itawamba Community College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2019 net pension liability was 0.364404% which was based on a measurement date of June 30, 2018. This was a decrease of .016567% from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, Itawamba Community College recognized pension expense of \$4,828,562. At June 30, 2019, Itawamba Community College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 57,881	\$ 306,197
Changes in assumptions	42,858	0
College Pension Contributions Subsequent to the Measurement Date	3,674,071	0
Changes in proportion and differences between College contributions and proportionate share of contributions	0	2,907,586
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,314,735
Total	\$ <u>3,774,810</u>	\$ <u>6,528,518</u>

The \$3,674,071 of deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	<u>Amount</u>
2020	\$ (1,278,043)
2021	(2,720,702)
2022	(2,156,460)
2023	(272,574)
Total	\$ <u>(6,427,779)</u>

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued

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

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	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

Discount Rate-The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution 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.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - continued

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

	Discount Rate	College's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$79,807,573
Current discount rate	7.75%	\$60,611,211
1% increase	8.75%	\$44,656,500

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

NOTE 9 – 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

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

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 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 \$113,288 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 \$2,568,424 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 0.33203075% percent. This was an increase of 0.01208725% from the proportionate share as of the measurement date of June 30, 2017.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

For the year ended June 30, 2019, the College recognized OPEB expense of \$110,322. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows	Total
Changes in proportion and differences between College contribution and proportionate share of contributions	\$ 11,221	\$ 0	\$ 11,221
Difference in expected and actual experience	5,230	0	5,230
Contributions subsequent to measurement date	113,288	0	113,288
Changes in proportionate share	0	(84,094)	(84,094)
Changes of assumptions	0	(183,005)	(183,005)
	<u>\$ 129,739</u>	<u>\$ (267,099)</u>	<u>\$ (137,360)</u>

\$113,288 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. 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	\$ 3,356	\$ (52,589)	\$ (49,233)
2021	3,356	(52,589)	(49,233)
2022	3,356	(52,589)	(49,233)
2023	3,356	(52,589)	(49,233)
2024	2,640	(45,354)	(42,714)
Thereafter	387	(11,389)	(11,002)
Totals	<u>\$ 16,451</u>	<u>\$ (267,099)</u>	<u>\$ (250,648)</u>

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

Inflation	3.00 percent
Salary increases	3.25-18.5 percent, including wage inflation
Long-term Investments Rate of Return, net of OPEB plan investment expense, including inflation	4.5 percent
Municipal Bond Index Rate:	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

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 percent
Prior Measurement Date	3.56 percent

Health Care Cost Trends:

Medicare Supplemental Claims Pre-Medicare	7.25 percent for 2018 decreasing to an Ultimate rate of 4.75 percent by 2028
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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 OEB plan investment expense, including inflation was 4.50 percent.

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 June 30, 2018.

The discount rate used to measure the total OPEB liability at June 30, 2018 was based on the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

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:

	Discount Rate	College's Proportionate Share of Net OPEB Liability
1% decrease	2.89%	\$2,847,034
Current discount rate	3.89%	\$2,568,424
1% increase	4.89%	\$2,328,811

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:

	College's Proportionate Share of Net OPEB Liability
1% decrease	\$2,379,210
Current discount rate	\$2,568,424
1% increase	\$2,783,317

OPEB plan fiduciary net position-detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

NOTE 10 - CONCENTRATIONS

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

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

NOTE 11 – 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.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 – 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.

NOTE 13 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position (deficit) amount of (\$31,372,433) 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 \$3,674,071 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 \$100,739 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 \$6,528,518 balance of the deferred inflow of resources related to pension at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position amount over the next 3 or 4 years.

The unrestricted net position (deficit) amount of (\$31,372,433) 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 \$113,288 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 \$16,451 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 year. The \$267,099 balance of deferred inflows of resources related to OPEB at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position amount over the next 6 years.

NOTE 14 – SUBSEQUENT EVENTS

The Institution has evaluated subsequent events through February 25, 2020, which is the date 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.

