



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021



Certified Public Accountants

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
TABLE OF CONTENTS**

	Page
Independent Auditors' Report on The Basic Financial Statements and Supplementary Information	1 - 3
Management's Discussion and Analysis	4 -14
Financial Statements:	
Northeast Mississippi Community College, Statement Of Net Position	15
Northeast Mississippi Community College Development Foundation, Inc., Statement of Financial Position	16
Northeast Mississippi Community College, Statement Of Revenues, Expenses, And Changes In Net Position	17
Northeast Mississippi Community College Development Foundation, Inc., Statement of Activities	18
Northeast Mississippi Community College Development Foundation, Inc., Statement of Functional Expenses	19
Northeast Mississippi Community College Statement of Cash Flows	20 - 21
Northeast Mississippi Community College Development Foundation, Inc., Statement of Cash Flows	22
Notes to Financial Statements	
Northeast Mississippi Community College Notes to Financial Statements	23-38
Northeast Mississippi Community College Development Foundation, Inc., Notes to Financial Statements	39-47
Required Supplementary Schedules:	
Schedule of the College's Proportionate Share of the Net Pension Liability	48
Schedule of College Contributions - PERS	49
Schedule of the College's Proportionate Share of the Net OPEB Liability	50
Schedule of College Contributions - OPEB Plan	51
Notes to the Required Supplementary Information	52-54
Supplementary Schedules:	
Northeast Mississippi Community College - Schedule of Expenditures of Federal Awards	55-57
Reports:	
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	58-59
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	60-61
Independent Auditors' Report on Compliance With State Laws and Regulations	62
Schedule of Findings and Questioned Costs	63



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

Certified Public Accountants

www.sparkscpas.com

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, 2021, 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 financial statements of 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.

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

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

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

Iuka, Mississippi
Phone: (662) 423-5057

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, 2021, and information of Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2021, 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 OPEB Liability and the Schedule of College Contributions - OPEB Plan on pages 4-14 and 48-54, 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 August 15, 2022, 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
August 15, 2022
Booneville, Mississippi

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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, 2021. 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 pension 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.

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

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

to record deferred outflows, deferred inflows, net OPEB liability, and OPEB 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, 2021 and 2020:

	2021	2020	Increase (Decrease)	Percent Inc.(Dec.)
Assets				
Current Assets	\$ 19,912,096	\$ 17,368,881	\$ 2,543,215	14.64%
Non-Current Assets				
Other	3,827,245	264,832	3,562,413	1345.16%
Capital Assets	55,610,926	53,272,410	2,338,516	4.39%
Total Assets	<u>79,350,267</u>	<u>70,906,123</u>	<u>8,444,144</u>	11.91%
Deferred Outflows				
OPEB Related	533,640	394,171	139,469	35.38%
Pension Related	6,528,396	4,759,318	1,769,078	37.17%
Total				
Deferred Outflows	<u>7,062,036</u>	<u>5,153,489</u>	<u>1,908,547</u>	37.03%
Liabilities				
Current Liabilities	1,230,203	1,475,054	(244,851)	-16.60%
Non-Current Liabilities	9,032,364	9,588,739	(556,375)	-5.80%
Net OPEB Liability	2,095,265	2,254,178	(158,913)	-7.05%
Net Pension Liability	47,700,177	43,153,110	4,547,067	10.54%
Total Liabilities	<u>60,058,009</u>	<u>56,471,081</u>	<u>3,586,928</u>	6.35%
Deferred Inflows				
OPEB Related	453,175	149,156	304,019	203.83%
Pension Related	-	459,501	(459,501)	-100.00%
Total				
Deferred Inflows	<u>453,175</u>	<u>608,657</u>	<u>(155,482)</u>	-25.55%
Net Position	<u>\$ 25,901,119</u>	<u>\$ 18,979,874</u>	<u>\$ 6,921,245</u>	36.47%

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Impact of GASB 68 and GASB 75 on Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
Total Net Position	\$ 25,901,119	\$ 18,979,874
Deferred outflows of resources - pensions	(6,528,396)	(4,759,318)
Deferred inflows of resources - pensions	-	459,501
Net pension liability	47,700,177	43,153,110
Deferred outflows of resources - OPEB	(533,640)	(394,171)
Deferred inflows of resources - OPEB	453,175	149,156
Net OPEB liability	2,095,265	2,254,178
Total impact of GASB 68 and 75	43,186,581	40,862,456
Total net position, net of GASB 68 and 75	69,087,700	59,842,330
Less		
Net investment in capital assets	47,351,007	44,197,038
Restricted net position	4,137,528	2,938,589
Unrestricted net position, net of GASB 68 and 75	\$ 17,599,165	\$ 12,706,703

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 \$15,200,918 and \$14,629,324, respectively, at June 30, 2021 and 2020.

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 \$3,783,942 and \$2,273,633 respectively, at June 30, 2021 and 2020.

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 \$659,881 and \$242,320, respectively, at June 30, 2021 and 2020.

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, 2021 and 2020, totaled \$3,827,245 and \$264,832 respectively.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings. The amount reported is net of accumulated depreciation. Capital assets, net of accumulated depreciation, totaled \$55,610,926 at June 30, 2021, in comparison to \$53,272,410 at June 30, 2020.

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, 2021 and 2020, pension related deferred outflow of resources amounted to \$6,528,396 and \$4,759,318, 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, 2021 and 2020, OPEB deferred outflow of resources amounted to \$533,640 and \$394,171, 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 \$1,079,633 and \$1,133,831, respectively, at June 30, 2021 and 2020.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year but not yet earned. Unearned revenue totaled \$50,570 and \$16,223, respectively, at June 30, 2021 and 2020.

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, 2021 and 2020, was \$72,291 and \$83,559, 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, 2021 and 2020, was \$100,000 and \$325,000, respectively.

Noncurrent Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is room deposits paid by dormitory students and held in reserve by the college for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2021 and 2020, was \$97,700 and \$137,400, respectively.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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 \$774,745 at June 30, 2021, as compared to \$700,967 at June 30, 2020.

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. The amount of the long-term liabilities balance was \$8,159,919 at June 30, 2021, as compared to \$8,750,372 at June 30, 2020.

