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**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

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Rudolph Franks, CPA (1933-2019)

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

### Report on the Audit of the Financial Statements

#### Opinions

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, 2023, 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.

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, 2023, 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.

We did not audit the financial statements of Northeast Mississippi Community College Development Foundation, Inc., which represent 100 percent of the assets, net assets and revenues of the aggregate discretely presented component unit activities as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Northeast Mississippi Community College Development Foundation, Inc., is based solely on the report of the other auditors.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast Mississippi Community College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Northeast Mississippi Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

#### Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Mississippi Community College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northeast Mississippi Community College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northeast Mississippi Community College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 4-15 and 56-63, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Mississippi Community College'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 June 20, 2024, 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.

*Franks, Franks, Wilemon + Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
June 20, 2024

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

This section of Northeast Mississippi Community College's (NEMCC) annual financial report presents the college's discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2023. 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 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.



**Northeast Mississippi Community College**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2023**

Effective for fiscal year 2022, the College adopted GASB Statement No. 87, Leases (GASB 87) which intended to establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

Effective for fiscal year 2023, the College adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITA.

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, 2023 and 2022:

	2023	2022	Increase (Decrease)	Percent Inc.(Dec.)
<b>Assets</b>				
Current Assets	\$ 20,943,046	\$ 14,318,855	\$ 6,624,191	46.26%
Non-Current Assets				
Other	4,584,699	5,053,392	(468,693)	-9.27%
Right-of-Use Assets	81,959	214,605	(132,646)	-61.81%
SBITAs	3,744,164	-	3,744,164	N/A
Capital Assets	61,963,176	63,308,113	(1,344,937)	-2.12%
Total Assets	<u>91,317,044</u>	<u>82,894,965</u>	<u>8,422,079</u>	10.16%
<b>Deferred Outflows</b>				
OPEB Related	401,258	516,852	(115,594)	-22.37%
Pension Related	9,349,721	7,271,336	2,078,385	28.58%
Total				
Deferred Outflows	<u>9,750,979</u>	<u>7,788,188</u>	<u>1,962,791</u>	25.20%
<b>Liabilities</b>				
Current Liabilities	5,210,913	2,994,772	2,216,141	74.00%
Non-Current Liabilities	10,827,436	10,241,175	586,261	5.72%
Net OPEB Liability	1,369,130	1,799,121	(429,991)	-23.90%
Net Pension Liability	52,303,027	36,965,873	15,337,154	41.49%
Total Liabilities	<u>69,710,506</u>	<u>52,000,941</u>	<u>17,709,565</u>	34.06%
<b>Deferred Inflows</b>				
OPEB Related	730,290	623,410	106,880	17.14%
Pension Related	-	11,161,143	(11,161,143)	-100.00%
Total				
Deferred Inflows	<u>730,290</u>	<u>11,784,553</u>	<u>(11,054,263)</u>	-93.80%
<b>Net Position</b>	<u>\$ 30,627,227</u>	<u>\$ 26,897,659</u>	<u>\$ 3,729,568</u>	13.87%



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

Impact of GASB 68 and GASB 75 on Net Position  
For the Years Ended June 30, 2023 and 2022

	2023	2022
Total Net Position	\$ 30,627,227	\$ 26,897,659
Deferred outflows of resources - pensions	(9,349,721)	(7,271,336)
Deferred inflows of resources - pensions	-	11,161,143
Net pension liability	52,303,027	36,965,873
Deferred outflows of resources - OPEB	(401,258)	(516,852)
Deferred inflows of resources - OPEB	730,290	623,410
Net OPEB liability	1,369,130	1,799,121
Total impact of GASB 68 and 75	44,651,468	42,761,359
Total net position, net of GASB 68 and 75	75,278,695	69,659,018
Less		
Net investment in capital assets	53,333,177	52,393,353
Restricted net position	4,569,486	5,458,551
Unrestricted net position, net of GASB 68 and 75	\$ 17,376,032	\$ 11,807,114

**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 \$7,503,772 and \$10,138,359, respectively, at June 30, 2023 and 2022.

**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 \$12,653,194 and \$3,398,608 respectively, at June 30, 2023 and 2022.

**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 \$476,082 and \$499,040, respectively, at June 30, 2023 and 2022.

**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, 2023 and 2022, totaled \$4,584,699 and \$5,053,392 respectively.

**Capital Assets, Net**

Capital assets, net of accumulated depreciation and amortization, consist of land, infrastructure, buildings, equipment, historical library holdings, right-of-use assets held under leases, and intangible assets under Subscription based information technology arrangements (SBITAs). The amount reported is net of accumulated depreciation and amortization. Capital assets, excluding leased assets and SBITA assets, net of accumulated depreciation, totaled \$61,963,176 at June 30, 2023, in comparison to \$63,308,113 at June 30, 2022.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**Right-to-Use Leased Assets, Net**

The College implemented GASB Statement No. 87, Leases, during 2022, which changed the accounting and reporting for leases. Right-of-Use assets, net, consist of equipment held through leases. The amount reported is net of accumulated amortization. Right-of-Use assets, net of accumulated amortization, totaled \$81,959 at June 30, 2023, and \$214,605 at June 30, 2022.

**Subscription Based IT Assets, Net**

The College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, during 2023, which changes the accounting and financial reporting for subscription-based arrangements. SBITA assets, net totaled 3,744,164 at June 30, 2023.