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Basis of Accounting

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and or the passage of time. Net assets in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the College.

Net assets without donor restrictions – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Net assets without donor restrictions include contributions designated to a particular unit within the College for which the use or purpose is unrestricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, and grants are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributed goods and services are recorded as revenues and expenses in the consolidated statements of activities at estimated fair value.

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Income Taxes

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been made. As of June 30, 2019, there were no material uncertain tax positions.

D. 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 net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

E. Fair Value of Financial Instruments

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

F. 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.

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Promises to Give

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

H. Prior Year Information

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

I. 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.

J. Recent Accounting Pronouncement

The FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 changes how not-for-profit entities report net asset classes and expenses and disclose liquidity and availability of financial assets in their financial statements. The Foundation implemented the provisions of ASU 2016-14 during the year ended June 30, 2019. As a result of the adoption of this ASU, certain prior year amounts have been reclassified.

NOTE 2 - RESTRICTIONS ON NET ASSETS

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

Grant-restricted for other educational purposes	\$ 21,065
Donor-restricted endowment	<u>2,241,640</u>
Total net assets with donor restrictions	<u><u>\$ 2,262,705</u></u>

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - ENDOWMENT

The Foundation's endowment consists of 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 ICC 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 June 30, 2019, the endowment fund is composed of:

Amounts required to be invested in perpetuity	<u>\$ 2,241,640</u>
Total donor-restricted endowment	<u><u>\$ 2,241,640</u></u>

NOTE 4 - INVESTMENTS

Investments consisted of the following at June 30, 2019:

Investments:	Cost	Market value (Level 1)
Common stocks	\$ 5,808	\$ 5,808
Bond funds	2,796,445	3,560,870
Stock funds	1,239,725	5,404,475
Certificates of deposit	853,284	853,284
Short-term investments	5,129	5,129
Total investments	<u><u>\$ 4,900,391</u></u>	<u><u>\$ 9,829,566</u></u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of the statement of financial position 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	\$ 11,128,019
Less those unavailable within one year, due to:	
Grant-restricted for distributions for education purposes	21,065
Donor-restricted to maintain as an endowment	<u>2,241,640</u>
Financial assets available to meet cash needs for	
General expenditures within one year	<u><u>\$ 8,865,314</u></u>

NOTE 6 - PREMISES

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

NOTE 7 - ESTIMATES

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

NOTE 8 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, net, are summarized as follows at June 30, 2019:

Unconditional promises expected to be collected in:	
Less than one year	\$ 4,000
Less allowance for uncollectible pledges	<u>0</u>
	<u><u>\$ 4,000</u></u>

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 10 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 25, 2020, 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.

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years

For the Year Ended June 30, 2019

	2019	2018	2017	2016	2015
A. College's proportion of net pension liability (%)	0.364404%	0.380971%	0.388700%	0.395500%	0.403200%
B. College's proportionate share of net pension liability	\$60,611,211	\$63,330,310	\$69,437,063	\$61,135,110	\$48,941,098
C. College's covered payroll	\$23,270,669	\$24,439,502	\$24,300,379	\$24,708,698	\$24,632,330
D. College's proportionate share of net pension liability as a percentage of its covered payroll (%)	260.46%	259.13%	285.74%	247.42%	198.69%
E. Plan fiduciary net position as a percentage of total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and until a full 10-year trend is compiled, the College has only presented information for the years in which information was available.

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS (PERS)
For the Last 10 Fiscal Years
For the Year Ended June 30, 2019

	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$3,674,071	\$3,665,132	\$3,849,222	\$3,827,312	\$3,891,620
B. Contributions in relation to statutorily required contributions	\$3,674,071	\$3,665,132	\$3,849,222	\$3,827,312	\$3,891,620
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
D. College's covered payroll	\$23,327,424	\$23,270,669	\$24,439,502	\$24,300,379	\$24,708,698
E. Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and until a full 10-year trend is compiled, the College has only presented information for the years in which information was available.

**ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
Last 10 Fiscal Years
For the Year Ended June 30, 2019**

	2019	2018
A. College's proportion of net OPEB liability (%)	0.332031%	0.344118%
B. College's proportionate share of net OPEB liability	\$2,568,424	\$2,699,981
C. College's covered-employee payroll	\$23,327,424	\$23,270,669
D. College's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	11.01%	11.60%
E. Plan fiduciary net position as a percentage of total OPEB liability	0.13%	0.00%

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/2018, and until a full 10-year trend is compiled, the College has only presented information for the years in which information was available.

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS (OPEB)
Last 10 Fiscal Years
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
A. Actuarially determined contributions	\$113,288	\$115,104
B. Contributions in relation to actuarially determined contributions	\$113,288	\$115,104
C. Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
D. College's covered-employee payroll	\$23,327,424	\$23,270,669
E. Contributions as a percentage of covered-employee payroll	0.49%	0.49%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/2018, and until a full 10-year trend is compiled, the College has only presented information for the years in which information was available.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

PENSION SCHEDULES

(1) Changes in benefit provisions

a. 2016

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

(2) Changes in assumptions

a. 2017

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

b. 2016

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

c. 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 Disable Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

(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 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 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense including inflation

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

OPEB SCHEDULES

(1) Changes in benefit provisions

- a. 2018
 - None.
- b. 2017
 - None.

(2) Changes in assumptions

- a. 2018
 - The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.
- b. 2017
 - The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

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

Actuarially Determined Contribution 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 ended 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 percent
Salary increase, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
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 percent

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	TOTAL EXPENDITURES
Major Programs			
Student Financial Aid Cluster			
U.S. Department of Education:			
Federal Pell Grant Program	84.063		\$ 12,122,782
Federal Work-Study Program	84.033		162,266
Federal Supplemental Educational Opportunity Grant	84.007		183,738
Private Lending Institutions:			
Federal Direct Student Loans	84.268		3,705,061
Total Student Financial Aid Cluster			<u>16,173,847</u>
U.S. Department of Labor:			
Passthrough Three Rivers Planning and Development District:			
Workforce Investment Act	17.258	18-02-10	1,199,845
Total Major Programs			<u>17,373,692</u>
Other Federal Assistance			
U.S. Department of Education:			
Passthrough program from Mississippi Community College Board:			
Adult Education-State Administered Basic Grant Programs	84.002	V002A180025	542,998
Passthrough program from Mississippi Department of Education:			
Career and Technical Education-Basic Grants to States	84.048	V048A180024	292,463
Total U.S. Department of Education			<u>835,461</u>
U.S. Department of Health and Human Services			
Passthrough program from Mississippi Department of Human Services:			
CCDF Cluster - Early Childhood Academy	93.575	1801MSCCDF	308,434
Total U.S. Department of Health and Human Services			<u>308,434</u>
U.S. Department of Commerce			
Passthrough program from Mississippi Manufacturing Association:			
Manufacturing Extension Partnership	11.611	70NANB17H017	100,000
Total U.S. Department of Commerce			<u>100,000</u>
National Aeronautics and Space Administration:			
Passthrough program from University of Mississippi:			
Technology Transfer - Aerospace Education Services Program	43.002	NNX15AH78H	3,215
Total Other Expenditures of Federal Awards			<u>1,247,110</u>
Total Expenditures of Federal Awards			<u>\$ 18,620,802</u>

The notes to the Supplementary Information are an integral part of this schedule.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

SCHEDULE OF EXPENDITURES FEDERAL AWARDS

(1) Basis of Presentation

The accompanying schedule includes all federal awards administered by Itawamba Community College. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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

The federal programs included in the accompanying schedule are accounted for using the accrual basis of accounting and the schedule was prepared using the same significant accounting policies, where applicable, as those used for the basic financial statements, with the following exception:

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

(3) Indirect Cost Rate

The expenditures presented in the schedule of federal financial assistance are recognized following the cost principles as found in Uniform Guidance. The College has elected not to use the 10 percent de minimus indirect cost rate as 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.