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 \$2,022,974 and \$2,170,619 at June 30, 2021 and 2020, 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 \$47,700,177 and \$43,153,110 at June 30, 2021 and 2020, 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, 2021 and 2020, pension related deferred inflow of resources amounted to \$0 and \$459,501, 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, 2021 and 2020, OPEB deferred inflow of resources amounted to \$453,175 and \$149,156, 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, 2021, was \$25,901,119 as compared to \$18,979,874 at June 30, 2020. **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.**

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.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

The following is an analysis of net position as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Increase Decrease</u>	<u>Percent Inc.(Dec.)</u>
Net Investment in Capital Assets	\$ 47,351,007	\$ 44,197,038	\$ 3,153,969	7.14%
Restricted for:				
Scholarships	84,836	58,465	26,371	45.11%
Capital Projects	3,667,103	2,584,217	1,082,886	41.90%
Unemployment	50,000	50,238	(238)	-0.47%
Specified Programs	<u>335,589</u>	<u>245,669</u>	<u>89,920</u>	36.60%
Total Restricted Net Position	<u>4,137,528</u>	<u>2,938,589</u>	<u>1,198,939</u>	40.80%
Unrestricted	<u>(25,587,416)</u>	<u>(28,155,753)</u>	<u>2,568,337</u>	9.12%
Total Net Position	<u>\$ 25,901,119</u>	<u>\$ 18,979,874</u>	<u>\$ 6,921,245</u>	36.47%
Effects of GASB 68 and 75:				
Total Unrestricted Net Position (Deficit)	\$ (25,587,416)	\$ (28,155,753)	2,568,337	9.12%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 75	<u>43,186,581</u>	<u>40,862,456</u>	<u>2,324,125</u>	5.69%
Unrestricted Net Position, Exclusive of the Effect of Net Pension and OPEB Liabilities	<u>\$ 17,599,165</u>	<u>\$ 12,706,703</u>	<u>\$ 4,892,462</u>	38.50%
Total Net Position	\$ 25,901,119	\$ 18,979,874	6,921,245	36.47%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 75	<u>43,186,581</u>	<u>40,862,456</u>	<u>2,324,125</u>	5.69%
Total Net Position, Exclusive of the Effect of Net Pension and OPEB Liabilities	<u>\$ 69,087,700</u>	<u>\$ 59,842,330</u>	<u>\$ 9,245,370</u>	15.45%

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Inc.(Dec.)</u>
Operating Revenue:				
Tuition and Fees	\$ 8,326,790	\$ 4,466,371	\$ 3,860,419	86.43%
Grants and Contracts	31,335,364	18,742,697	12,592,667	67.19%
Sales and Services of Edu. Activities	891,484	653,999	237,485	36.31%
Auxiliary Enterprises	3,615,260	2,264,828	1,350,432	59.63%
Total Operating Revenues	44,168,898	26,127,895	18,041,003	69.05%
Operating Expenses	55,921,812	45,167,747	10,754,065	23.81%
Operating Loss	(11,752,914)	(19,039,852)	7,286,938	38.27%
Non-operating Revenues (Expenses)				
State and Local Appropriations	15,554,891	16,057,574	(502,683)	-3.13%
Investment Income	19,808	16,579	3,229	19.48%
Gain on Sale of Assets	180,636	-	180,636	N/A
Interest Expense on Capital Related Debt	(283,266)	(317,058)	33,792	10.66%
Total Non-operating Revenues	15,472,069	15,757,095	(285,026)	-1.81%
Income (Loss) Before Other Revenues	3,719,155	(3,282,757)	7,001,912	213.29%
State and Local Capital Appropriations	3,202,090	3,514,611	(312,521)	-8.89%
Change in Net Position	6,921,245	231,854	6,689,391	2885.17%
Net Position, Beginning of Year	18,979,874	18,748,020	231,854	1.24%
Net Position, End of Year	<u>\$ 25,901,119</u>	<u>\$ 18,979,874</u>	<u>\$ 6,921,245</u>	36.47%
Impact of GASB 68 and 75 and other non-cash items on the Change in Net Position				
Change in Net Postion	\$ 6,921,245	\$ 231,854	6,689,391	2885.17%
GASB 68 Impact	2,318,488	1,899,344	419,144	22.07%
GASB 75 Impact	5,637	72,355	(66,718)	-92.21%
Depreciation	2,468,983	2,165,994	302,989	13.99%
Changes in Compensated Absences	73,778	55,845	17,933	32.11%
Effect of GASB 68 and 75 and other non-cash items	4,866,886	4,193,538	673,348	16.06%
Change in Net Postion, Net of GASB 68 and 75, and other non-cash items	<u>11,788,131</u>	<u>4,425,392</u>	<u>7,362,739</u>	166.37%

Total operating loss for the year ended June 30, 2021, was \$(11,752,914) as compared to \$(19,039,852) for the year ended June 30, 2020. 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, 2021**

Total operating revenues for the year ended June 30, 2021, were \$44,168,898, as compared to \$26,127,895 for the year ended June 30, 2020. Tuition and fees (net of tuition discount) were \$8,326,790 for the year ended June 30, 2021, compared to \$4,466,371 for the year ended June 30, 2020. The tuition discount for the year ended June 30, 2021, was \$6,930,327 compared to \$7,221,662 for the year ended June 30, 2020. Operating expenses for the year ended June 30, 2021, including depreciation expense of \$2,468,983, totaled \$55,921,812. Operating expenses for the year ended June 30, 2020 totaled \$45,167,747, including depreciation of \$2,165,994.

Instructional expenditures comprised 30.90% of the operating expenses for the year ended June 30, 2021, and 38.24% of the operating expenses for the year ended June 30, 2020.

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$8,326,790 (net of tuition discount) for the year ended June 30, 2021, in comparison to \$4,466,371 (net of tuition discount) for the year ended June 30, 2020. The tuition discount for the year ended June 30, 2021, was \$6,930,327 compared to \$7,221,662 for the year ended June 30, 2020.

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, 2021 and 2020:

	2021	2020	Increase (Decrease)
Federal Sources	\$ 27,486,752	\$ 15,546,681	\$ 11,940,071
State Sources	3,220,151	2,750,722	469,429
Other Sources	628,461	445,294	183,167
Total All Sources	<u>\$ 31,335,364</u>	<u>\$ 18,742,697</u>	<u>\$ 12,592,667</u>

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$891,484 for the year ended June 30, 2021, as compared to \$653,999 for the year ended June 30, 2020.

