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**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



**Certified Public Accountants**

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE  
AUDITED FINANCIAL STATEMENTS  
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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northeast Mississippi Community College and its aggregate discretely presented component unit, the Northeast Mississippi Community College Development Foundation, Inc. as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northeast Mississippi Community College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northeast Mississippi Community College at June 30, 2020, and information of Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of Net Pension Liability, the Schedule of College Contributions - PERS, the College's Proportionate Share of Net Other Post Employment Benefits Liability and the Schedule of College Contributions - OPEB Plan on pages 4-14 and 49-52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 accompanying supplementary information mentioned above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of Northeast Mississippi Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northeast Mississippi Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Mississippi Community College's internal control over financial reporting and compliance.

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

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
March 26, 2021  
Booneville, Mississippi

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

This section of the Northeast Mississippi Community College's (NEMCC) annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

**Using the Annual Report**

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

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

**Reporting the College's Financial Activities**

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

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

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

The College complies with Governmental Accounting Standards Board (GASB) Statement No. 68. The purported primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It is also purported to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. However, compliance with GASB 68 requires the College to record deferred outflows, deferred inflows, net pension liability, and expenses (GASB adjustment to retirement expense) that distort the College's true activity and financial position. In the MD&A, the impact of GASB 68 is eliminated to provide a more useful report on operations and net position.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

The College complies with GASB Statement No. 75. The purported primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer is required to recognize a liability for its proportionate share of the net OPEB liability. A cost-sharing employer is also required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. However, compliance with GASB 75 requires the College to record deferred outflows, deferred inflows, net OPEB liability, and expenses (GASB adjustment to fringe benefits expense) that distort the College's true activity and financial position. In the MD&A, the impact of GASB 75 is eliminated to provide a more useful report on operations and net position.

Depreciation and changes in compensated absences are also removed from the operating results in the Condensed Statement of Revenues, Expenses, and Changes in Net Position, as these are non-budgeted, non-cash expenses.

The following represents a condensed Statement of Net Position as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Inc.(Dec.)</u>
<b>Assets</b>				
Current Assets	\$ 17,368,881	\$ 21,274,086	\$ (3,905,205)	-18.36%
Non-Current Assets				
Other	264,832	285,030	(20,198)	-7.09%
Capital Assets	<u>53,272,410</u>	<u>49,816,459</u>	<u>3,455,951</u>	6.94%
Total Assets	<u>70,906,123</u>	<u>71,375,575</u>	<u>(469,452)</u>	-0.66%
<b>Deferred Outflows</b>				
OPEB Related	394,171	199,472	194,699	97.61%
Pension Related	<u>4,759,318</u>	<u>3,944,072</u>	<u>815,246</u>	20.67%
Total				
Deferred Outflows	<u>5,153,489</u>	<u>4,143,544</u>	<u>1,009,945</u>	24.37%
<b>Liabilities</b>				
Current Liabilities	1,475,054	3,426,551	(1,951,497)	-56.95%
Non-Current Liabilities	9,588,739	10,310,247	(721,508)	-7.00%
Net OPEB Liability	2,254,178	1,994,190	259,988	13.04%
Net Pension Liability	<u>43,153,110</u>	<u>39,919,130</u>	<u>3,233,980</u>	8.10%
Total Liabilities	<u>56,471,081</u>	<u>55,650,118</u>	<u>820,963</u>	1.48%
<b>Deferred Inflows</b>				
OPEB Related	149,156	142,090	7,066	4.97%
Pension Related	<u>459,501</u>	<u>978,891</u>	<u>(519,390)</u>	-53.06%
Total				
Deferred Outflows	<u>608,657</u>	<u>1,120,981</u>	<u>(512,324)</u>	-45.70%
<b>Net Position</b>	<u>\$ 18,979,874</u>	<u>\$ 18,748,020</u>	<u>\$ 231,854</u>	1.24%



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

Impact of GASB 68 and GASB 75 on Net Position  
For the Years Ended June 30, 2020 and 2019

	2020	2019
Total Net Position	\$ 18,979,874	\$ 18,748,020
Deferred outflows of resources - pensions	(4,759,318)	(3,944,072)
Deferred inflows of resources - pensions	459,501	978,891
Net pension liability	43,153,110	39,919,130
Deferred outflows of resources - OPEB	(394,171)	(199,472)
Deferred inflows of resources - OPEB	149,156	142,090
Net OPEB liability	2,254,178	1,994,190
Total impact of GASB 68 and 75	40,862,456	38,890,757
Total net position, net of GASB 68 and 75	59,842,330	57,638,777
Less		
Net investment in capital assets	44,197,038	39,695,634
Restricted net position	2,938,589	6,920,272
Unrestricted net position, net of GASB 68 and 75	\$ 12,706,703	\$ 11,022,871

## **Assets**

### **Current Assets**

#### **Cash and Cash Equivalents - Current**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$14,629,324 and \$18,287,905, respectively, at June 30, 2020 and 2019.

#### **Accounts Receivable**

Accounts receivable relates to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as dorm rent, food service and bookstore charges. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$2,273,633 and \$2,417,591 respectively, at June 30, 2020 and 2019.

#### **Inventories**

The College maintains inventories of resale merchandise in the Northeast Bookstore. Books, iPads, student supplies and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$242,320 and \$381,827, respectively, at June 30, 2020 and 2019.

#### **Cash and Cash Equivalents - Restricted**

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered non-current are cash in restricted funds to be used for the purpose designated by the funding agency, such as a federal granting agency, or scholarships. The amount of cash and cash equivalents considered non-current at June 30, 2020 and 2019, totaled \$264,832 and \$285,030 respectively.

#### **Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings. The amount reported is net of accumulated depreciation. Capital assets, net of

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

accumulated depreciation, totaled \$53,272,410 at June 30, 2020, in comparison to \$49,816,459 at June 30, 2019.

**Deferred Outflow of Resources**

**Pension Related**

Pension related deferred outflow of resources are a result of timing differences due to the measurement date of pension expense and other factors. As of June 30, 2020 and 2019, pension related deferred outflow of resources amounted to \$4,759,318 and \$3,944,072, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

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

OPEB related deferred outflow of resources are a result of timing differences due to the measurement date of OPEB expense and other factors. As of June 30, 2020 and 2019, OPEB deferred outflow of resources amounted to \$394,171 and \$199,472, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at year-end for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,133,831 and \$2,803,075, respectively, at June 30, 2020 and 2019.

**Unearned Revenue**

Unearned revenue represents revenue that was received by the College during the fiscal year but not yet earned. Unearned revenue totaled \$16,223 and \$48,476, respectively, at June 30, 2020 and 2019.

**OPEB Liability-Current Portion**

OPEB-Current Portion represents a portion of the OPEB liability considered due within one year of the statement of net position date. The amount of OPEB Liability-Current Portion at June 30, 2020 and 2019, was \$83,559 and \$90,354, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of bond and note indebtedness that is payable within one year of the statement of net position date. The amount of the long-term liabilities-current portion at June 30, 2020 and 2019, was \$325,000 and \$575,000, respectively.

**Noncurrent Liabilities**

**Deposits Refundable**

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is room deposits paid by dormitory students and held in reserve by the college for the students. The deposits are refunded once the student withdraws

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

from the dormitory. The total amount held for others at June 30, 2020 and 2019, was \$137,400 and \$119,300, respectively.

**Accrued Leave Liabilities**

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$700,967 at June 30, 2020, as compared to \$645,122 at June 30, 2019.

**Long-Term Liabilities**

This liability consists of bonded indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. During fiscal year 2019, the College issued new debt in the amount of \$8,586,009, which includes original issue premium of \$431,009, for the purpose of constructing a baseball/softball complex on the main campus. The amount of the long-term liabilities balance was \$8,750,372 at June 30, 2020, as compared to \$9,545,825 at June 30, 2019.