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

Board of Directors
Itawamba Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Itawamba Community College as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Itawamba Community College's basic financial statements, and have issued our report thereon dated February 25, 2020. We have also audited the statement of financial position of Itawamba Community College Foundation, Inc. a discretely presented component unit of Itawamba Community College, as of June 30, 2019, and the statements of activities and cash flows for the year then ended. The financial statements of Itawamba Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 25, 2020

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

Board of Directors
Itawamba Community College

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-01 and 2019-02. Our opinion on each major federal program is not modified with respect to these matters.

Itawamba Community College's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. Itawamba Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-01 and 2019-02, that we consider to be significant deficiencies.

Itawamba Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. Itawamba Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 25, 2020

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

Board of Directors
Itawamba Community College

We have audited the financial statements of Itawamba Community College as of and for the year ended June 30, 2019, and have issued our report dated February 25, 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 Itawamba 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 procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of management, entities with accreditation overview, and federal awarding agencies, the 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 25, 2020

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

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? Yes X No
 Significant deficiency(s) identified
 not considered to be material weaknesses? X Yes 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)? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

17.258	Workforce Investment Act
<u>Cluster of Programs - Student Financial Aid:</u>	
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? Yes X No

Prior fiscal year audit finding(s) and questioned
costs relative to federal awards which would require
the auditee to prepare a summary schedule of prior
audit findings in accordance with 2CFR 200.511(b) Yes X No

ITAWAMBA 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:

Significant Deficiency

Finding 2019-01

Program: Student Financial Assistance Cluster
CFDA: 84.007, 84.033, 84.063, 84.268

Compliance Requirement: Cash Management

Criteria:

The Department of Education allows for institutions to draw down Title IV funds prior to disbursing funds to eligible students and parents. The institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either SFA funds or institutional funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned.

Condition:

One drawdown for Direct Student Loans resulted in excess cash until the next drawdown.

Cause:

The cause is likely due to a failure to properly reconcile total disbursements.

Effect:

The effect is noncompliance with the requirement for proper cash management.

Questioned Costs:

None.

Recommendation:

We recommend the institution properly reconcile total cash needs for disbursements before requesting a drawdown.

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SECTION 3 - FEDERAL AWARD FINDINGS: (Continued)

Significant Deficiency

Finding 2019-02

Program: Student Financial Assistance Cluster
CFDA: 84.007, 84.033, 84.063, 84.268

Compliance Requirement: Special Tests and Provisions-Gramm-Leach-Bliley Act-Student Information Security

Criteria:

The Gramm-Leach-Bliley Act requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data. The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as "financial institutions" and subject to the Gramm-Leach-Bliley Act. Under an institution's Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act, schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student aid programs. The institution must designate an individual to coordinate the information security program. The institution must also perform a risk assessment that addresses employee training, information systems, and detecting, preventing and responding to attacks, intrusions, or other systems failures. The institution must also document a safeguard for each risk identified.

Condition:

The institution has not specifically or fully addressed this new requirement.

Cause:

The cause is likely due to a miscommunication concerning this specific requirement.

Effect:

The effect is noncompliance with requirement for Student Information Security and possible breach of students' information.

Questioned Costs:

None.

Recommendations:

We recommend that the institution designate an individual to coordinate the information security program, perform a risk assessment and document safeguards for each risk identified.

Auditee's Corrective Action Plan

As required by 2 CFR 200.411(a), Itawamba Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

Finding 2019-01

- a. Contact person responsible for corrective action:

Terry Bland, Director of Financial Aid

- b. Description of corrective action to be taken:

Janice Prather has been assigned responsibility for reconciling federal funds on a monthly basis.

- c. Anticipated completion date of corrective action

This corrective action was implemented in February 2020.

Finding 2019-02

- a. Contact person responsible for corrective action:

Allen Coleman, Director of IT

- b. Description of corrective action to be taken:

Allen Coleman will coordinate the information security program, perform a risk assessment and document safeguards for each risk identified.

- c. Anticipated completion date of corrective action

Prior to the next audit or earlier as determined by Allen Coleman.