Sales and Services from Auxiliary Enterprises, Net

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

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,615,260 for the year ended June 30, 2021, as compared to \$2,264,828 for the year ended June 30, 2020. The discount for scholarship allowance was \$1,506,328 for the year ended June 30, 2021, and \$2,281,434 for the year ended June 30, 2020.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Operating Expenses

The following is a breakdown of operating expenses by category for the years ended June 30, 2021 and 2020:

	2021	2020	Increase (Decrease)	Percent Inc.(Dec.)
Salaries and Benefits	\$ 25,108,095	\$ 24,622,354	\$ 485,741	1.97%
Scholarships	14,091,406	6,086,880	8,004,526	131.50%
Commodities	5,507,981	3,697,763	1,810,218	48.95%
Contractual Services	6,739,441	6,336,750	402,691	6.35%
Utilities	1,783,747	1,789,688	(5,941)	-0.33%
Travel	222,159	468,318	(246,159)	-52.56%
Depreciation	2,468,983	2,165,994	302,989	13.99%
Total Operating Expenses	<u>\$ 55,921,812</u>	<u>\$ 45,167,747</u>	<u>\$ 10,754,065</u>	23.81%

The following is a breakdown of operating expenses by functional classification for the years ended June 30, 2021 and 2020:

	2021	2020	Increase (Decrease)	Percent Inc.(Dec.)
Expenses by Function:				
Instruction	\$ 17,285,168	\$ 17,271,495	\$ 13,673	0.08%
Academic Support	793,921	778,342	15,579	2.00%
Student Services	14,148,967	5,781,681	8,367,286	144.72%
Institutional Support	8,465,157	6,484,844	1,980,313	30.54%
Operation and Maintenance of Plant	4,855,014	5,131,885	(276,871)	-5.40%
Student Financial Aid	3,420,080	3,905,382	(485,302)	-12.43%
Auxiliary Enterprises	4,484,522	3,648,124	836,398	22.93%
Depreciation	2,468,983	2,165,994	302,989	13.99%
Total Operating Expenses	<u>\$ 55,921,812</u>	<u>\$ 45,167,747</u>	<u>\$ 10,754,065</u>	23.81%

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 \$13,617,791 for the year ended June 30, 2021, as compared to \$14,150,767 for the year ended June 30, 2020. In addition, the College received \$986,427 in restricted state appropriations for capital construction for the year ended June 30, 2021, as compared to \$1,397,641 for the year ended June 30, 2020.

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 1st.

The College received \$4,152,763 in county appropriations for the year ended June 30, 2021, compared to \$4,023,777 for the year ended June 30, 2020. The appropriation was received from the five counties that support the College.

The College recognized the gain on the sale of an asset in the amount of \$180,636.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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, 2021, was \$19,808 as compared to \$16,579 for the year ended June 30, 2020.

Non-operating Expenses

This consists of the interest expense on capital asset-related debt the College incurred for the year ended June 30, 2021. The total expense amounted to \$283,266 compared to \$317,058 for the year ended June 30, 2020.

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, 2021 and 2020:

	2021	2020
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (8,620,740)	\$ (14,737,349)
Noncapital Financial Activities	15,350,021	16,109,360
Capital and Related Financing Activities	(2,615,082)	(5,067,369)
Investing Activities	19,808	16,579
Net Increase in Cash and Cash Equivalents	4,134,007	(3,678,779)
Cash and Cash Equivalents - Beginning of the Year	14,894,156	18,572,935
Cash and Cash Equivalents - End of the Year	<u>\$ 19,028,163</u>	<u>\$ 14,894,156</u>

The major sources of funds included in operating activities include student tuition and fees of \$7,859,067, auxiliary enterprises of \$3,181,984, and grants and contracts of \$30,946,333. The major uses of funds were payments made to/on behalf of employees (\$22,768,225), to suppliers (\$14,634,804), and to scholarships (\$14,091,406).

Significant Capital Asset Transactions

Capital improvements consisted primarily of the completion of a new off-campus center in Ripley, MS, the completion of a buildout of space in the off-campus center in Corinth, MS, and the addition of classroom equipment.

Significant Long-Term Debt Transactions

On June 30, 2021, one of the college's trust agents for making bond payments made a payment on long-term debt due July 1, 2021. 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 1, 2021, 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 2021 financial situation. The 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 leveling-off of the enrollment decline for the Fall 2021 and Spring 2022 semesters. An increase in State appropriations for FY22 was approved by the State Legislature in the 2021 legislative session, with an additional increase for FY23 approved in 2022. In addition,

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

the significant rise in inflation is causing a great impact in the College's ability to expand programs, undertake new initiatives, and/or meet its core mission and ongoing operational needs.

State appropriations contributed approximately 23.13% of the College's fiscal year 2021 revenue, including appropriations for capital purposes, down from 30.95% from fiscal year 2020, mainly due to the increase in federal grants from Higher Education Emergency Relief Fund (HEERF) grants received. 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. Therefore, if revenue collections fail to meet state estimates, cuts in appropriations are always a possibility.

As stated previously, the College experienced a significant decrease in enrollment for fiscal year 2020, which is due to the world-wide Coronavirus pandemic. This is the case across the State of Mississippi and nationally, as well. For fiscal year 2021, the college maintained basically the same level of enrollment, but still not back up to pre-COVID levels. That leveling-off continued into the FY22 year.

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, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 15,200,918
Accounts receivable, net (Note 4)	3,783,942
Inventories	659,881
Prepaid expenses	<u>267,355</u>

Total Current Assets	<u>19,912,096</u>
-----------------------------	-------------------

Noncurrent assets:

Restricted cash and cash equivalents	3,827,245
Capital assets, net of depreciation (Note 6)	<u>55,610,926</u>

Total Noncurrent Assets	<u>59,438,171</u>
--------------------------------	-------------------

Total Assets	<u>79,350,267</u>
---------------------	-------------------

Deferred Outflows of Resources

OPEB related	533,640
Pension related	<u>6,528,396</u>

Total Deferred Outflows of Resources	<u>7,062,036</u>
---	------------------

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	1,079,633
Unearned revenues	50,570
Net OPEB Liabilities - current portion	72,291
Long-term liabilities - current portion (Note 7)	<u>100,000</u>

Total Current Liabilities	<u>1,302,494</u>
----------------------------------	------------------

Noncurrent liabilities:

Deposits refundable	97,700
Accrued leave liabilities	774,745
Long-term liabilities (Note 7)	8,159,919
Net OPEB Liability	2,022,974
Net pension liability	<u>47,700,177</u>

Total Noncurrent Liabilities	<u>58,755,515</u>
-------------------------------------	-------------------

Total Liabilities	<u>60,058,009</u>
--------------------------	-------------------

Deferred Inflows of Resources

OPEB related	<u>453,175</u>
--------------	----------------

Total Deferred Inflows of Resources	<u>453,175</u>
--	----------------

Net Position

Net investment in capital assets	47,351,007
Restricted for:	
Expendable:	
Scholarships	84,836
Capital projects and repairs	3,667,103
Unemployment	50,000
Specified Programs	335,589
Unrestricted	<u>(25,587,416)</u>

Total Net Position	<u><u>\$ 25,901,119</u></u>
---------------------------	-----------------------------