**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, 2023 and 2022, pension related deferred outflow of resources amounted to \$9,349,721 and \$7,271,336, 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, 2023 and 2022, OPEB deferred outflow of resources amounted to \$401,258 and \$516,852, 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 \$2,539,961 and \$1,075,051, respectively, at June 30, 2023 and 2022.

**Unearned Revenue**

Unearned revenue represents revenue that was received by the College during the fiscal year but not yet earned. Unearned revenue totaled \$122,040 and \$141,600, respectively, at June 30, 2023 and 2022.

**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, 2023 and 2022, was \$69,156 and \$55,795, 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, 2023 and 2022, was \$1,760,021 and \$1,644,979, respectively.

**Leases Payable-Current Portion**

Leases payable- current portion includes the current portion of lease liabilities that is payable within one year of the statement of net position date. The amount of leases payable - current portion at June 30, 2023 and 2022, was \$137,290 and \$133,142.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**SBITA Liabilities-Current Portion**

SBITA liabilities - current portion also includes the current portion of SBITAs liabilities that is payable within one year of the statement of net position date. The amount of SBITAs liabilities payable - current portion at June 30, 2023 was \$651,601. For purposes of the MD&A, the prior year was not restated as a result of the implementation of *Governmental Accounting Standards Board (GASB) Statement 96, Subscription-Based Information Technology Arrangements*, (SBITAs), which became effective for fiscal year 2023.

**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, 2023 and 2022, was \$120,100 and \$110,700, respectively.

**Accrued Leave Liabilities**

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$800,126 at June 30, 2023, as compared to \$779,231 at June 30, 2022.

**Long-Term Liabilities**

This liability consists of bonded indebtedness for capital construction and improvement, that is not current and payable within the next fiscal year. The amount of the long-term liabilities balance was \$6,924,013 at June 30, 2023, as compared to \$9,209,487 at June 30, 2022.

**Leases Payable**

Leases payable at June 30, 2023 and 2022, was \$4,467 and \$141,757, respectively.

**SBITA Liabilities**

SBITAs liabilities at June 30, 2023 was 2,978,730. For purposes of the MD&A, the prior year was not restated as a result of the implementation of *Governmental Accounting Standards Board (GASB) Statement 96, Subscription-Based Information Technology Arrangements*, which became effective for fiscal year 2023.

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

This liability consists of a portion of an actuarially determined amount as required by Governmental Accounting Standards Board (GASB) Statement No. 75 that is not current and payable within the next fiscal year. The amount of the Net OPEB Liability was \$1,299,974 and \$1,743,326 at June 30, 2023 and 2022, 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 \$52,303,027 and \$36,965,873 at June 30, 2023 and 2022, 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, 2023 and 2022, pension related deferred inflow of resources amounted to \$0 and \$11,161,143, 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.**

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**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, 2023 and 2022, OPEB deferred inflow of resources amounted to \$730,290 and \$623,410, 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, 2023, was \$30,627,227 as compared to \$26,897,659 at June 30, 2022. **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.** Total net position, exclusive of the effects of GASB 68 and GASB 75, at June 30, 2023, was \$75,278,695 as compared to \$69,659,018 at June 30, 2022.

**Analysis of Net Position**

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

The following is an analysis of net position as of June 30, 2023 and 2022:

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>Increase Decrease</u>	<u>Percent Inc.(Dec.)</u>
Net Investment in Capital Assets	\$ 53,333,177	\$ 52,393,353	\$ 939,824	1.79%
Restricted for:				
Scholarships	65,244	83,802	(18,558)	-22.15%
Capital Projects	3,970,675	4,749,168	(778,493)	-16.39%
Unemployment	50,642	50,000	642	1.28%
Specified Programs	<u>482,925</u>	<u>575,581</u>	<u>(92,656)</u>	-16.10%
 Total Restricted Net Position	 <u>4,569,486</u>	 <u>5,458,551</u>	 <u>(889,065)</u>	 -16.29%
 Unrestricted	 <u>(27,275,436)</u>	 <u>(30,954,245)</u>	 <u>3,678,809</u>	 11.88%
 Total Net Position	 <u>\$ 30,627,227</u>	 <u>\$ 26,897,659</u>	 <u>\$ 3,729,568</u>	 13.87%

**Effects of GASB 68 and 75:**

Total Unrestricted Net Position (Deficit)	\$ (27,275,436)	\$ (30,954,245)	3,678,809	11.88%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 75	<u>44,651,468</u>	<u>42,761,359</u>	<u>1,890,109</u>	4.42%
Unrestricted Net Position, Exclusive of the Effect of Net Pension and OPEB Liabilities	<u>\$ 17,376,032</u>	<u>\$ 11,807,114</u>	<u>\$ 5,568,918</u>	47.17%
Total Net Position	\$ 30,627,227	\$ 26,897,659	3,729,568	13.87%
Add Unrestricted Deficit in Net Position Resulting from Implementation of GASB Statements 68 and 75	<u>44,651,468</u>	<u>42,761,359</u>	<u>1,890,109</u>	4.42%
Total Net Position, Exclusive of the Effect of Net Pension and OPEB Liabilities	<u>\$ 75,278,695</u>	<u>\$ 69,659,018</u>	<u>\$ 5,619,677</u>	8.07%

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**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, 2023 and 2022:

	2023	2022	Increase (Decrease)	Percent Inc.(Dec.)
Operating Revenue:				
Tuition and Fees	\$ 5,172,341	\$ 4,302,907	\$ 869,434	20.21%
Grants and Contracts	41,059,222	18,930,395	22,128,827	116.90%
Sales and Services of Edu. Activities	831,126	1,040,604	(209,478)	-20.13%
Auxiliary Enterprises	2,059,609	1,849,099	210,510	11.38%
Total Operating Revenues	49,122,298	26,123,005	22,999,293	88.04%
Operating Expenses	66,370,577	43,017,551	23,353,026	54.29%
Operating Loss	(17,248,279)	(16,894,546)	(353,733)	-2.09%
Non-operating Revenues (Expenses)				
State and Local Appropriations	18,793,258	16,085,398	2,707,860	16.83%
Investment Income	455,513	6,618	448,895	6782.94%
Interest Expense on Capital Related Debt	(493,906)	(371,451)	(122,455)	-32.97%
Total Non-operating Revenues	18,754,865	15,720,565	3,034,300	19.30%
Income (Loss) Before Other Revenues	1,506,586	(1,173,981)	2,680,567	228.33%
State and Local Capital Appropriations	2,222,709	2,264,602	(41,893)	-1.85%
Change in Net Position	3,729,295	1,090,621	2,638,674	241.94%
Net Position, Beginning of Year, as restated	26,897,659	25,901,119	996,540	3.85%
Prior Period Adjustments	273	(94,081)	94,354	100.29%
Net Position, Beginning of Year, Restated	26,897,932	25,807,038	1,090,894	4.23%
Net Position, End of Year	\$ 30,627,227	\$ 26,897,659	\$ 3,729,568	13.87%
Impact of GASB 68 and 75 and other non-cash items on the Change in Net Position				
Change in Net Position	\$ 3,729,295	\$ 1,090,621	2,638,674	241.94%
GASB 68 Impact	2,097,626	(316,101)	2,413,727	763.59%
GASB 75 Impact	(207,517)	(109,121)	(98,396)	-90.17%
Depreciation and Amortization	3,570,917	2,676,056	894,861	33.44%
Changes in Compensated Absences	20,895	4,486	16,409	365.78%
Effect of GASB 68 and 75 and other non-cash items	5,481,921	2,255,320	3,226,601	143.07%
Change in Net Position, Net of GASB 68 and 75, and other non-cash items	9,211,216	3,345,941	5,865,275	175.30%

Total operating loss for the year ended June 30, 2023, was \$(17,248,279) as compared to \$(16,894,546) for the year ended June 30, 2022. 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, 2023**

Total operating revenues for the year ended June 30, 2023, were \$49,122,298, as compared to \$26,123,005 for the year ended June 30, 2022. Operating expenses for the year ended June 30, 2023, including depreciation and amortization expense of \$3,570,917, totaled \$66,370,577. Operating expenses for the year ended June 30, 2022, totaled \$43,017,551, including depreciation of \$2,676,056.

Instructional expenditures comprised 54.14% of the operating expenses for the year ended June 30, 2023, and 37.76% of the operating expenses for the year ended June 30, 2022. Instructional expenditures for the year ended June 30, 2022, were reduced due to the amount of Covid-19 relief funds spent in other areas.

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$5,172,341 (net of tuition discount) for the year ended June 30, 2023, in comparison to \$4,302,907 (net of tuition discount) for the year ended June 30, 2022. The tuition discount for the year ended June 30, 2023, was \$7,756,307 compared to \$6,926,776 for the year ended June 30, 2022.

**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, 2023 and 2022:

	2023	2022	Increase (Decrease)
Federal Sources	\$ 19,813,967	\$ 15,030,148	\$ 4,783,819
State Sources	5,285,547	3,319,495	1,966,052
Other Sources	15,959,708	580,752	15,378,956
Total All Sources	<u>\$ 41,059,222</u>	<u>\$ 18,930,395</u>	<u>\$ 22,128,827</u>

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$831,126 for the year ended June 30, 2023, as compared to \$1,040,604 for the year ended June 30, 2022.

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

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

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$2,059,609 for the year ended June 30, 2023, as compared to \$1,849,099 for the year ended June 30, 2022. The discount for scholarship allowance was \$2,094,781 for the year ended June 30, 2023, and \$2,106,295 for the year ended June 30, 2022.

**Operating Expenses**

The following is a breakdown of operating expenses by category for the years ended June 30, 2023 and 2022:



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

	2023	2022	Increase (Decrease)	Percent Inc.(Dec.)
Salaries and Benefits	\$ 26,841,069	\$ 23,432,363	\$ 3,408,706	14.55%
Scholarships	3,863,633	4,922,995	(1,059,362)	-21.52%
Commodities	4,848,495	3,604,558	1,243,937	34.51%
Contractual Services	24,241,577	5,689,048	18,552,529	326.11%
Utilities	2,300,112	2,146,497	153,615	7.16%
Travel	704,774	546,034	158,740	29.07%
Depreciation and Amortization	3,570,917	2,676,056	894,861	33.44%
Total Operating Expenses	<u>\$ 66,370,577</u>	<u>\$ 43,017,551</u>	<u>\$ 23,353,026</u>	54.29%

The following is a breakdown of operating expenses by functional classification for the years ended June 30, 2023 and 2022:

	2023	2022	Increase (Decrease)	Percent Inc.(Dec.)
Expenses by Function:				
Instruction	\$ 35,935,692	\$ 16,242,326	\$ 19,693,366	121.25%
Academic Support	828,298	815,151	13,147	1.61%
Student Services	5,403,000	5,676,341	(273,341)	-4.82%
Institutional Support	8,233,211	6,403,423	1,829,788	28.58%
Operation and Maintenance of Plant	5,782,148	4,152,102	1,630,046	39.26%
Student Financial Aid	2,735,138	2,956,530	(221,392)	-7.49%
Auxiliary Enterprises	3,882,173	4,095,622	(213,449)	-5.21%
Depreciation and Amortization	3,570,917	2,676,056	894,861	33.44%
Total Operating Expenses	<u>\$ 66,370,577</u>	<u>\$ 43,017,551</u>	<u>\$ 23,353,026</u>	54.29%

**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 \$16,726,612 for the year ended June 30, 2023, as compared to \$14,125,285 for the year ended June 30, 2022. In addition, the College received \$24,000 in restricted state appropriations for capital construction for the year ended June 30, 2023, as compared to \$130,932 for the year ended June 30, 2022.

**Other Non-Operating Revenues**

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

The College received \$4,265,355 in county appropriations for the year ended June 30, 2023, compared to \$4,093,783 for the year ended June 30, 2022. Appropriations were received from the five counties that support the College.

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts and the interest earned on the College's short-term investments. The investment income for the year ended June 30, 2023, was \$455,513 as compared to \$6,618 for the year ended June 30, 2022.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**Non-operating Expenses**

This consists of the interest expense on capital asset-related debt the College incurred for the year ended June 30, 2023. The total expense amounted to \$493,906 compared to \$371,451 for the year ended June 30, 2022.

**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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (18,962,078)	\$ (14,165,349)
Noncapital Financial Activities	18,705,389	16,078,738
Capital and Related Financing Activities	(2,863,074)	(5,756,419)
Investing Activities	<u>16,483</u>	<u>6,618</u>
Net Increase in Cash and Cash Equivalents	(3,103,280)	(3,836,412)
Cash and Cash Equivalents - Beginning of the Year	<u>15,191,751</u>	<u>19,028,163</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 12,088,471</u>	<u>\$ 15,191,751</u>

The major sources of funds included in operating activities include student tuition and fees of \$4,834,248, auxiliary enterprises of \$2,081,814, and grants and contracts of \$23,467,371. The major uses of funds were payments made to/on behalf of employees \$(24,882,404), to suppliers \$(21,503,753), and to scholarships \$(3,863,633).

**Significant Capital Asset Transactions**

Capital improvements consisted primarily of the purchase of equipment and infrastructure improvements.

**Significant Long-Term Debt Transactions**

On June 30, 2023, one of the college's trust agents for making bond payments made a payment on long-term debt due July 1, 2023. 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, 2023, interest payment due is shown in the five-year maturities schedule. Accordingly, accrued interest normally shown as an accrued liability has also been reduced.

**Current Issues and Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2023 financial situation. The recent world-wide Coronavirus pandemic (even though the pandemic has ended) continues to cause 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 enrollment for the Fall 2022 and Spring 2023 semesters of the decline caused by the pandemic. In addition, 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 23.73% of the College's fiscal year 2023 revenue, including appropriations for capital purposes, down from 35.33% from fiscal year 2022, mainly due to the receipt of a private grant in excess of \$15 million. The dollar amount of state appropriations increased for fiscal year 2023. State appropriations continue to be the single largest source of operating revenue for the College. The level of State support is therefore one of the key factors influencing the College's financial condition. Therefore, if revenue collections fail to meet state estimates, cuts in appropriations are always a possibility.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

As stated previously, the College experienced a significant decrease in enrollment for fiscal year 2021, which was due to the recent world-wide Coronavirus pandemic, which has now ended. This is the case across the State of Mississippi and nationally, as well. For fiscal year 2022 and 2023, the college maintained basically the same level of enrollment, however, enrollment is still not back up to pre-COVID levels.

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.

**Contacting the College's Financial Management**

If you have any questions about this report or need additional financial information, contact the Vice President of Finance of Northeast Mississippi Community College at 101 Cunningham Boulevard, Booneville, MS 38829.

**Northeast Mississippi Community College**  
**Statement of Net Position**  
**June 30, 2023**

**Assets**

Current assets:

Cash and cash equivalents	\$ 7,503,772
Accounts receivable, net	12,653,194
Inventories	476,082
Prepaid expenses	309,998
<b>Total Current Assets</b>	<u>20,943,046</u>

Noncurrent assets:

Restricted cash and cash equivalents	4,584,699
Right-to-use leased assets, net	81,959
Subscription based IT assets, net	3,744,164
Capital assets, net	61,963,176
<b>Total Noncurrent Assets</b>	<u>70,373,998</u>

**Total Assets**

91,317,044

**Deferred Outflows of Resources**

OPEB related	401,258
Pension related	9,349,721
<b>Total Deferred Outflows of Resources</b>	<u>9,750,979</u>

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	2,539,961
Unearned revenues	122,040
Leases payable - current portion	137,290
SBITA liabilities, current portion	651,601
Net OPEB Liabilities - current portion	69,156
Long-term liabilities - current portion	1,760,021
<b>Total Current Liabilities</b>	<u>5,280,069</u>