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

This liability consists of a portion of an actuarially determined amount as required by Governmental Accounting Standards Board (GASB) Statement No. 75 that is not current and payable within the next fiscal year. The amount of the Net OPEB Liability was \$2,170,619 and \$1,903,836 at June 30, 2020 and 2019, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Net Pension Liability**

This liability consists of a portion of an actuarially determined amount as required by Governmental Accounting Standards Board (GASB) Statement No. 68 that is not current and payable within the next fiscal year. The amount of the Net Pension Liability was \$43,153,110 and \$39,919,130 at June 30, 2020 and 2019, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Deferred Inflow of Resources**

**Pension Related**

Pension related deferred inflow of resources are a result of timing differences due to the measurement date of pension expense and other factors. As of June 30, 2020 and 2019, pension related deferred inflow of resources amounted to \$459,501 and \$978,891, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

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

OPEB related deferred inflow of resources are a result of timing differences due to the measurement date of OPEB expense and other factors. As of June 30, 2020 and 2019, OPEB deferred inflow of resources amounted to \$149,156 and \$142,090, respectively. **See comments before the Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Net Position**

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2020, was \$18,979,874 as compared to \$18,748,020 at June 30, 2019. **See comments before the**

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**Condensed Statement of Net Position concerning the effects of GASB Statement Nos. 68 and 75 for a better understanding of unrestricted net position.**

**Analysis of Net Position**

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

The following is an analysis of net position as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Increase Decrease</u>	<u>Percent Inc.(Dec.)</u>
Net Investment in Capital Assets	\$ 44,197,038	\$ 39,695,634	\$ 4,501,404	11.34%
Restricted for:				
Scholarships	58,465	18,606	39,859	214.23%
Capital Projects	2,584,217	6,639,188	(4,054,971)	-61.08%
Unemployment	50,238	51,000	(762)	-1.49%
Specified Programs	245,669	211,478	34,191	16.17%
Total Restricted Net Position	<u>2,938,589</u>	<u>6,920,272</u>	<u>(3,981,683)</u>	-57.54%
Unrestricted	<u>(28,155,753)</u>	<u>(27,867,886)</u>	<u>(287,867)</u>	1.03%
Total Net Position	<u>\$ 18,979,874</u>	<u>\$ 18,748,020</u>	<u>\$ 231,854</u>	1.24%

**Effects of GASB 68 and 75:**

Total Unrestricted Net Position (Deficit)	\$ (28,155,753)	\$ (27,867,886)	(287,867)	-1.03%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 75	<u>40,862,456</u>	<u>38,890,757</u>	<u>1,971,699</u>	5.07%
Unrestricted Net Position, Exclusive of the Effect of Net Pension and OPEB Liabilities	<u>\$ 12,706,703</u>	<u>\$ 11,022,871</u>	<u>\$ 1,683,832</u>	15.28%
Total Net Position	\$ 18,979,874	\$ 18,748,020	231,854	1.24%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 75	<u>40,862,456</u>	<u>38,890,757</u>	<u>1,971,699</u>	5.07%
Total Net Position, Exclusive of the Effect of Net Pension and OPEB Liabilities	<u>\$ 59,842,330</u>	<u>\$ 57,638,777</u>	<u>\$ 2,203,553</u>	3.82%

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

The following represents a condensed statement of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019:

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Inc.(Dec.)</u>
Operating Revenue:				
Tuition and Fees	\$ 4,466,371	\$ 4,314,633	\$ 151,738	3.52%
Grants and Contracts	18,742,697	16,868,741	1,873,956	11.11%
Sales and Services of Edu. Activities	653,999	782,098	(128,099)	-16.38%
Auxiliary Enterprises	<u>2,264,828</u>	<u>2,685,064</u>	<u>(420,236)</u>	-15.65%
Total Operating Revenues	26,127,895	24,650,536	1,477,359	5.99%
Operating Expenses	<u>45,167,747</u>	<u>42,348,990</u>	<u>2,818,757</u>	6.66%
Operating Loss	<u>(19,039,852)</u>	<u>(17,698,454)</u>	<u>(1,341,398)</u>	-7.58%
Non-operating Revenues (Expenses)				
State and Local Appropriations	16,057,574	14,202,669	1,854,905	13.06%
Investment Income	16,579	23,482	(6,903)	-29.40%
Interest Expense on Capital Related Debt	<u>(317,058)</u>	<u>(329,116)</u>	<u>12,058</u>	3.66%
Total Non-operating Revenues	<u>15,757,095</u>	<u>13,897,035</u>	<u>1,860,060</u>	13.38%
Income (Loss) Before Other Revenues	(3,282,757)	(3,801,419)	518,662	13.64%
State and Local Capital Appropriations	<u>3,514,611</u>	<u>2,092,378</u>	<u>1,422,233</u>	67.97%
Change in Net Position	<u>231,854</u>	<u>(1,709,041)</u>	<u>1,940,895</u>	113.57%
Net Position, Beginning of Year	<u>18,748,020</u>	<u>20,457,061</u>	<u>(1,709,041)</u>	-8.35%
Net Position, End of Year	<u>\$ 18,979,874</u>	<u>\$ 18,748,020</u>	<u>\$ 231,854</u>	1.24%
Impact of GASB 68 and 75 and other non-cash items on the Change in Net Position				
Change in Net Postion	\$ 231,854	\$ (1,709,041)	1,940,895	113.57%
GASB 68 Impact	1,899,344	1,740,807	158,537	9.11%
GASB 75 Impact	72,355	20,433	51,922	254.11%
Depreciation	2,165,994	2,063,514	102,480	4.97%
Changes in Compensated Absences	<u>55,845</u>	<u>69,739</u>	<u>(13,894)</u>	-19.92%
Effect of GASB 68 and 75 and other non-cash items	<u>4,193,538</u>	<u>3,894,493</u>	<u>299,045</u>	7.68%
Change in Net Postion, Net of GASB 68 and 75, and other non-cash items	<u>4,425,392</u>	<u>2,185,452</u>	<u>2,239,940</u>	102.49%

Total operating loss for the year ended June 30, 2020, was \$(19,039,852) as compared to \$(17,698,454) for the year ended June 30, 2019. Since the State of Mississippi appropriations are not included within operating revenue per GASB No. 35, the College shows a significant operating loss.

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

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

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

Total operating revenues for the year ended June 30, 2020, were \$26,127,895, as compared to \$24,650,536 for the year ended June 30, 2019. Tuition and fees (net of tuition discount) were \$4,466,371 for the year ended June 30, 2020, compared to \$4,314,633 for the year ended June 30, 2019. The tuition discount for the year ended June 30, 2020, was \$7,221,662 compared to \$7,048,877 for the year ended June 30, 2019. Operating expenses for the year ended June 30, 2020, including depreciation expense of \$2,165,994, totaled \$45,167,747. Operating expenses for the year ended June 30, 2019 totaled \$42,348,990, including depreciation of \$2,063,514.

Instructional expenditures comprised 38.24% of the operating expenses for the year ended June 30, 2020, and 40.93% of the operating expenses for the year ended June 30, 2019.

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$4,466,371 (net of tuition discount) for the year ended June 30, 2020, in comparison to \$4,314,633 (net of tuition discount) for the year ended June 30, 2019. The tuition discount for the year ended June 30, 2020, was \$7,221,662 compared to \$7,048,877 for the year ended June 30, 2019.

**Grants and Contracts**

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2020 and 2019:

	2020	2019	Increase (Decrease)
Federal Sources	\$ 15,546,681	\$ 13,278,772	\$ 2,267,909
State Sources	2,750,722	3,254,241	(503,519)
Other Sources	445,294	335,728	109,566
Total All Sources	<u>\$ 18,742,697</u>	<u>\$ 16,868,741</u>	<u>\$ 1,873,956</u>

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$653,999 for the year ended June 30, 2020, as compared to \$782,098 for the year ended June 30, 2019.