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, 2021

Assets

Current Assets:	
Cash and cash equivalents	\$ 99,464
Cash surrender value life insurance investment (Note 5)	14,366
Investments (Note 5)	255,560
Unconditional promises to give (net) (Note 4)	<u>110,339</u>
Total current assets	<u>479,729</u>
Endowment Investments	
Investments (Note 5)	<u>3,863,313</u>
Total endowment investments	<u>3,863,313</u>
Property and Equipment (Net) (Note 6)	<u>80,933</u>
Long-term unconditional promises to give (Note 4)	<u>147,283</u>
Total assets	<u><u>\$ 4,571,258</u></u>

Liabilities

Current Liabilities:	
Accounts payable	\$ <u>12,703</u>
Total current liabilities	<u>12,703</u>

Net Assets

Without restrictions	448,070
With restrictions	<u>4,110,485</u>
Total net assets	<u>4,558,555</u>
Total Liabilities and Net Assets	<u><u>\$ 4,571,258</u></u>

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, 2021

Operating revenues

Tuition and fees (net of scholarship allowance of \$6,930,327)	\$ 8,326,790
Federal grants and contracts	27,486,752
State grants and contracts	3,220,151
Nongovernmental grants and contracts	628,461
Sales and services of educational departments	891,484
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$428,130)	513,783
Food services (net of scholarship allowances of \$676,202)	823,705
Bookstore (net of scholarship allowance of \$401,996)	744,049
Other auxiliary revenues	1,533,723
Total operating revenues	<u>44,168,898</u>

Operating expenses

Salaries and wages	17,161,508
Fringe benefits	2,702,288
Pension expense	5,244,299
Travel	222,159
Contractual services	6,739,441
Utilities	1,783,747
Scholarships and fellowships	14,091,406
Commodities	5,507,981
Depreciation	2,468,983
Total operating expenses	<u>55,921,812</u>

Operating Income (loss)	<u>(11,752,914)</u>
--------------------------------	---------------------

Nonoperating revenues (expenses)

State appropriations	13,617,791
Local appropriations	1,937,100
Gain on sale of assets	180,636
Investment income	19,808
Interest expense on capital asset-related debt	(283,266)
Total net nonoperating revenues (expenses)	<u>15,472,069</u>

Income (loss) before other revenues (expenses)	3,719,155
---	-----------

State appropriations restricted for capital purposes	986,427
Local appropriations for capital purposes	<u>2,215,663</u>

Change in net position	<u>6,921,245</u>
-------------------------------	------------------

Net position

Net position - beginning of year	<u>18,979,874</u>
Net position - end of year	<u><u>\$ 25,901,119</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, 2021

	Without Restrictions	With Restrictions	Total
Public Support and Revenues			
Contributions	\$ 9,538	\$ 1,355,107	\$ 1,364,645
Dividends	50,790	-	50,790
Interest	113	-	113
Administrative Fee Income	1,250	-	1,250
Grants revenue	-	5,000	5,000
Memberships	6,550	-	6,550
Gain (loss) sale of assets	128,330	(40,838)	87,492
Unrealized gain(loss) on assets	579,733	-	579,733
Unrestricted net assets transferred to assets with restrictions	(203,321)	203,321	-
	<u>572,983</u>	<u>1,522,590</u>	<u>2,095,573</u>
Operating Expenses			
Program expense	62,740	1,197,369	1,260,109
Management & general expense	92,965	-	92,965
Fund raising expense	109,337	-	109,337
	<u>265,042</u>	<u>1,197,369</u>	<u>1,462,411</u>
Change in Net Assets	<u>307,941</u>	<u>325,221</u>	<u>633,162</u>
Net assets beginning of year	<u>140,129</u>	<u>3,785,264</u>	<u>3,925,393</u>
Net assets end of year	<u>\$ 448,070</u>	<u>\$ 4,110,485</u>	<u>\$ 4,558,555</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, 2021

	Program Expenses			Support Services			
	Without Restrictions	With Restrictions	Total Program Services	Management	Fund Raising	Total Support Services	Total Expenses
Awards	\$ 10,366	\$ -	\$ 10,366	\$ -	\$ -	\$ -	\$ 10,366
College Support - Grants	-	130,100	130,100	-	-	-	130,100
Scholarships	-	500,384	500,384	-	-	-	500,384
Program Expense:							
College Employee Enhancement	-	3,752	3,752	-	-	-	3,752
College Sports	-	159,597	159,597	-	-	-	159,597
Fine Art	-	49,545	49,545	-	-	-	49,545
College Programs	-	209,361	209,361	-	-	-	209,361
Endowed Scholarships	-	22,913	22,913	-	-	-	22,913
Discretionary Fund	5,914	-	5,914	-	-	-	5,914
Other	-	5,401	5,401	-	-	-	5,401
Administrative:							
Administrative Fee	-	1,250	1,250	-	-	-	1,250
Bad Debts	-	115,066	115,066	-	-	-	115,066
Bank Charges	17,593	-	17,593	100	-	100	17,693
Epay Fees	-	-	-	783	-	783	783
Car Allowance	2,925	-	2,925	2,295	6,480	8,775	11,700
Depreciation	-	-	-	297	-	297	297
Dues & Subscriptions	2,355	-	2,355	3,642	10,500	14,142	16,497
Legal & Accounting	-	-	-	14,602	-	14,602	14,602
Meals & Entertainment	-	-	-	679	714	1,393	1,393
Office Supplies	-	-	-	8,336	-	8,336	8,336
Payroll Taxes	1,377	-	1,377	3,499	5,089	8,588	9,965
Postage	-	-	-	1,253	317	1,570	1,570
Printing & Advertising	-	-	-	914	7,111	8,025	8,025
Professional Development	-	-	-	130	-	130	130
Retirement	3,134	-	3,134	7,644	11,364	19,008	22,142
Salaries	18,013	-	18,013	45,743	66,520	112,263	130,276
Telephone	1,063	-	1,063	1,775	1,063	2,838	3,901
Travel	-	-	-	1,273	179	1,452	1,452
	<u>\$ 62,740</u>	<u>\$ 1,197,369</u>	<u>\$ 1,260,109</u>	<u>\$ 92,965</u>	<u>\$ 109,337</u>	<u>\$ 202,302</u>	<u>\$ 1,462,411</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, 2021

Cash flows from operating activities

Tuition and fees	\$ 7,859,067
Grants and contracts	30,946,333
Sales and services of educational departments	886,311
Payments to suppliers	(14,634,804)
Payments to employees for salaries and benefits	(22,768,225)
Payments for scholarships and fellowships	(14,091,406)
Auxiliary enterprise charges:	
Student housing	71,105
Food service	823,705
Bookstore	744,049
Other auxiliary enterprises	<u>1,543,125</u>

Net cash provided (used) by operating activities (8,620,740)