Noncurrent liabilities:

Deposits refundable	120,100
Accrued leave liabilities	800,126
Leases payable	4,467
SBITA liabilities	2,978,730
Long-term liabilities	6,924,013
Net OPEB liability	1,299,974
Net pension liability	52,303,027
<b>Total Noncurrent Liabilities</b>	<u>64,430,437</u>

**Total Liabilities**

69,710,506

**Deferred Inflows of Resources**

OPEB related	730,290
<b>Total Deferred Inflows of Resources</b>	<u>730,290</u>

**Net Position**

Net investment in capital assets	53,333,177
Restricted for:	
Expendable:	
Scholarships	65,244
Capital projects and repairs	3,970,675
Unemployment	50,642
Specified Programs	482,925
Unrestricted	(27,275,436)
<b>Total Net Position</b>	<u>\$ 30,627,227</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, 2023**

**Assets**

Current Assets:

Cash and cash equivalents	\$ 122,552
Cash surrender value life insurance investment (Note 5)	16,836
Unrestricted portion of investments (Note 5)	94,653
Unconditional promises to give (net) (Note 4)	<u>14,211</u>
Total current assets	<u>248,252</u>

Non-Current Assets

Farmers & Merchants Bank stock (Note 5)	791,809
Unconditional promises to give (Net) (Note 4)	73,954
Restricted portion of investments (Note 5)	<u>8,693,803</u>
Total non-current assets	<u>9,559,566</u>

Property and Equipment (Net) (Note 6)

Land	125,000
Equipment (net)	<u>339</u>

Total property and equipment (net)	<u>125,339</u>
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Total assets	<u><u>\$ 9,933,157</u></u>
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**Liabilities**

Current Liabilities:

Accounts payable	\$ <u>26,240</u>
Total current liabilities	<u>26,240</u>

**Net Assets**

Without donor restrictions	288,140
With donor restrictions	<u>9,618,777</u>
Total net assets	<u>9,906,917</u>
Total Liabilities and Net Assets	<u><u>\$ 9,933,157</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, 2023**

<b>Operating revenues</b>	
Tuition and fees (net of scholarship allowance of \$7,756,307)	\$ 5,172,341
Federal grants and contracts	19,813,967
State grants and contracts	5,285,547
Nongovernmental grants and contracts	15,959,708
Sales and services of educational departments	831,126
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$616,458)	411,309
Food services (net of scholarship allowances of \$1,026,211)	727,431
Bookstore (net of scholarship allowance of \$452,112)	534,946
Other auxiliary revenues	385,923
<b>Total operating revenues</b>	<u>49,122,298</u>
<b>Operating expenses</b>	
Salaries and wages	18,822,462
Fringe benefits	2,727,189
Pension expense	5,291,418
Travel	704,774
Contractual services	24,241,577
Utilities	2,300,112
Scholarships and fellowships	3,863,633
Commodities	4,848,495
Depreciation and Amortization	3,570,917
<b>Total operating expenses</b>	<u>66,370,577</u>
<b>Operating Income (loss)</b>	<u>(17,248,279)</u>
<b>Nonoperating revenues (expenses)</b>	
State appropriations	16,726,612
Local appropriations	2,066,646
Investment income	455,513
Interest expense on capital asset-related debt	(493,906)
<b>Total net nonoperating revenues (expenses)</b>	<u>18,754,865</u>
<b>Income (loss) before other revenues (expenses)</b>	1,506,586
State appropriations restricted for capital purposes	24,000
Local appropriations for capital purposes	<u>2,198,709</u>
<b>Change in net position</b>	<u>3,729,295</u>
<b>Net position</b>	
Net position - beginning of year, as previously reported	26,897,659
Prior period adjustments	273
Net position - beginning of year, as restated	<u>26,897,932</u>
<b>Net position - end of year</b>	<u><u>\$ 30,627,227</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, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Contributions	\$ 6,935	\$ 1,599,066	\$ 1,606,001
Contributions of Nonfinancial Assets		62,423	62,423
Dividends	-	259,825	259,825
Interest	615	-	615
Scholarship Administrative			
Fee Income	8,855		8,855
Grants revenue	-	42,501	42,501
Operating Lease Income		7,856	7,856
Memberships	5,350	-	5,350
Unrealized gain(loss) on assets	-	667,131	667,131
Realized Gain(Loss) on Assets	(131,718)	-	(131,718)
Net Assets Released from Restrictions	<u>1,055,240</u>	<u>(1,055,240)</u>	<u>-</u>
<b>Total Public Support and Revenues</b>	<u>945,277</u>	<u>1,583,562</u>	<u>2,528,839</u>
<b>Operating Expenses</b>			
Program expense	1,452,704	-	1,452,704
Management & general expense	147,847	-	147,847
Fund raising expense	<u>136,934</u>	<u>-</u>	<u>136,934</u>
<b>Total Operating Expenses</b>	<u>1,737,485</u>	<u>-</u>	<u>1,737,485</u>
Change in Net Assets Before Other Revenues and (Expenses)	<u>(792,208)</u>	<u>1,583,562</u>	<u>791,354</u>
<b>Other Revenues and (Expenses)</b>			
Transfers	<u>15,329</u>	<u>(15,329)</u>	<u>-</u>
Change in Net Assets	<u>(776,879)</u>	<u>1,568,233</u>	<u>791,354</u>
Net assets beginning of year	<u>1,065,019</u>	<u>8,050,544</u>	<u>9,115,563</u>
Net assets end of year	<u>\$ 288,140</u>	<u>\$ 9,618,777</u>	<u>\$ 9,906,917</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, 2023**