**Sales and Services from Auxiliary Enterprises, Net**

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

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$2,264,828 for the year ended June 30, 2020, as compared to \$2,685,064 for the year ended June 30, 2019. The discount for scholarship allowance was \$2,281,434 for the year ended June 30, 2020, and \$2,431,030 for the year ended June 30, 2019.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

**Operating Expenses**

The following is a breakdown of operating expenses by category for the years ended June 30, 2020 and 2019:

	2020	2019	Increase (Decrease)	Percent Inc.(Dec.)
Salaries and Benefits	\$ 24,622,354	\$ 23,667,740	\$ 954,614	4.03%
Scholarships	6,086,880	3,968,541	2,118,339	53.38%
Commodities	3,697,763	4,506,639	(808,876)	-17.95%
Contractual Services	6,336,750	5,722,801	613,949	10.73%
Utilities	1,789,688	1,885,704	(96,016)	-5.09%
Travel	468,318	534,051	(65,733)	-12.31%
Depreciation	2,165,994	2,063,514	102,480	4.97%
Total Operating Expenses	<u>\$ 45,167,747</u>	<u>\$ 42,348,990</u>	<u>\$ 2,818,757</u>	6.66%

The following is a breakdown of operating expenses by functional classification for the years ended June 30, 2020 and 2019:

	2020	2019	Increase (Decrease)	Percent Inc.(Dec.)
Expenses by Function:				
Instruction	\$ 17,271,495	\$ 17,332,649	\$ (61,154)	-0.35%
Academic Support	778,342	699,097	79,245	11.34%
Student Services	5,781,681	3,561,131	2,220,550	62.36%
Institutional Support	6,484,844	5,701,389	783,455	13.74%
Operation and Maintenance of Plant	5,131,885	4,908,493	223,392	4.55%
Student Financial Aid	3,905,382	3,538,361	367,021	10.37%
Auxiliary Enterprises	3,648,124	4,544,356	(896,232)	-19.72%
Depreciation	2,165,994	2,063,514	102,480	4.97%
Total Operating Expenses	<u>\$ 45,167,747</u>	<u>\$ 42,348,990</u>	<u>\$ 2,818,757</u>	6.66%

**Non-operating Revenues (Expenses)**

**State Aid**

The College's largest source of non-operating revenue is appropriations from the State of Mississippi. The College received \$14,150,767 for the year ended June 30, 2020, as compared to \$12,441,405 for the year ended June 30, 2019. In addition, the College received \$1,397,641 in restricted state appropriations for capital construction for the year ended June 30, 2020, as compared to \$74,281 for the year ended June 30, 2019.

**Other Non-Operating Revenues**

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

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

The College received \$4,023,777 in county appropriations for the year ended June 30, 2020, compared to \$3,779,361 for the year ended June 30, 2019. The appropriation was received from the five counties that support the College.

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts and the interest earned on the College's short-term investments. The investment income for the year ended June 30, 2020, was \$16,579 as compared to \$23,482 for the year ended June 30, 2019.

**Non-operating Expenses**

This consists of the interest expense on capital asset-related debt the College incurred for the year ended June 30, 2020. The total expense amounted to \$317,058 compared to \$329,116 for the year ended June 30, 2019.

**Statement of Cash Flows**

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

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

The following is a condensed statement of cash flows for the years ended June 30, 2020 and 2019:

	2020	2019
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (14,737,349)	\$ (14,103,872)
Noncapital Financial Activities	16,109,360	14,020,292
Capital and Related Financing Activities	(5,067,369)	5,726,447
Investing Activities	16,579	47,482
Net Increase in Cash and Cash Equivalents	(3,678,779)	5,690,349
Cash and Cash Equivalents - Beginning of the Year	18,572,935	12,882,586
Cash and Cash Equivalents - End of the Year	<u>\$ 14,894,156</u>	<u>\$ 18,572,935</u>

The major sources of funds included in operating activities include student tuition and fees of \$4,498,218, auxiliary enterprises of \$2,257,768, and grants and contracts of \$18,952,900. The major uses of funds were payments made to/on behalf of employees (\$22,574,956), to suppliers (\$12,426,601), and to scholarships (\$6,086,880).

**Significant Capital Asset Transactions**

Capital improvements consisted primarily of construction-in-progress of a new off-campus center in Ripley, MS, and the completion of a state-of-the-art baseball/softball complex.

**Significant Long-Term Debt Transactions**

On June 30, 2020, one of the college's trust agents for making bond payments made a payment on long-term debt due July 1, 2020, thereby "doubling up" on required payments due during the fiscal year. As a result, the principal and interest payment that would normally be shown as due on the five-year maturities schedule of the long-term debt note has been removed, and only the December



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020**

1, 2020 interest payment due is shown in the five year maturities schedule. Accordingly, accrued interest normally shown as an accrued liability has also been reduced.

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2020 financial situation. The beginning of the still-ongoing world-wide Coronavirus pandemic has caused uncertainty in many areas of the college, especially in the area of enrollment and State appropriations. As of the date of publishing of these audited financial statements, the college has experienced a significant decrease (10-12%) in enrollment for the Fall 2020 and Spring 2021 semesters. A reduction in State appropriations for FY21 was approved by the State Legislature in the 2020 legislative session. In addition, increased costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases all impact the College's ability to expand programs, undertake new initiatives, and/or meet its core mission and ongoing operational needs.

State appropriations contributed approximately 30.95% of the College's fiscal year 2020 revenue, including appropriations for capital purposes, up slightly from 30.55% from fiscal year 2019. The main reason for the college's increase in State Appropriations is that the college has not seen a decrease in enrollment over the last few years like other community colleges within the State of Mississippi. Although State appropriations continue to decline for Mississippi community colleges as a whole, they are still the single largest source of operating revenue for the College. The level of State support is therefore one of the key factors influencing the College's financial condition. As of the date of this report, state support for fiscal year 2021 had not been reduced further from the original budget reductions passed by the Legislature in the 2020 session, however, if revenue collections fail to meet state estimates, cuts during the remainder of fiscal year 2021 are possible.

As stated previously, the College has experienced a significant decrease in enrollment for fiscal year 2021, which is due to the world-wide Coronavirus pandemic. This is the case across the State of Mississippi and nationally, as well.

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

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

**Northeast Mississippi Community College**  
**Statement of Net Position**  
**June 30, 2020**

**Assets**

Current assets:

Cash and cash equivalents	\$ 14,629,324
Accounts receivable, net (Note 4)	2,273,633
Inventories	242,320
Prepaid expenses	223,604

<b>Total Current Assets</b>	17,368,881
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Noncurrent assets:

Restricted cash and cash equivalents	264,832
Capital assets, net of depreciation (Note 6)	53,272,410

<b>Total Noncurrent Assets</b>	53,537,242
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<b>Total Assets</b>	70,906,123
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**Deferred Outflows of Resources**

OPEB related	394,171
Pension related	4,759,318

<b>Total Deferred Outflows of Resources</b>	5,153,489
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**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	1,133,831
Unearned revenues	16,223
Net OPEB Liabilities - current portion	83,559
Long-term liabilities - current portion (Note 7)	325,000

<b>Total Current Liabilities</b>	1,558,613
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Noncurrent liabilities:

Deposits refundable	137,400
Accrued leave liabilities	700,967
Long-term liabilities (Note 7)	8,750,372
Net OPEB Liability	2,170,619
Net pension liability	43,153,110

<b>Total Noncurrent Liabilities</b>	54,912,468
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<b>Total Liabilities</b>	56,471,081
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**Deferred Inflows of Resources**

OPEB related	149,156
Pension related	459,501

<b>Total Deferred Inflows of Resources</b>	608,657
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**Net Position**

Net investment in capital assets	44,197,038
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Restricted for:

Expendable:

Scholarships	58,465
Capital projects and repairs	2,584,217
Unemployment	50,238
Specified Programs	245,669

Unrestricted	(28,155,753)
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<b>Total Net Position</b>	\$ 18,979,874
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The notes to the financial statements are an integral part of this statement.