Cash flows from noncapital financing activities

State appropriations	13,401,673
Local appropriations	<u>1,948,348</u>

Net cash provided (used) by noncapital financing activities 15,350,021

Cash flows from capital and related financing activities

Capital appropriations	2,231,573
Cash received from sale of assets	691,865
Cash paid for capital assets	(4,439,402)
Principal paid on capital debt and leases	(780,000)
Interest paid on capital debt and leases	<u>(319,118)</u>

Net cash provided (used) by capital and related financing activities (2,615,082)

Cash flows from investing activities

Interest received on investments	<u>19,808</u>
----------------------------------	---------------

Net cash provided (used) by investing activities 19,808

Net Increase (Decrease) in Cash and Cash Equivalents	4,134,007
Cash and Cash Equivalents - Beginning of the Year	<u>14,894,156</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 19,028,163</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, 2021

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

Operating income (loss)	\$ <u>(11,752,914)</u>
--------------------------------	------------------------

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

Difference in OPEB and pension expense and cash outlays	2,324,125
Depreciation Expense	2,468,983
Bad Debt Expense(Recovery)	140,573
Book Value of Disposed Assets	5,278
Changes in assets and liabilities	
(Increase) decrease in assets:	
Student Receivables	(918,389)
Other Receivables	(543,532)
Inventories	(417,561)
Prepaid expenses	(43,751)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	48,023
Unearned revenues	34,347
Deposits refundable	(39,700)
Accrued leave liability	<u>73,778</u>

Total adjustments	<u>3,132,174</u>
--------------------------	------------------

Net Cash Provided (Used) by Operating Activities	<u><u>\$ (8,620,740)</u></u>
---	------------------------------

Noncash Investing, Capital, and Financing Activities

Payments by State on construction projects	<u>\$ 986,427</u>
--	-------------------

Total noncash investing, capital and financing activities	<u><u>\$ 986,427</u></u>
--	--------------------------

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, 2021

Operating Activities

Change in net assets	\$ 633,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	297
Net unconditional promise to give	4,195
Accounts payable	9,847
Net cash provided by operating activities	<u>647,501</u>

Investing Activities

Investments	(644,471)
Property and equipment	-
Net cash used by investing activities	<u>(644,471)</u>

Net increase(decrease) in cash and cash equivalents	3,030
Cash and cash equivalents beginning of year	<u>96,434</u>
Cash and cash equivalents end of year	<u>\$ 99,464</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, 2021

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, 2021, the Foundation contributed \$1,086,967 to the College for scholarships, athletics and building programs and reimbursed the College for \$167,613 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.
- 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

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

1. Summary of Significant Accounting Policies (continued)

- 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.
- 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, 2021, was \$774,745. 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.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

1. Summary of Significant Accounting Policies (continued)

- 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 \$1,037,371 as of the measurement date of June 30, 2020. 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 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:
- 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

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

1. Summary of Significant Accounting Policies (continued)

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, *Postponement 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, 2019-1, and 2019-2 were postponed for one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No 2019-3, *Leases*, were postponed for 18 months.

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 \$19,028,163. At June 30, 2021, 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, 2021, the college did not have any investments.

3. Prior Period Adjustments

There were no prior period adjustments made during the year ended June 30, 2021.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2021:

	Total Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Accounts Receivable - Student			
Student tuition and fees	\$ 2,883,266	\$ 2,260,587	\$ 622,679
Auxiliary enterprises	2,193,772	1,705,355	488,417
Accounts Receivable - Student	<u>5,077,038</u>	<u>3,965,942</u>	<u>1,111,096</u>
Accounts Receivable - Other			
Auxiliary enterprises	38,273	37,181	1,092
Grants and contracts	1,897,868	-	1,897,868
State appropriations	435,281	-	435,281
Local appropriations	140,319	-	140,319
Other	198,286	-	198,286
Accounts Receivable - Other	<u>2,710,027</u>	<u>37,181</u>	<u>2,672,846</u>
Accounts Receivable	<u>\$ 7,787,065</u>	<u>\$ 4,003,123</u>	<u>\$ 3,783,942</u>

5. Effect of Deferred Amounts of Net Position

The unrestricted net position amount of \$(25,587,416) 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 \$2,893,200 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, 2022. The \$3,635,196 balance of deferred outflow of resources related to pensions, at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The unrestricted net position amount of \$(25,587,416) 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 \$72,291 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, 2022. The \$461,349 balance of deferred outflow of resources related to OPEB, at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next five years.

The unrestricted net position amount of \$(25,587,416) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$453,175 balance of deferred inflow of resources related to OPEB, at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next five years.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

6. Capital Assets

Following is a summary of changes in capital assets for the year ended June 30, 2021:

	Beginning Balance 7/1/2020	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2021
Nondepreciable Capital Assets:					
Land	\$ 3,218,993	\$ -	\$ 79,000	\$ -	\$ 3,139,993
Construction in progress	1,674,615	1,169,748	-	(2,702,637)	141,726
Total Nondepreciable Capital Assets	4,893,608	1,169,748	79,000	(2,702,637)	3,281,719
Depreciable Capital Assets:					
Improvements other than Buildings	12,667,393	-	-	-	12,667,393
Buildings	71,227,485	-	514,558	2,702,637	73,415,564
Equipment	8,141,162	4,141,872	111,729	-	12,171,305
Library Books	1,282,444	12,386	-	-	1,294,830
Total Depreciable Capital Assets	93,318,484	4,154,258	626,287	2,702,637	99,549,092
Less Accumulated Depreciation for:					
Improvements other than Buildings	3,960,450	523,341	-	-	4,483,791
Buildings	32,929,632	1,228,706	82,329	-	34,076,009
Equipment	6,826,671	703,988	106,451	-	7,424,208
Library Books	1,222,929	12,948	-	-	1,235,877
Total Accumulated Depreciation	44,939,682	2,468,983	188,780	-	47,219,885
Total Depreciable Capital Assets, Net	48,378,802	1,685,275	437,507	2,702,637	52,329,207
Capital Assets, Net	\$ 53,272,410	\$ 2,855,023	\$ 516,507	\$ -	\$ 55,610,926

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, 2021	Remaining Commitment
Seth Pounds Auditorium	\$ 3,089	\$ -
Northeast at Corinth Phase III	3,486	-
Fine Arts Complex	135,151	-
Total Construction in Progress	\$ 141,726	\$ -

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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, 2021.