	Program Expenses			Support Services			
	Without Donor Restrictions	With Donor Restrictions	Total	Fund Raising	General and Administrative	Total	Total
Awards	\$ 13,440	\$ -	\$ 13,440	\$ -	\$ -	\$ -	\$ 13,440
College Support – Grants	-	42,501	42,501	-	-	-	42,501
Scholarships	215,286	502,335	717,621	-	-	-	717,621
<i>Program Expense:</i>							
College Employee Enhancement	-	5,376	5,376	-	-	-	5,376
College Sports	86,754	198,034	284,788	-	-	-	284,788
Fine Art	-	73,659	73,659	-	-	-	73,659
College Programs	-	156,726	156,726	-	-	-	156,726
Endowed Scholarships	-	10,225	10,225	-	-	-	10,225
Discretionary Fund	7,487	-	7,487	-	102	102	7,589
Other	-	66,360	66,360	-	-	-	66,360
<i>Administrative:</i>							
Bank Charges	-	24	24	-	16	16	40
Epay Fees	-	-	-	-	886	886	886
Car Allowance	2,700	-	2,700	6,480	1,620	8,100	10,800
Depreciation	-	-	-	-	297	297	297
Dues & Subscriptions	598	-	598	-	6,658	6,658	7,256
IMA Fees	42,033	-	42,033	-	-	-	42,033
Legal, Accounting, & Auditing	-	-	-	-	17,175	17,175	17,175
Meals & Entertainment	201	-	201	1,551	2,928	4,479	4,680
Office Supplies	12	-	12	-	3,623	3,623	3,635
Payroll Taxes	1,638	-	1,638	7,363	6,146	13,509	15,147
Postage	-	-	-	419	1,931	2,350	2,350
Printing & Advertising	904	-	904	5,524	1,529	7,053	7,957
Professional Development	-	-	-	-	4,469	4,469	4,469
Retirement	3,413	-	3,413	16,537	12,812	29,349	32,762
Salaries	21,719	-	21,719	97,778	80,981	178,759	200,478
Taxes	-	-	-	-	99	99	99
Telephone	1,279	-	1,279	1,186	2,381	3,567	4,846
Travel	-	-	-	96	4,194	4,290	4,290
	<u>\$ 397,464</u>	<u>\$ 1,055,240</u>	<u>\$ 1,452,704</u>	<u>\$ 136,934</u>	<u>\$ 147,847</u>	<u>\$ 284,781</u>	<u>\$ 1,737,485</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, 2023**

**Cash flows from operating activities**

Tuition and fees	\$ 4,834,248
Grants and contracts	23,467,371
Sales and services of educational departments	904,279
Payments to suppliers	(21,503,753)
Payments to employees for salaries and benefits	(24,882,404)
Payments for scholarships and fellowships	(3,863,633)
Auxiliary enterprise charges:	
Student housing	433,514
Food service	727,431
Bookstore	534,946
Other auxiliary enterprises	<u>385,923</u>

**Net cash provided (used) by operating activities** (18,962,078)

**Cash flows from noncapital financing activities**

State appropriations	16,637,476
Local appropriations	<u>2,067,913</u>

**Net cash provided (used) by noncapital financing activities** 18,705,389

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

Capital appropriations	2,208,656
Cash paid for capital assets	(1,593,857)
Principal paid on capital debt, leases and SBITAs	(2,999,002)
Interest paid on capital debt, leases and SBITAs	<u>(478,871)</u>

**Net cash provided (used) by capital and related financing activities** (2,863,074)

**Cash flows from investing activities**

Interest received on investments	<u>16,483</u>
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**Net cash provided (used) by investing activities** 16,483

Net Increase (Decrease) in Cash and Cash Equivalents	(3,103,280)
Cash and Cash Equivalents - Beginning of the Year	<u>15,191,751</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 12,088,471</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, 2023**

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

<b>Operating income (loss)</b>	<b>\$ (17,248,279)</b>
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**Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities**

Difference in OPEB and pension expense and cash outlays	1,890,109
Depreciation and Amortization Expense	3,570,917
Bad Debt Expense(Recovery)	166,816
Book Value of Disposed Assets	147,457
Changes in assets and liabilities	
(Increase) decrease in assets:	
Student Receivables	(291,649)
Other Receivables	(8,612,801)
Inventories	22,958
Prepaid expenses	(27,150)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	1,408,809
Unearned revenues	(19,560)
Deposits refundable	9,400
Accrued leave liability	20,895

<b>Total adjustments</b>	<b>(1,713,799)</b>
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<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (18,962,078)</b>
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**Noncash Investing, Capital, and Financing Activities**

Non-cash grants	\$ 15,615,283
Payments by State on construction projects	24,000

<b>Total noncash investing, capital and financing activities</b>	<b>\$ 15,639,283</b>
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The notes to the financial statements are an integral part of this statement.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Statement of Cash Flows**  
**For the year ended June 30, 2023**