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Financial Position  
June 30, 2020**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 96,434
Cash surrender value life insurance investment (Note 5)	13,201
Investments (Note 5)	738,151
Unconditional promises to give (net) (Note 4)	<u>76,543</u>

<b>Total current assets</b>	<u>924,329</u>
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**Endowment investments**

Investments (Note 5)	<u>2,737,416</u>
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<b>Total endowment investments</b>	<u>2,737,416</u>
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<b>Property and equipment (net) (Note 6)</b>	<u>81,230</u>
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<b>Long-term unconditional promises to give (Note 4)</b>	<u>185,274</u>
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<b>Total assets</b>	<u><u>\$ 3,928,249</u></u>
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**Liabilities**

**Current liabilities**

Accounts payable	\$ 2,856
Total current liabilities	<u>2,856</u>

<b>Total liabilities</b>	<u>2,856</u>
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**Net assets**

Without restrictions	140,129
With restrictions	<u>3,785,264</u>

<b>Total net assets</b>	<u>3,925,393</u>
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<b>Total liabilities and net assets</b>	<u><u>\$ 3,928,249</u></u>
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The notes to the financial statements are an integral part of this statement.

**Northeast Mississippi Community College**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2020**

**Operating revenues**

Tuition and fees (net of scholarship allowance of \$7,221,662)	\$ 4,466,371
Federal grants and contracts	15,546,681
State grants and contracts	2,750,722
Nongovernmental grants and contracts	445,294
Sales and services of educational departments	653,999
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$678,645)	419,720
Food services (net of scholarship allowances of \$993,084)	637,421
Bookstore (net of scholarship allowance of \$609,705)	1,170,628
Other auxiliary revenues	37,059
<b>Total operating revenues</b>	<u>26,127,895</u>

**Operating expenses**

Salaries and wages	17,107,078
Fringe benefits	2,730,838
Pension expense	4,784,438
Travel	468,318
Contractual services	6,336,750
Utilities	1,789,688
Scholarships and fellowships	6,086,880
Commodities	3,697,763
Depreciation	2,165,994
<b>Total operating expenses</b>	<u>45,167,747</u>

**Operating Income (loss)** (19,039,852)

**Nonoperating revenues (expenses)**

State appropriations	14,150,767
Local appropriations	1,906,807
Investment income	16,579
Interest expense on capital asset-related debt	(317,058)
<b>Total net nonoperating revenues (expenses)</b>	<u>15,757,095</u>

**Income (loss) before other revenues (expenses)** (3,282,757)

State appropriations restricted for capital purposes	1,397,641
Local appropriations for capital purposes	<u>2,116,970</u>

**Change in net position** 231,854

**Net position**

Net position - beginning of year	<u>18,748,020</u>
<b>Net position - end of year</b>	<u><u>\$ 18,979,874</u></u>

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

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Activities  
For the year ended June 30, 2020**

	Without Restrictions	With Restrictions	Total
<b>Public Support and Revenues</b>			
Contributions	\$ 8,653	\$ 1,339,380	\$ 1,348,033
Dividends	62,750	-	62,750
Interest	159	-	159
Grants revenue	-	128,180	128,180
Memberships	7,200	-	7,200
Gain (loss) sale of assets	83,747	-	83,747
Unrealized gain(loss) on assets	(87,399)	-	(87,399)
Net Assets released from restrictions	11,110	(11,110)	-
	<u>86,220</u>	<u>1,456,450</u>	<u>1,542,670</u>
<b>Operating Expenses</b>			
Program expense	61,205	1,067,219	1,128,424
Management & general expense	99,747	-	99,747
Fund raising expense	108,213	-	108,213
	<u>269,165</u>	<u>1,067,219</u>	<u>1,336,384</u>
Change in Net Assets	(182,945)	389,231	206,286
Net assets beginning of year	<u>323,074</u>	<u>3,396,033</u>	<u>3,719,107</u>
Net assets end of year	<u><u>\$ 140,129</u></u>	<u><u>\$ 3,785,264</u></u>	<u><u>\$ 3,925,393</u></u>

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

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2020**

	Program Expenses			Support Services			
	Without Restrictions	With Restrictions	Total Program Services	Management	Fundraising	Total Support Services	Total Expenses
Awards	\$ 10,492	\$ -	\$ 10,492	\$ 150	\$ 1,643	\$ 1,793	\$ 12,285
College Support - Grants	-	3,080	3,080	-	-	-	3,080
Scholarships	-	680,355	680,355	-	-	-	680,355
Program Expense:							
College Employee Enhancement	-	4,360	4,360	-	-	-	4,360
College Sports	-	222,792	222,792	-	-	-	222,792
Fine Art	-	33,196	33,196	-	-	-	33,196
College Programs	-	122,007	122,007	-	-	-	122,007
Endowed Scholarships	-	1,162	1,162	-	-	-	1,162
Discretionary Fund	5,914	-	5,914	-	-	-	5,914
Other	-	267	267	-	-	-	267
Administrative:							
Bank Charges	16,419	-	16,419	198	-	198	16,617
Epay Fees	-	-	-	752	-	752	752
Car Allowance	2,700	-	2,700	3,780	4,320	8,100	10,800
Depreciation	-	-	-	297	-	297	297
Dues & Subscriptions	803	-	803	3,693	348	4,041	4,844
Insurance	-	-	-	400	-	400	400
Legal & Accounting	-	-	-	14,000	-	14,000	14,000
Meals & Entertainment	1,071	-	1,071	654	1,359	2,013	3,084
Office Supplies	-	-	-	3,747	-	3,747	3,747
Payroll Taxes	1,500	-	1,500	3,877	5,584	9,461	10,961
Postage	-	-	-	1,771	379	2,150	2,150
Printing & Advertising	-	-	-	422	6,573	6,995	6,995
Professional Development	-	-	-	134	-	134	134
Retirement	3,412	-	3,412	8,311	12,364	20,675	24,087
Salaries	17,974	-	17,974	50,675	74,633	125,308	143,282
Telephone	920	-	920	2,460	1,010	3,470	4,390
Travel	-	-	-	4,426	-	4,426	4,426
	<u>\$ 61,205</u>	<u>\$ 1,067,219</u>	<u>\$ 1,128,424</u>	<u>\$ 99,747</u>	<u>\$ 108,213</u>	<u>\$ 207,960</u>	<u>\$ 1,336,384</u>

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

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

**Northeast Mississippi Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

**Cash flows from operating activities**

Tuition and fees	\$ 4,498,218
Grants and contracts	18,952,900
Sales and services of educational departments	642,202
Payments to suppliers	(12,426,601)
Payments to employees for salaries and benefits	(22,574,956)
Payments for scholarships and fellowships	(6,086,880)
Auxiliary enterprise charges:	
Student housing	417,512
Food service	643,063
Bookstore	1,170,628
Other auxiliary enterprises	<u>26,565</u>

**Net cash provided (used) by operating activities** (14,737,349)

**Cash flows from noncapital financing activities**

State appropriations	14,243,038
Local appropriations	<u>1,866,322</u>

**Net cash provided (used) by noncapital financing activities** 16,109,360

**Cash flows from capital and related financing activities**

Capital appropriations	2,062,101
Cash paid for capital assets	(5,453,593)
Principal paid on capital debt and leases	(1,010,000)
Interest paid on capital debt and leases	<u>(665,877)</u>

**Net cash provided (used) by capital and related financing activities** (5,067,369)

**Cash flows from investing activities**

Interest received on investments	<u>16,579</u>
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**Net cash provided (used) by investing activities** 16,579

Net Increase (Decrease) in Cash and Cash Equivalents	(3,678,779)
Cash and Cash Equivalents - Beginning of the Year	<u>18,572,935</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 14,894,156</u></u>

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

**Northeast Mississippi Community College**  
**Statement of Cash Flows (continued)**  
**For the Year Ended June 30, 2020**

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

<b>Operating income (loss)</b>	\$ <u>(19,039,852)</u>
--------------------------------	------------------------

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

Difference in OPEB and pension expense and cash outlays	1,971,699
Depreciation Expense	2,165,994
Bad Debt Expense(Recovery)	(84,383)
Book Value of Disposed Assets	3,461
Changes in assets and liabilities	
(Increase) decrease in assets:	
Student Receivables	36,569
Other Receivables	194,854
Inventories	139,507
Prepaid expenses	(36,841)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(130,049)
Unearned revenues	(32,253)
Deposits refundable	18,100
Accrued leave liability	<u>55,845</u>

<b>Total adjustments</b>	<u>4,302,503</u>
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<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (14,737,349)</u>
---------------------------------------------------------	------------------------

**Noncash Investing, Capital, and Financing Activities**

Payments by State on construction projects	<u>\$ 1,397,641</u>
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<b>Total noncash investing, capital and financing activities</b>	<u>\$ 1,397,641</u>
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The notes to the financial statements are an integral part of this statement.