Description	Original Issue	Interest Rate	Maturity	Balance July 1, 2020	Additions	Payments	Balance June 30, 2021	Due Within One Year
G.O. Notes Payable, Series 2018	\$ 8,155,000	3-5%	7/2033	\$ 7,455,000	\$ -	\$ 455,000	\$ 7,000,000	\$ -
G.O. Refunding Notes Payable, Series 2014	\$ 2,935,000	3.125%	12/2028	1,190,000	-	325,000	865,000	100,000
Total Long-Term Debt				8,645,000	-	780,000	7,865,000	100,000
Original Issue Premium, Series 2018				373,541	-	28,734	344,807	-
Original Issue Premium, Series 2014				56,831	-	6,719	50,112	-
Total Original Issue Premium				430,372	-	35,453	394,919	-
Total Long-Term Debt				9,075,372	-	815,453	8,259,919	100,000
Other Long-Term Liabilities								
Accrued Leave Liability				700,967	73,778	-	774,745	-
Deposits Refundable				137,400	-	39,700	97,700	-
Net OPEB Liability				2,254,178	-	158,913	2,095,265	-
Net Pension Liability				43,153,110	4,547,067	-	47,700,177	-
Total Other Liabilities				46,245,655	4,620,845	198,613	50,667,887	-
Total Long-Term Liabilities				\$ 55,321,027	\$ 4,620,845	\$ 1,014,066	\$ 58,927,806	\$ 100,000

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

	Notes Payable	Interest	Total
2022	\$ 100,000	\$ 159,719	\$ 259,719
2023	570,000	282,144	852,144
2024	595,000	259,869	854,869
2025	615,000	239,269	854,269
2026	635,000	220,519	855,519
2027-2031	3,280,000	733,691	4,013,691
2032-2034	2,070,000	126,600	2,196,600
Totals	\$ 7,865,000	\$ 2,021,811	\$ 9,886,811

On June 30, 2021, the July 1, 2021, 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, 2021, is shown in the schedule.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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 during the June 30, 2021 fiscal year, and arrested and charged the former employee. The College received a payment of \$47,315.17 on the amount owed by the former employee during the year ended June 30, 2021. No amounts were booked as a receivable from the employee for the remaining balance owed to the College due to the uncertainty of the collectability of the remaining funds.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

10. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2021:

	Salaries & Wages	Pension Expense	Fringe Benefits	Travel	Contractual Services	Utilities & Communication	Scholarships & Fellow ships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,320,598	\$ 3,202,080	\$ 1,486,508	\$ 25,973	\$ 1,506,782	\$ 70,626	\$ 192,460	\$ 480,141	\$ -	\$ 17,285,168
Academic support	442,370	141,104	69,013	5,330	96,482	163	-	39,459	-	793,921
Student services	2,205,278	668,135	364,420	163,140	210,916	31,916	10,218,686	286,476	-	14,148,967
Institutional support	2,735,096	777,702	475,365	27,352	1,854,907	139,049	260,680	2,195,006	-	8,465,157
Operation of plant	1,148,981	362,386	241,903	264	1,426,392	1,123,653	-	551,435	-	4,855,014
Student aid	-	-	-	-	-	-	3,419,580	500	-	3,420,080
Auxiliary enterprises	309,185	92,892	65,079	100	1,643,962	418,340	-	1,954,964	-	4,484,522
Depreciation	-	-	-	-	-	-	-	-	2,468,983	2,468,983
Total Operating Expenses	<u>\$ 17,161,508</u>	<u>\$ 5,244,299</u>	<u>\$ 2,702,288</u>	<u>\$222,159</u>	<u>\$ 6,739,441</u>	<u>\$ 1,783,747</u>	<u>\$ 14,091,406</u>	<u>\$ 5,507,981</u>	<u>\$ 2,468,983</u>	<u>\$ 55,921,812</u>

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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.

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, 2021, 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, 2021, 2020, and 2019, were \$2,893,200, \$2,854,717, and \$2,516,102, 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, 2021, the College reported a liability of \$47,700,177 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021, net pension liability was 0.2464%, which was based on a measurement date of June 30, 2020. This was a 0.0011% increase from its proportionate share used to calculate the June 30, 2020, net pension liability, which was 0.2453% based on a measurement date of June 30, 2019.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

11. Defined Benefit Pension Plan (continued)

For the year ended June 30, 2021, the College recognized pension expense of \$5,244,299. At June 30, 2021, 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	\$ 413,728	\$ -
Net difference between projected and actual earnings on pension plan investments	2,018,929	-
Changes of assumptions	265,643	-
Changes in proportion and differences between College contributions and proportionate share of contributions	936,896	-
College contributions subsequent to the measurement date	<u>2,893,200</u>	<u>-</u>
Total	<u>\$ 6,528,396</u>	<u>\$ -</u>

\$2,893,200 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2022	\$ 895,119
2023	1,145,718
2024	962,995
2025	<u>631,364</u>
Total	<u>\$ 3,635,196</u>

Actuarial assumptions - The total pension liability as of June 30, 2020, was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

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.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

11. Defined Benefit Pension Plan (continued)

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the four year period from July 1, 2014, to June 30, 2018. The experience report is dated April 2, 2019.

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:

Asset Class	Target Allocation	Long-Term Real Expected
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	0.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.00%
Total	100.00%	

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
College's proportionate share of the Net Pension Liability	\$ 61,742,018	\$ 47,700,177	\$ 36,110,016

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

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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.

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 \$72,291 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB - At June 30, 2021, the College reported a long-term liability of \$2,022,974 and a short-term liability of \$72,291, for a total liability of \$2,095,265 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the College's proportion was 0.2692%. This was a decrease of 0.0035% from the proportionate share as of the measurement date of June 30, 2019.

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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

For the year ended June 30, 2021, the College recognized OPEB expense of \$77,927. At June 30, 2021, 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	\$ 2,671	\$ 364,632
Net difference between projected and actual earnings on OPEB plan investments	67	-
Changes of assumptions	325,309	88,543
Changes in proportion and differences between College contributions and proportionate share of contributions	133,302	-
College's contributions subsequent to the measurement date	<u>72,291</u>	<u>-</u>
Total	<u>\$ 533,640</u>	<u>\$ 453,175</u>

The Implicit rate subsidy of \$72,291 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2022	2,028
2023	2,028
2024	4,625
2025	10,506
2026	<u>(11,013)</u>
Total	<u>\$ 8,174</u>

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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

Actuarial assumptions. The total OPEB liability in the June 30, 2020, 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 - 18.25%, including wage inflation
Municipal Bond Index Rate	
Measurement date	2.19%
Prior measurement date	3.50%
Year FNP is projected to be depleted	
Measurement date	2020
Prior measurement date	2019
Single equivalent interest rate, net of OPEB plan	
Investment expense, including inflation	
Measurement date	2.19%
Prior measurement date	3.50%
Health care cost trends, Medicare supplement	
Claims, Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2030

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, 2020, 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, 2020, valuation were based on a review of recent plan experience done concurrently with the June 30, 2020, valuation.