**Cash Flows from Operating Activities**

Net Increase(Decrease) in Net Assets	\$ 791,354
Adjustments to reconcile cash flows	
Depreciation	297
Decrease(Increase) in Current Assets	
Net unconditional promise to give	3,075
Increase(Decrease) in Current Liabilities	
Accounts payable	(5,472)
Total Reconciling Adjustments	(2,100)
Cash Provided(Used) by Operations	789,254

**Cash Flows from Investing Activities**

Collections of contributions restricted for long-term purposes:	
Endowments	(1,090,517)
Cash Surrender Life Insurance	(1,259)
Accrued Investment Income	(11,780)
Cash Provided(Used) by Investing Activities	(1,103,556)

Net Increase(Decrease) in Cash and Cash Equivalents	(314,302)
Cash and Cash Equivalents Beginning of Year	436,855
Rounding	(1)
Cash and Cash Equivalents End of Year	\$ 122,552

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, 2023**

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 fundraising 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, 2023, the Foundation contributed \$1,378,183 to the College for scholarships, athletics and building programs and reimbursed the College for \$258,033 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. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities. The effect of interfund activity has been eliminated from these financial statements.
- C. Basis of Accounting - The Financial statements of the College have been prepared on the economic resources measurement focus and the accrual basis of accounting 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.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (continued)

- F. Accounts Receivable, Net - Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivable 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 as well as deposits on or prepayments of expenditures 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 should be recognized as an expense in the period in which the cost is incurred.
- K. Right-of-Use Assets, Net of Accumulated Amortization - Right-of-use assets are recorded as the lease liability at the lease commencement date plus initial direct cost plus prepayments less any lease incentives received. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Amortization is computed using the straight-line method over the estimated useful lives of the assets or the lease period, whichever is shorter. See Note 6 for additional details concerning useful lives, salvage values, and capitalization thresholds.
- L. Subscription-Based Information Technology Arrangements (Intangible Assets) - The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) intended to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs.
- M. 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.
- N. Unearned Revenues - Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (continued)

- O. 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, 2023, was \$800,126. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.

- P. Leases -The Governmental Accounting Standards Board (GASB) issued *Statement No. 87, Leases* to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency, and comparability of lease activities reported by governments.

The college uses a rate that approximates its incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known. See Note 8 for additional disclosures regarding leases.

- Q. Subscription-Based Information Technology Arrangements (Liabilities) - The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) intended to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs. GASB 96 was implemented during fiscal year 2023.

The college uses a rate that approximates its incremental borrowing rate to calculate the present value of payments due under the SBITA contract when the rate implicit in the contract is not known. See Note 9 for additional disclosures regarding SBITAs.

- R. 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.

- S. 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. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

- T. 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.



**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (continued)

U. Net Position - Net position of the College is classified in three components. Net position, net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, 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.

V. 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.

W. 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.

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

Y. 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.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

1. Summary of Significant Accounting Policies (continued)

Z. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by the management of the Institution. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenues and expenses. It is at least reasonably possible that the estimates and assumptions used could change within the next year.

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

BB. Accounting Standards Update - The College implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which changes the accounting and financial reporting for subscription-based information technology arrangements (SBITA's). Under previous guidance, SBITA's were classified as operating expenses. GASB Statement No. 96 defines a SBITA as a contract that conveys the right to use another party's IT software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB Statement No. 96, SBITA's that convey the right to obtain the present service capacity from use of the underlying IT assets, and the right to determine the nature and manner of use as specified in the contract, are required to be recognized on the statement of net position. The adoption of this standard did not impact the beginning net position on the College's financial statements. The additional disclosures required by this standard are included in Note 9.

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 \$12,088,471. At June 30, 2023, none of the College's deposits were exposed to custodial credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the institution will not be able to recover deposits or collateral securities that are in the possession of an outside party. The institution does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the institution. As of June 30, 2023, \$0 of the institution's bank balance was 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, 2023, the college did not have any investments.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

3. Prior Period Adjustments

Prior period adjustments shown on the Statement of Revenues, Expenses, and Changes in Net Position were as follows:

	Amount
Cumulative effect of a change in accounting principle due to the adoption of GASB 96	\$ 273
Net Prior Period Adjustments	\$ 273

4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2023:

	Total Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Accounts Receivable - Student			
Student tuition and fees	\$ 2,854,042	\$ 2,524,638	\$ 329,404
Auxiliary enterprises	1,972,895	1,748,867	224,028
Accounts Receivable - Student	4,826,937	4,273,505	553,432
Accounts Receivable - Other			
Auxiliary enterprises	37,040	37,040	-
Grants and contracts	11,442,993	-	11,442,993
State appropriations	546,030	-	546,030
Local appropriations	102,894	-	102,894
Other	7,845	-	7,845
Accounts Receivable - Other	12,136,802	37,040	12,099,762
Accounts Receivable	\$ 16,963,739	\$ 4,310,545	\$ 12,653,194

5. Effect of Deferred Amounts of Net Position

The unrestricted net position amount of \$(27,275,436) 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 \$3,160,768 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, 2024. The \$6,188,953 balance of deferred outflow of resources related to pensions, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The unrestricted net position amount of \$(27,275,436) 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 \$69,156 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, 2024. The \$332,102 balance of deferred outflow of resources related to OPEB, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next six years.