**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2020**

<b>Operating activities</b>	
Change in net assets	\$ 206,286
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	297
Net unconditional promises to give	(60,018)
Accounts payable	<u>1,150</u>
Net cash used by operating activities	<u>147,715</u>
<b>Investing activities</b>	
Investments	(240,181)
Property and equipment	<u>-</u>
Net cash provided by investing activities	<u>(240,181)</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	(92,466)
<b>Cash and cash equivalents beginning of year</b>	<u>188,900</u>
<b>Cash and cash equivalents end of year</b>	<u><u>\$ 96,434</u></u>

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

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies

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

The Community College is governed by a fifteen-member board of trustees, selected by the board of supervisors of Alcorn, Prentiss, Tippah, Tishomingo, and Union counties who support the district through locally assessed ad valorem tax millage. Each board member is appointed for a 5-year term. In addition, the Community College works jointly with the Mississippi State Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

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

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

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

During the year ended June 30, 2020, the Foundation contributed \$1,073,133 to the College for scholarships, athletics and building programs and reimbursed the College for \$208,128 in Foundation expenses.

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

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

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (continued)

- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net - Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories - Inventories consist of supplies. Inventories are stated at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- H. Prepaid Expenses - Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.
- J. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 6 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- K. Deferred Outflow of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The college has deferred outflows, which are presented as a deferred outflow for pension and deferred outflow for other post employment benefits.
- L. Unearned Revenues - Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (continued)

- M. Compensated Absences - The Northeast Mississippi Community College Board of Trustees has adopted an employee medical leave policy. The policy provides for the payment of up to thirty accumulated leave days at the time of an employee's termination. To be eligible for this payment, the employee must have been employed for five years and must have accumulated leave time. At termination, a qualified employee may receive pay for their accumulated leave time up to a maximum of thirty days, depending on length of service to the college. Additionally, any leave certified toward retirement with the Public Employee's Retirement System of Mississippi will not be subject to payment. The total accrued leave for all employees as of June 30, 2020, was \$700,967. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.
- N. Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- O. Post-Employment Benefits Other than Pensions (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was \$1,017,904 as of the measurement date of June 30, 2019. For this purpose, the OPEB Plan recognized benefit payments when due and payable in accordance with the benefit terms.
- P. Deferred Inflow of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has deferred inflows, which are presented as a deferred inflow for pension and deferred inflow for other post employment benefits.
- Q. Net Position - Net position of the College is classified in three components. Net position, net investment in capital assets and reduced by the outstanding balances of long-term debt used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the College, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.
- R. Classification of Revenues - The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (continued)

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

Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state and local appropriations, and other revenue sources that are defined as non-operating revenues by Governmental Accounting Standards Board (GASB), such as state appropriations and investment income.

- S. State Appropriations - The Community College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high cost programs.
- T. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- U. Unrestricted and Restricted Resources - When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the College's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted resources are available, and amounts in any of the unrestricted classifications could be used, it is the College's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.
- V. Accounting Standards Updates - The Governmental Accounting Standards Board (GASB) issued GASB 95, *Postponment of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the world-wide COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB Statements 83, 84, and 88 through 93, and Implementation Guides No. 2017-3, 2018-1, and 2019-1 were postponed for one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No 2019-3, *Leases*, were postponed for 18 months.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

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

The carrying amount of the College's deposits with financial institutions reported in the statement of net position as cash and cash equivalents was \$14,894,156. At June 30, 2020, none of the College's deposits were exposed to custodial credit risk.

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

As of June 30, 2020, the college did not have any investments.

3. Prior Period Adjustments

There were no prior period adjustments made during the year ended June 30, 2020.

4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2020:

	Total Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Accounts Receivable - Student			
Student tuition and fees	\$ 2,391,463	\$ 2,199,921	\$ 191,542
Auxiliary enterprises	1,769,627	1,627,889	141,738
Accounts Receivable - Student	<u>4,161,090</u>	<u>3,827,810</u>	<u>333,280</u>
Accounts Receivable - Other			
Auxiliary enterprises	48,221	37,727	10,494
Grants and contracts	1,525,553	-	1,525,553
State appropriations	219,163	-	219,163
Local appropriations	167,477	-	167,477
Other	17,666	-	17,666
Accounts Receivable - Other	<u>1,978,080</u>	<u>37,727</u>	<u>1,940,353</u>
Accounts Receivable	<u>\$ 6,139,170</u>	<u>\$ 3,865,537</u>	<u>\$ 2,273,633</u>

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

5. Effect of Deferred Amounts of Net Position

The unrestricted net position amount of \$(28,155,753) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,854,717 resulting for the college contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$1,904,601 balance of deferred outflow of resources related to pensions, at June 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The unrestricted net position amount of \$(28,155,753) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$459,501 balance of deferred inflow of resources related to pensions, at June 30, 2020, will be recognized as revenue and will increase the unrestricted net position over the next three years.

The unrestricted net position amount of \$(28,155,753) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$83,559 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$310,612 balance of deferred outflow of resources related to OPEB, at June 30, 2020, will be recognized as an expense and will decrease the unrestricted net position over the next six years.

The unrestricted net position amount of \$(28,155,753) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$149,156 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next six years.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**6. Capital Assets**

Following is a summary of changes in capital assets for the year ended June 30, 2020:

	Beginning Balance 7/1/2019	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2020
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 3,218,993	\$ -	\$ -	\$ -	\$ 3,218,993
Construction in progress	5,505,840	5,270,212	-	(9,101,437)	1,674,615
<b>Total Nondepreciable Capital Assets</b>	<b>8,724,833</b>	<b>5,270,212</b>	<b>-</b>	<b>(9,101,437)</b>	<b>4,893,608</b>
<b>Depreciable Capital Assets:</b>					
Improvements other than Buildings	7,321,394	-	-	5,345,999	12,667,393
Buildings	67,472,047	-	-	3,755,438	71,227,485
Equipment	8,141,237	346,016	346,091	-	8,141,162
Library Books	1,273,266	9,178	-	-	1,282,444
<b>Total Depreciable Capital Assets</b>	<b>84,207,944</b>	<b>355,194</b>	<b>346,091</b>	<b>9,101,437</b>	<b>93,318,484</b>
<b>Less Accumulated Depreciation for:</b>					
Improvements other than Buildings	3,540,392	420,058	-	-	3,960,450
Buildings	31,714,786	1,214,846	-	-	32,929,632
Equipment	6,651,035	518,266	342,630	-	6,826,671
Library Books	1,210,105	12,824	-	-	1,222,929
<b>Total Accumulated Depreciation</b>	<b>43,116,318</b>	<b>2,165,994</b>	<b>342,630</b>	<b>-</b>	<b>44,939,682</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>41,091,626</b>	<b>(1,810,800)</b>	<b>3,461</b>	<b>9,101,437</b>	<b>48,378,802</b>
<b>Capital Assets, Net</b>	<b>\$ 49,816,459</b>	<b>\$ 3,459,412</b>	<b>\$ 3,461</b>	<b>\$ -</b>	<b>\$ 53,272,410</b>

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

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

Construction in progress is composed of the following amounts:

	Spent to June 30, 2020	Remaining Commitment
Ripley Center	\$ 1,532,889	\$ - ~
Seth Pounds Auditorium	3,089	-
Northeast at Corinth Phase III	3,486	-
Fine Arts Complex	135,151	-
<b>Total Construction in Progress</b>	<b>\$ 1,674,615</b>	<b>\$ -</b>

~This project is owned/managed by the State of Mississippi's Bureau of Buildings, therefore there is no commitment for the college.