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

Discount rate - The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.19%. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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, 2019, and June 30, 2020, total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020, 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 (1.19%) or 1-percentage-point higher (3.19%) than the current discount rate:

Northeast Mississippi Community College
Notes to Financial Statements
For the Year Ended June 30, 2021

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

	1% Decrease 1.19%	Current Discount Rate 2.19%	1% Increase 3.19%
Net OPEB Liability	\$ 2,315,410	\$ 2,095,265	\$ 1,906,440

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,934,656	\$ 2,095,265	\$ 2,277,227

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 or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the entity through August 15, 2022, and determined the following event for disclosure:

On November 23, 2021, the college entered into a Commercial Purchase and Sale Agreement for an industrial building located at 2100 West Chambers Drive, Booneville, MS 38829, containing approximately 350,000 square feet for \$7.2 million dollars. The purchase was finalized on January 13, 2022. At closing, the college paid \$4 million down and seller-financed \$3.2 million for two years at 7% interest. The college purchased this property with future plans to turn this site into a Career and Technical Education and Workforce Training Center. As of the date of this report, the college is leasing the space, which is fully occupied by various industries for warehouse and office space. Proceeds from rents will be used to fund a portion of the debt service and maintain the building until such time the college begins renovations for its own use.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

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 \$27,287 for the year ended June 30, 2021. 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.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

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.

H. Unconditional Promises to Give

The Foundation has recorded unconditional promises to give of \$257,622 at June 30, 2021, of which \$110,339 is current and \$147,283 is long-term. The Foundation expects to receive payment on the current portion during 2022.

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 unrestricted net assets.

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

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

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 2021.

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.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

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.

M. Financial Instruments Measured at Fair Value

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

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

N. New Accounting Pronouncement

In June 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, which among other things, provided entities with an additional year to implement ASU 2016-02, Leases (Topic 842). As a result, the effective date for ASU 2016-02 has been extended to be effective for annual reporting periods beginning after December 15, 2021, and interim reporting periods beginning after December 15, 2022. The Foundation is currently assessing the impact these recent accounting pronouncements will have on its financial statements.

O. 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

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

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:

- 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, 2021:

Financial assets at year end:

Cash and cash equivalents	\$ 99,464
Unconditional promises to give (net)	257,622
Cash surrender value life insurance investment	14,366
Investments	<u>4,118,873</u>
Total financial assets	4,490,325

Less amounts not available to be used within one year:

Endowment Investments	3,863,313
Unconditional promises to give (net) - due after one year	147,263

4,010,576

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

\$ 479,749

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 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, 2021

Unconditional promises to give	
Without restrictions	\$ -
With restrictions	257,622
Total	<u>\$ 257,622</u>
Reported As	
Current	\$ 110,339
Long-term	147,283
	<u>\$ 257,622</u>

These pledges are due as follows:

Due in less than one year	\$ 110,339
Due in one to five years	169,668
Due in six to ten years	45,335
Due in eleven to fifteen years	26,663
Total	<u>352,005</u>
Less: discounts to present value	(34,383)
Less: allowances for bad debts	(60,000)
Net unconditional promises to give at June 30, 2021	<u>\$ 257,622</u>

Note 5: Investments

Investments as of June 30 are summarized as follows:

	Cost	Fair Value
Dodge & Cox Income	\$ 585,070	\$ 597,941
First Eagle Global Fund Class R6	273,465	316,240
G/S Financial Square Govt. Mmkt Fund	5,731	5,731
Goldman Sachs Large Cap Growth Insights Fund	236,158	337,268
John Hancock Disciplined Value	121,227	165,595
John Hancock Disciplined Value Mid Cap	123,256	169,772
John Hancock Intl Growth I	248,519	387,349
JP Morgan Equity Income R6	262,989	330,636
JP Morgan Strategic Income Opportunities Fund	314,774	316,117
Meridian Small Cap Growth	144,343	192,364
Fidelity Advisor Total Bond Fund	498,702	506,137
Pioneer Multi-Asset Ultra Short	265,569	263,141
Pioneer Strategic Income	215,119	225,104
T Rowe Price Mid Cap Growth Fund	74,238	118,656
Undiscovered Mgrs. Behavioral Value	118,572	184,965
Sub-Total	<u>\$ 3,487,732</u>	<u>\$ 4,117,016</u>
Cash Surrender Value Life Insurance Investment		14,366
Accrued Investment Income		1,857
Total		<u>\$ 4,133,239</u>
Without Restrictions		\$ 280,376
With Restrictions		3,852,863
Total		<u>\$ 4,133,239</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:

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

	Total	Without Restrictions	With Restrictions
Dividend and Interest Income	\$ 50,903	50,903	\$ -
Realized Gain (Loss) on Assets	87,492	128,330	(40,838)
Total	<u>\$ 138,395</u>	<u>179,233</u>	<u>\$ (40,838)</u>

Note 6: Property and equipment

The following is a summary of property and equipment:

Land	\$ 80,000
Office Equipment	28,364
Less: Accumulated Depreciation	(27,431)
	<u>\$ 80,933</u>

Depreciation expense totaled \$297 for the year.

Note 7: Net Assets

Net assets with restrictions are available for the following purposes:

Athletics	\$ 339,867
Building Endowments	1,596
Endowment Scholarships	187,442
College Programs	187,639
Fine Arts	18,498
Other	14,524
Scholarships	79,939
Endowments (See Below)	3,280,981
	<u>\$ 4,110,486</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 - Newby	350,000
Scholarships - Rees	100,000
Scholarships - Tuckier	151,564
Scholarships - Woods	125,000
Scholarships - Various	1,188,695
	<u>\$ 3,280,981</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.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

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

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

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

	Fair Value	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	\$ 14,366	-	-	14,366
Investments without restrictions	255,560	255,560	-	-
Financial Assets With Restrictions:				
Unconditional promises to give	257,622	-	-	257,622
Endowment investments with restrictions	3,280,981	3,280,981	-	-
Other investments with restrictions	582,332	582,332	-	-
	<u>\$ 4,390,861</u>	<u>4,118,873</u>	<u>-</u>	<u>271,988</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.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

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

Note 9: Related Party Transactions

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

Salary & Fringe Benefits	\$ 162,383
Postage & Freight	1,248
Other	<u>3,982</u>
	<u>\$ 167,613</u>

The members of the Foundation Board of Directors contributed \$11,033 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: Joint Costs of Activities That Include a Fund-Raising Appeal

The Foundation produces various methods of communications with the public that includes programmatic and administrative information, together with a request for contributions in support of our mission. The costs of producing the communications included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows:

Program Services	\$ 1,260,109
General and Administrative	92,965
Fund Raising	<u>109,337</u>
Total Joint Costs	<u>\$ 1,462,411</u>

Note 13: Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, and other, which are allocated on the basis of estimates of time and effort.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2021

Note 14: Subsequent Events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Foundation through May 2, 2022, (the date the financial statements were available to be issued) and concluded that the following subsequent events have occurred that would require disclosure in the notes to the financial statements:

At the February 23, 2022, board meeting the Foundation received gifts and transfers from another Foundation's assets in the amount of \$5,800,000 for endowment scholarships.