**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**7. Long-Term Liabilities**

Long-term liabilities of the College consist of notes and bonds payable, original issue premiums, and certain other liabilities that are expected to be liquidated beyond one year from June 30, 2020.

Description	Original Issue	Interest Rate	Maturity	Balance July 1, 2019	Additions	Payments	Balance June 30, 2020	Due Within One Year
G.O. Notes Payable, Series 2018	\$8,155,000	3-5%	7/2033	\$ 8,155,000	\$ -	\$ 700,000	\$ 7,455,000	\$ -
Notes Payable, Series 2014	\$2,935,000	3.125%	12/2028	1,500,000	-	310,000	1,190,000	325,000
Long-Term Debt				9,655,000	-	1,010,000	8,645,000	325,000
Original Issue Premium, Series 2018				402,275	-	28,734	373,541	-
Original Issue Premium, Series 2014				63,550	-	6,719	56,831	-
Original Issue Premium				465,825	-	35,453	430,372	-
Total Long-Term Debt				10,120,825	-	1,045,453	9,075,372	325,000
Other Long-Term Liabilities								
Accrued Leave Liability				645,122	55,845	-	700,967	-
Deposits Refundable				119,300	18,100	-	137,400	-
Net OPEB Liability				1,994,190	259,988	-	2,254,178	-
Net Pension Liability				39,919,130	3,233,980	-	43,153,110	-
Total Other Liabilities				42,677,742	3,567,913	-	46,245,655	-
Total Long-Term Liabilities				<u>\$52,798,567</u>	<u>\$3,567,913</u>	<u>\$1,045,453</u>	<u>\$ 55,321,027</u>	<u>\$ 325,000</u>

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

	Notes Payable	Interest	Total
2021	\$ 325,000	\$ 175,194	\$ 500,194
2022	555,000	303,644	858,644
2023	570,000	282,144	852,144
2024	595,000	259,869	854,869
2025	615,000	239,269	854,269
2026-2030	3,280,000	858,708	4,138,708
2031-2034	<u>2,705,000</u>	<u>222,100</u>	<u>2,927,100</u>
Totals	<u>\$ 8,645,000</u>	<u>\$ 2,340,928</u>	<u>\$ 10,985,928</u>

On June 30, 2020, the July 1, 2020, principal and interest payment was made on the 2018 G.O. Notes Payable by the trustee/paying agent. Therefore, the payment on principal reduced long-term debt, current portion and accrued interest. The five year maturities schedule above also reflects this early payment, and only the semi-annual interest payment due on December 1, 2020, is shown in the schedule.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

8. Risk Management.

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

9. Contingencies:

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

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

During the fiscal year ended June 30, 2020, college Business Office personnel, in the normal course of performing their assigned functions uncovered a fraud scheme being perpetrated by a fellow employee, who confessed to the fraud and turned over records to the college. The Office of the State Auditor of Mississippi (OSA) was notified, and after an internal investigation, it was discovered that the employee had apparently embezzled \$57,310.16 over the course of nearly four years. After all investigation records were turned over to the OSA, investigators from the OSA, without any further records requests other than the college's own investigation records, completed their investigation subsequent to June 30, 2020, and arrested and charged the former employee. Because the OSA did not complete their investigation until after the college's fiscal year-end, no amounts were booked as a receivable from the employee for the embezzled funds. However, as part of the college's internal investigation, college personnel did make entries to correct accounts affected, and recorded an expense for the embezzled funds.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

10. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2020:

	Salaries & Wages	Pension Expense	Fringe Benefits	Travel	Contractual Services	Utilities & Communication	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,459,053	\$ 2,961,815	\$ 1,511,330	\$ 141,701	\$ 1,051,202	\$ 62,231	\$ 190,807	\$ 893,356	\$ -	\$ 17,271,495
Academic support	424,636	123,832	66,452	63,099	71,639	74	-	28,610	-	778,342
Student services	2,144,455	610,222	352,024	137,958	245,181	30,840	1,990,691	270,310	-	5,781,681
Institutional support	2,652,113	676,481	494,963	123,999	2,007,730	148,612	-	380,946	-	6,484,844
Operation of plant	1,120,825	326,256	232,847	1,501	1,511,884	1,125,361	-	813,211	-	5,131,885
Student aid	-	-	-	-	-	-	3,905,382	-	-	3,905,382
Auxiliary enterprises	305,996	85,832	73,222	60	1,449,114	422,570	-	1,311,330	-	3,648,124
Depreciation	-	-	-	-	-	-	-	-	2,165,994	2,165,994
Total Operating Expenses	<u>\$ 17,107,078</u>	<u>\$ 4,784,438</u>	<u>\$ 2,730,838</u>	<u>\$ 468,318</u>	<u>\$ 6,336,750</u>	<u>\$ 1,789,688</u>	<u>\$ 6,086,880</u>	<u>\$ 3,697,763</u>	<u>\$ 2,165,994</u>	<u>\$ 45,167,747</u>

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**11. Defined Benefit Pension Plan**

General Information about the Pension Plan

*Plan Description.* The College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at [www.pers.ms.gov](http://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 those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

*Contributions* - PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020, was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and maybe amended only by the State of Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2020, 2019, and 2018, were \$2,854,717, \$2,516,102, and \$2,401,029, respectively, which equaled the required contributions for each year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2020, the College reported a liability of \$43,153,110 for its proportionate share of the net pension liability. The net pension liability was

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

11. Defined Benefit Pension Plan (continued)

measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2020, net pension liability was 0.2453%, which was based on a measurement date of June 30, 2019. This was a 0.0053% increase from its proportionate share used to calculate the June 30, 2019, net pension liability, which was 0.2400% based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the College recognized pension expense of \$4,784,438. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,976	\$ 43,553
Net difference between projected and actual earnings on pension plan investments	-	415,948
Changes of assumptions	422,673	-
Changes in proportion and differences between College contributions and proportionate share of contributions	1,456,952	-
College contributions subsequent to the measurement date	<u>2,854,717</u>	<u>-</u>
Total	<u>\$ 4,759,318</u>	<u>\$ 459,501</u>

\$2,854,717 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 877,894
2022	59,794
2023	310,393
2024	<u>197,019</u>
Total	<u>\$ 1,445,100</u>

*Actuarial assumptions* - The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

11. Defined Benefit Pension Plan (continued)

Inflation: 2.75%  
Salary increases: 3.00-18.25%, including inflation  
Investment rate of return: 7.75%, net of pension plan investment expenses, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Expected</u>
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
Total	<u>100.00%</u>	

**Discount rate** - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of 9.00% and that Employer contributions will be made at the the current contribution rate of 17.40%. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

11. Defined Benefit Pension Plan (continued)

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
College's proportionate share of the Net Pension Liability	<u>\$56,726,258</u>	<u>\$ 43,153,110</u>	<u>\$ 31,949,695</u>

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

12. Other Post-Employment Benefits (OPEB)

General Information about the OPEB Plan.

*Plan description* - State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

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

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

*Contributions* - The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$83,559 for the year ended June 30, 2020.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB* – At June 30, 2020, the College reported a long-term liability of \$2,170,619 and a short-term liability of \$83,559, for a total liability of \$2,254,178 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the College's proportion was 0.2657%. This was an increase of 0.0079% from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the College recognized OPEB expense of \$155,915. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,408	\$ 32,266
Net difference between projected and actual earnings on OPEB plan investments	\$ 43	\$ -
Changes of assumptions	168,055	116,890
Changes in proportion and differences between College contributions and proportionate share of contributions	139,106	-
College's contributions subsequent to the measurement date	<u>83,559</u>	<u>-</u>
Total	<u>\$ 394,171</u>	<u>\$ 149,156</u>

The Implicit rate subsidy of \$83,559 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 27,333
2022	27,333
2023	27,333
2024	29,858
2025	35,481
Thereafter	<u>14,118</u>
Total	<u>\$ 161,456</u>

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00 - 18.20%, including wage inflation
Municipal Bond Index Rate	
Measurement date	3.50%
Prior measurement date	3.89%
Year FNP is projected to be depleted	
Measurement date	2019
Prior measurement date	2018
Single equivalent interest rate, net of OPEB plan	
Investment expense, including inflation	
Measurement date	3.50%
Prior measurement date	3.89%
Health care cost trends, Medicare supplement	
Claims, Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

*Discount rate* - The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.50%. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. 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, 2018, and June 30, 2019. The discount rate used to measure the total OPEB liability at June 30, 2019, was based on an average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease 2.50%</u>	<u>Current Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
Net OPEB Liability	\$ 2,504,438	\$ 2,254,178	\$ 2,040,791

*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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 2,089,210	\$ 2,254,178	\$ 2,441,903

*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>.

**13. Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the entity through March 26, 2021, and determined the following event for disclosure:

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

13. Subsequent Events (continued)

COVID-19: During the year ended June 30, 2020, a world-wide pandemic was declared due to the COVID-19 Coronavirus, which caused delays, interruptions, cancellations, etc. to normal campus operations. The college received additional grant funding (a portion of which was expended during the fiscal year ended June 30, 2020) through the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) to help the college with COVID-19 related costs and emergency grants to students. However, as of the date of the audit report, the world-wide pandemic rages on, continuing to affect college operations, and the full effect to college operations is not fully known at this time.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

Note 1: Summary of Significant Accounting Policies

A. Description of Business Activities

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

B. Reporting Entity

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

C. Basis of Accounting

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

D. Use of Estimates

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

E. Cash and Cash Equivalents

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

F. In-Kind Donations

The Foundation received donated supplies, athletics apparel and other goods to be used in college programs of \$32,152 for the year ended June 30, 2020. Such amounts, which are based upon information provided by third-parties, are recorded at their estimated fair value determined on the date of contributions and are reported as contributions and program expenses on the accompanying statement of activities and statement of functional expenses.

G. Investments

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

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

Real estate investments are initially recognized at fair value based on appraised values at the date of receipt and are subsequently carried at fair value.

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

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

H. Unconditional Promises to Give

The Foundation has recorded unconditional promises to give of \$261,817 at June 30, 2020, of which \$76,543 is current and \$185,274 is long-term. The Foundation expects to receive payment on the current portion during 2021.

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

I. Property and Equipment

Property and equipment are stated at cost, except for donated assets, which are recorded at their fair market value at the date of the gift. The Foundation does not imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are restricted as to their use by the donor. Accordingly, those donations are recorded as support, increasing net assets without restriction.

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

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

J. Long-Lived Assets

The Foundation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amounts as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2020.

K. Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

L. Financial Reporting

The Foundation reports its activities and the related net assets using two net asset categories: net assets without restrictions and net assets with restrictions.

Net assets without restrictions are not restricted by donors or other outside agencies. The Board of Directors can authorize use of these assets, as it desires, to carry on the purposes of the Foundation according to its bylaws. The Board of Directors has also designated that a portion of these monies be used to supplement program expenses.

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

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

M. Statement of Functional Expenses

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

N. Financial Instruments Measured at Fair Value

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

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

O. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

P. Income Taxes

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

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the Association are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Note 2: Availability and Liquidity

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 5-10% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, and fundraising expenses. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Board meets quarterly to review the financial asset balances to evaluate and ensure that liquid financial assets are adequate to meet the next quarter's needs. Additionally, the Foundation strives to maintain a minimum cash balance of \$100,000, which would cover the fundraising, general, and administrative costs for approximately six months.

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 96,434
Unconditional promises to give (net)	261,817
Cash surrender value life insurance investment	13,201
Investments	<u>3,475,567</u>
Total financial assets	<u>3,847,019</u>

Less amounts not available to be used within one year:

Endowment Investments	2,737,416
Unconditional promises to give (net) - due after one year	<u>185,274</u>
	<u>2,922,690</u>

Financial assets available to meet general expenditures  
over the next twelve months

\$ 924,329

**Note 3: Economic Dependence and Concentration**

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

**Note 4: Promises to give**

Unconditional promises to give

Without restrictions	\$ -
With restrictions	261,817
Total	<u><u>\$ 261,817</u></u>

Reported As

Current	\$ 76,543
Long-term	185,274
	<u><u>\$ 261,817</u></u>

These pledges are due as follows:

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

Due in less than one year	\$ 76,543
Due in one to five years	144,867
Due in six to ten years	62,335
Due in eleven to fifteen years	33,330
Total	<u>317,075</u>
Less: discounts to present value	(37,999)
Less: allowances for bad debts	(17,259)
Net unconditional promises to give at June 30, 2020	<u><u>\$ 261,817</u></u>

**Note 5: Investments**

Investments as of June 30 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Dodge & Cox Income	\$ 447,592	\$ 472,343
FDIC Insured Sweep	37,362	37,362
Franklin Mutual Discovery Z Fund	265,515	224,883
Goldman Sachs Large Cap Growth Insights Fund	240,164	287,075
John Hancock Disciplined Value	225,732	218,847
John Hancock Disciplined Value Mid Cap	130,690	136,043
John Hancock Intl Growth I	185,621	245,061
JP Morgan Equity Income R6	267,615	247,290
JP Morgan Strategic Income Opportunities Fund	247,540	244,333
Meridian Small Cap Growth	131,227	132,467
Fidelity Advisor Total Bond Fund	388,967	406,549
Pioneer Multi-Asset Ultra Short	175,003	167,189
Pioneer Strategic Income	176,870	171,414
T Rowe Price Mid Cap Growth Fund	72,607	104,681
Undiscovered Mgrs. Behavioral Value	233,477	180,861
Sub-Total	<u>\$ 3,225,982</u>	<u>\$ 3,276,398</u>
Cash Surrender Value Life Insurance Investment		13,201
Real Estate and Equipment Owned		197,500
Accrued Investment Income		1,669
Total		<u><u>\$ 3,488,768</u></u>
Without Restrictions		\$ 14,870
With Restrictions		3,473,898
Total		<u><u>\$ 3,488,768</u></u>

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

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

	<u>Total</u>	<u>Without Restrictions</u>	<u>With Restrictions</u>
Dividend and Interest Income	\$ 62,909	62,909	\$ -
Realized Gain (Loss) on Assets	83,747	83,747	-
Total	<u><u>\$ 146,656</u></u>	<u><u>146,656</u></u>	<u><u>\$ -</u></u>



**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 6: Property and equipment**

The following is a summary of property and equipment:

Land	\$ 80,000
Office Equipment	28,364
Less: Accumulated Depreciation	<u>(27,134)</u>
	<u><u>\$ 81,230</u></u>

Depreciation expense totaled \$297 for the year.

**Note 7: Net Assets**

Net assets with restrictions are available for the following purposes:

Athletics	\$ 351,629
Building Endowments	1,596
Endowment Scholarships	75,492
College Programs	293,832
Fine Arts	17,498
Other	197,500
Scholarships	110,301
Endowments (See Below)	<u>2,737,416</u>
	<u><u>\$ 3,785,264</u></u>

Net assets restricted as endowments are available for the following purposes:

Scholarships - Haney	\$ 1,037,833
Scholarships - Martin	100,049
Scholarships - Miller	227,840
Scholarships - Rees	100,000
Scholarships - Woods	125,000
Scholarships - Various	<u>1,146,694</u>
	<u><u>\$ 2,737,416</u></u>

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

**Note 8: Fair Value Measurements**

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

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

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

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

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

	Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Inputs are Unobservable (Level 3)
Financial Assets Without Restrictions:				
Cash surrender value life insurance investment	\$ 13,201	-	-	13,201
Investments without restrictions	1,669	1,669	-	-
Financial Assets With Restrictions:				
Unconditional promises to give	261,817	-	-	261,817
Endowment investments with restrictions	2,737,416	2,737,416	-	-
Real estate and equipment owned	197,500	-	-	197,500
Other investments with restrictions	538,982	538,982	-	-
	<u>\$3,750,585</u>	<u>3,278,067</u>	<u>-</u>	<u>472,518</u>

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

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

Level 2 – Inputs to the valuation methodology include:

- \*Quoted prices for similar assets or liabilities in active markets;
- \*Quoted prices for identical assets or liabilities in inactive markets;
- \*Inputs other than quoted prices that are observable for the asset or liability;
- \*Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 9: Related Party Transactions**

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

Salary & Fringe Benefits	\$ 178,329
Postage & Freight	1,730
Tutoring Project	21,453
Other	6,616
	<u>\$ 208,128</u>

The members of the Foundation Board of Directors contributed \$8,650 to the Foundation during this fiscal year.