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*

	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability (asset)	0.2464%	0.2453%	0.2400%	0.2300%	0.2300%	0.2301%	0.2272%
College's proportionate share of the net pension liability (asset)	\$ 47,700,177	\$ 43,153,110	\$ 39,919,130	\$ 38,233,806	\$ 41,083,743	\$ 35,565,058	\$ 27,578,041
College's covered payroll	\$ 16,407,319	\$ 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	290.72%	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)	58.97%	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 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,893,200	\$ 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>\$ 2,893,200</u>	<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>	<u>\$ -</u>
College's covered payroll	\$ 16,627,585	\$ 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%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability	0.2692%	0.2657%	0.2578%	0.2496%
College's proportionate share of the net OPEB liability	\$ 2,095,265	\$ 2,254,178	\$ 1,994,190	\$ 1,958,265
College's covered-employee payroll	\$ 16,407,319	\$ 15,975,239	\$ 15,244,629	\$ 14,914,000
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	12.77%	14.11%	13.08%	13.13%
Plan Fiduciary net position as a percentage of the total OPEB liability (asset)	0.13%	0.12%	0.13%	0.00%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 72,291	\$ 83,559	\$ 90,354	\$ 83,484
Contributions in relation to the actuarially determined contribution	<u>\$ 72,291</u>	<u>\$ 83,559</u>	<u>\$ 90,354</u>	<u>\$ 83,484</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 16,627,585	\$ 16,407,319	\$ 15,975,239	\$ 15,244,629
Contributions as a percentage of covered-employee payroll	0.43%	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, 2021

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%.

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%.

Northeast Mississippi Community College
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

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, 2018 valuation for the June 30, 2020 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	30.9 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.

2020

The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current measurement date.

2. Changes in Benefit Provisions

2017, 2018, and 2019 None

2020

The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select Coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

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

Northeast Mississippi Community College
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019, actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Price inflation	2.75%
Salary increases	3.00% to 18.25%, including wage inflation
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.00%
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 OPEB plan investment expense, including price inflation	3.50%

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<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>
U. S. Department of Education			
Direct:			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant	84.007		\$ 64,629
Federal Family Education Loans	84.032		2,991,530
Federal Work Study Programs	84.033		99,032
Federal Pell Grant Program	84.063		<u>8,501,696</u>
Total Student Financial Assistance Cluster			<u>11,656,887</u>
Education Stabilization Fund (ESF)			
Higher Education Emergency Relief Fund (HEERF)			
Student Aid Portion	84.425E		6,923,448
HEERF Institutional Portion	84.425F		4,907,703
HEERF Strengthening Institutions Program (SIP)	84.425M		<u>432,536</u>
Total Education Stabilization Fund (ESF)			<u>12,263,687</u>
Total Direct Funding			<u>23,920,574</u>
Passed through the Office of the MS Governor			
Governor's Emergency Education Relief (GEER) Fund	84.425C	GEER-00008	<u>49,465</u>
Total Office of the MS Governor			<u>49,465</u>
Passed Through MS Department of Education			
Adult Basic Education Grants to States	84.002		591,535
Career and Technical Basic Grants to States	84.048	V048A190024	<u>177,317</u>
Total MS Department of Education			<u>768,852</u>
Total U. S. Department of Education			<u>24,738,891</u>
U.S. Department of the Treasury			
Passed through the MS Department of Finance			
Coronavirus Relief Fund	21.019	CJC-NORTHEAST	380,667
Passed through Three Rivers Planning and Development District			
Coronavirus Relief Fund	21.019		<u>3,572,742</u>
Total U.S. Department of the Treasury			<u>3,953,409</u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Labor			
Workforce Investment Opportunity Act Cluster			
Passed Through Three Rivers Planning & Development District			
WIOA Adult Program	17.258	19-07-10	922,894
WIOA Youth Activities	17.259	19-06-30	327,144
Total Three Rivers Planning and Development District			<u>1,250,038</u>
Total Workforce Investment Opportunity Act Cluster			<u>1,250,038</u>
Passed Through MS Community College Board			
WIOA National Dislocated Worker Grants/ WIA National Emergency Grants	17.277		70,544
Total MS Community College Board			<u>70,544</u>
Total U.S. Department of Labor			<u>1,320,582</u>
Appalachian Regional Commission			
Direct			
Appalachian Area Development	23.002		229,186
Total Appalachian Regional Commission			<u>229,186</u>
U.S. Department of Health and Human Services			
Passed Through MS Department of Human Services			
Temporary Assistance for Needy Families	93.558	6018940/6018941	116,550
Child Care and Development Block Grant	93.575		189,556
Total MS Department of Human Services			<u>306,106</u>
Total U.S. Department of Health and Human Services			<u>306,106</u>
National Aeronautics and Space Administration			
Passed Through University of Mississippi			
Aerospace Educations Services Program	43.001	19-04-052	7,500
Total University of Mississippi			<u>7,500</u>
Total National Aeronautics and Space Administration			<u>7,500</u>
Total Expenditures of Federal Awards			<u><u>\$ 30,555,674</u></u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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.



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

Certified Public Accountants

www.sparkscpas.com

**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, the aggregate discretely presented component unit, of Northeast Mississippi Community College, as of and for the year ended June 30, 2021, 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 August 15, 2022. The financial statements of Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with Northeast Mississippi Community College Development Foundation, Inc.

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) as a basis for designing 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 Northeast Mississippi Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Mississippi Community College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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.

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

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

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

Iuka, Mississippi
Phone: (662) 423-5057

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
August 15, 2022



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

Certified Public Accountants

www.sparkscpas.com

**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, 2021. 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.

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

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

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

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, 2021.

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
August 15, 2022



Member of:

American Institute of Certified Public Accountants

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Certified Public Accountants

www.sparkscpas.com

**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, 2021, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated August 15, 2022. 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
August 15, 2022

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

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

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

Iuka, Mississippi
Phone: (662) 423-5057

**Northeast Mississippi Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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>
17.258, 17.259	Workforce Investment Opportunity Act Cluster
21.019	Coronavirus Relief Fund
84.425C	Governor's Emergency Education Relief (GEER) Fund
84.425E	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion
84.425F	HEERF Institutional Portion
84.425M	HEERF Strengthening Institutions Program

- | | |
|---|-----------|
| 8. The dollar threshold used to distinguish between Type A and type B programs: | \$916,670 |
| 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.