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

**Note 10: Compensated Absences**

The Foundation does not have a policy for compensated absences.

**Note 11: Donated Services**

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

**Note 12: Subsequent Events**

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management is currently evaluating the impact of the COVID-19 pandemic on the organization and has concluded that while it is reasonably possible that the virus could have a negative impact on the Foundation's financial position and results of its operations, the specific financial impact is not readily determinable as of the date of these financial statements. Management evaluated the activity of the Foundation through January 13, 2021, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements. No adjustments are considered necessary to these financial statements.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability (asset)	0.2453%	0.2400%	0.2300%	0.2300%	0.2301%	0.2272%
College's proportionate share of the net pension liability (asset)	\$ 43,153,110	\$ 39,919,130	\$ 38,233,806	\$ 41,083,743	\$ 35,565,058	\$ 27,578,041
College's covered payroll	\$ 15,975,239	\$ 15,244,629	\$ 14,914,000	\$ 14,698,425	\$ 14,373,797	\$ 13,883,181
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	270.12%	261.86%	256.36%	279.51%	247.43%	198.64%
Plan Fiduciary net position as a percentage of the total pension liability (asset)	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,854,717	\$ 2,516,102	\$ 2,401,029	\$ 2,348,955	\$ 2,315,002	\$ 2,263,873
Contributions in relation to the contractually required contribution	<u>\$ 2,854,717</u>	<u>\$ 2,516,102</u>	<u>\$ 2,401,029</u>	<u>\$ 2,348,955</u>	<u>\$ 2,315,002</u>	<u>\$ 2,263,873</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 16,407,319	\$ 15,975,239	\$ 15,244,629	\$ 14,914,000	\$ 14,698,425	\$ 14,373,797
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability	0.2657%	0.2578%	0.2496%
College's proportionate share of the net OPEB liability	\$ 2,254,178	\$ 1,994,190	\$ 1,958,265
College's covered-employee payroll	\$ 16,407,319	\$ 15,975,239	\$ 15,244,629
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	13.74%	12.48%	12.85%
Plan Fiduciary net position as a percentage of the total OPEB liability (asset)	0.12%	0.13%	0.00%

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

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 83,559	\$ 90,354	\$ 83,484
Contributions in relation to the actuarially determined contribution	<u>\$ 83,559</u>	<u>\$ 90,354</u>	<u>\$ 83,484</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 16,407,319	\$ 15,975,239	\$ 15,244,629
Contributions as a percentage of covered-employee payroll	0.51%	0.57%	0.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented beginning in fiscal year ended June 30, 2018, and until a full 10-year trend is compiled, the College will only present information for the years which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

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

**Northeast Mississippi Community College  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020**

Pension Schedules

1. Changes of Assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

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

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

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

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

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

2017:

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

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

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

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.



**Northeast Mississippi Community College  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020**

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

2. Changes in Benefit Provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1.00% and a maximum rate of 5.00%.

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Other Post-Employment Benefits (OPEB) Schedules

1. Changes of Assumptions

2017:

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

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2. Changes in Benefit Provisions

2017, 2018, and 2019                      None

**Northeast Mississippi Community College**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2020**

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

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018, actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.25%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.89%

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Education</b>			
Direct:			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant	84.007		\$ 67,734
Federal Family Education Loans	84.032		3,975,323
Federal Work Study Programs	84.033		154,150
Federal Pell Grant Program	84.063		9,638,667
Total Student Financial Assistance Cluster			<u>13,835,874</u>
COVID-19-Education Stabilization Fund	84.425		<u>2,544,679</u>
Total Direct Funding			<u>16,380,553</u>
Passed Through MS Department of Education			
Adult Basic Education Grants to States	84.002		502,722
Career and Technical Basic Grants to States	84.048	V048A190024	270,083
Total MS Department of Education			<u>772,805</u>
<b>Total U. S. Department of Education</b>			<u>17,153,358</u>
<b>U. S. Department of Labor</b>			
Workforce Investment Opportunity Act Cluster			
Passed Through Three Rivers Planning & Development District			
WIOA Adult Program	17.258	19-07-10	727,090
WIOA Youth Activities	17.259	19-06-30	341,570
Total Three Rivers Planning and Development District			<u>1,068,660</u>
Passed Through Mississippi Community College Board			
WIA Dislocated Worker Formula Grants	17.278	AA-30753-17-55-A-28	55,755
Total Mississippi Community College Board			<u>55,755</u>
Total Workforce Investment Opportunity Act Cluster			<u>1,124,415</u>
<b>Total U.S. Department of Labor</b>			<u>1,124,415</u>
<b>Appalachian Regional Commission</b>			
Direct			
Appalachian Area Development	23.002		<u>78,000</u>
<b>Total Appalachian Regional Commission</b>			<u>78,000</u>

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through MS Department of Human Services			
Every Student Succeeds Act/Preschool Development Grants	93.434	90TP0022	114,062
Temporary Assistance for Needy Families	93.558	6018940/6018941	312,906
Child Care and Development Block Grant	93.575		188,866
Total MS Department of Human Services			<u>615,834</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>615,834</u>
<b>National Aeronautics and Space Administration</b>			
Passed Through University of Mississippi			
Aerospace Educations Services Program	43.001	19-04-052	<u>7,500</u>
Total University of Mississippi			<u>7,500</u>
<b>Total National Aeronautics and Space Administration</b>			<u>7,500</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 18,979,107</u>

**Notes to the Supplementary Information**

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

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

Pass-through entity numbers are not assigned.

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northeast Mississippi Community College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Northeast Mississippi Community College's basic financial statements, and have issued our report thereon dated March 26, 2021. We have audited the financial statements of Northeast Mississippi Community College Foundation, Inc. in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
March 26, 2021



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

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

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

We have audited Northeast Mississippi Community College's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Mississippi Community College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

---

Red Bay, Alabama  
Phone: (256) 356-9375

Muscle Shoals, Alabama  
Phone: (256) 314-5082

Corinth, Mississippi  
Phone: (662) 286-7082

Booneville, Mississippi  
Phone: (662) 728-6172

Iuka, Mississippi  
Phone: (662) 423-5057

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

In our opinion, Northeast Mississippi Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
March 26, 2021





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

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

We have audited the financial statements of the business-type activities of Northeast Mississippi Community College as of and for the year ended June 30, 2020, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated March 26, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

The results of procedures performed to test compliance with certain state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees and management, others within the entity, entities with accreditation overview, and federal awarding agencies, 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.

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
March 26, 2021

Red Bay, Alabama  
Phone: (256) 356-9375

Muscle Shoals, Alabama  
Phone: (256) 314-5082

Corinth, Mississippi  
Phone: (662) 286-7082

Booneville, Mississippi  
Phone: (662) 728-6172

Iuka, Mississippi  
Phone: (662) 423-5057

**Northeast Mississippi Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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

**Financial Statements:**

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

**Federal Awards:**

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

7. Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Program or Cluster</u>
84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
84.425	COVID-19-Education Stabilization Fund

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

**Section II: Financial Statement Findings**

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

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

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