The unrestricted net position amount of \$(27,275,436) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$730,290 balance of deferred inflow of resources related to OPEB, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next six years.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

6. Capital Assets

Following is a summary of changes in capital assets for the year ended June 30, 2023:

	Beginning Balance 7/1/2022	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2023
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 5,301,993	\$ -	\$ -	\$ -	\$ 5,301,993
Construction in progress	1,663,719	331,038	138,637	(692,971)	1,163,149
<b>Total Nondepreciable Capital Assets</b>	<b>6,965,712</b>	<b>331,038</b>	<b>138,637</b>	<b>(692,971)</b>	<b>6,465,142</b>
<b>Depreciable Capital Assets:</b>					
Improvements other than Buildings	12,667,393	-	-	692,971	13,360,364
Buildings	78,596,186	-	-	-	78,596,186
Equipment	13,218,517	1,152,417	413,546	-	13,957,388
Library Books	1,305,464	10,311	-	-	1,315,775
Intangible right-to-use leased equipment	442,311	-	-	-	442,311
Intangible right-to-use subscription-based IT assets	-	4,457,576	100,839	100,839	4,457,576
<b>Total Depreciable Capital Assets</b>	<b>106,229,871</b>	<b>5,620,304</b>	<b>514,385</b>	<b>793,810</b>	<b>112,129,600</b>
<b>Less Accumulated Depreciation for:</b>					
Improvements other than Buildings	4,955,491	395,270	-	-	5,350,761
Buildings	35,329,361	1,236,498	-	-	36,565,859
Equipment	7,911,375	1,046,320	404,726	-	8,552,969
Library Books	1,248,932	13,158	-	-	1,262,090
Intangible right-to-use leased equipment	227,706	132,646	-	-	360,352
Intangible right-to-use subscription-based IT assets	-	747,025	100,839	67,226	713,412
<b>Total Accumulated Depreciation</b>	<b>49,672,865</b>	<b>3,570,917</b>	<b>505,565</b>	<b>67,226</b>	<b>52,805,443</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>56,557,006</b>	<b>2,049,387</b>	<b>8,820</b>	<b>726,584</b>	<b>59,324,157</b>
<b>Capital Assets, Net</b>	<b>\$ 63,522,718</b>	<b>\$ 2,380,425</b>	<b>\$ 147,457</b>	<b>\$ 33,613</b>	<b>65,789,299</b>
<b>Less</b>					
Intangible right-to-use leased equipment, net					(81,959)
Intangible right-to-use subscription-based IT assets, net					(3,744,164)
<b>Total capital assets, net, as reported in the statement of net position</b>					<b>\$ 61,963,176</b>

The adjustments above for intangible right to use subscription-based IT assets are a result of the implementation of GASB 96 related to SBITA assets and SBITA liabilities. See note 9 for further detail.

The disposition of construction in progress includes the abandonment of two projects in which preliminary architectural drawings were developed, but the college has since moved in another direction away from those initial capital projects.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

6. Capital Assets (continued)

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%	-
Leased property	*	*	*
Subscription IT Assets	*	*	*

\*The estimated useful life is the term of the lease or subscription agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term "depreciation" includes the amortization of intangible assets.

Construction in progress is composed of the following amounts:

	Spent to <u>June 30, 2023</u>	Remaining <u>Commitment</u>	
Seth Pounds Auditorium	\$ 30,289	\$ -	*
2nd RoundSidewalk/Lighting Improvements	\$ 1,034,586	\$ 342,301	
3rd RoundSidewalk/Lighting Improvements	<u>98,274</u>	<u>100,602</u>	^
Total Construction in Progress	<u>\$ 1,163,149</u>	<u>\$ 442,903</u>	

\*The Seth Pounds Auditorium Renovations project is a MS Bureau of Buildings (BoB) project. All commitments are through the BoB and will be paid from state bond funds allocated to the college. Therefore, no commitments have been made by the college.

^The 3<sup>rd</sup> Round Sidewalk/Lighting Improvement Project construction contract was signed subsequent to June 30, 2023. The amount of that commitment is \$493,374.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

7. Long-Term Liabilities, Including Leases and Subscription-Based IT Arrangements

Long-term liabilities of the College consist of notes and bonds payable, original issue premiums, leases payable (note 8), subscription-based IT arrangement liabilities (note 9), and certain other liabilities that are expected to be liquidated beyond one year from June 30, 2023.

The following is a schedule changes in notes payable, original issue premiums, and certain other long-term liabilities:

Description	Original Issue	Interest Rate	Maturity	Balance July 1, 2022	Additions	Payments	Adjustments	Balance June 30, 2023	Due Within One Year
Notes Payable, 2022	\$ 3,200,000	7.00%	1/2024	\$ 3,200,000	\$ -	\$ 1,544,979	\$ -	\$ 1,655,021	\$ 1,655,021
G.O. Notes Payable Series 2018	\$ 8,155,000	3-5%	7/2033	6,530,000	-	490,000	-	6,040,000	-
G.O. Refunding Notes Payable, Series 2014	\$ 2,935,000	3.125%	12/2028	765,000	-	100,000	-	665,000	105,000
Total Long-Term Debt				10,495,000	-	2,134,979	-	8,360,021	1,760,021
Original Issue Premium, Series 2018				316,073	-	28,734	-	287,339	-
Original Issue Premium, Series 2014				43,393	-	6,719	-	36,674	-
Total Original Issue Premium				359,466	-	35,453	-	324,013	-
Total Long-Term Debt				10,854,466	-	2,170,432	-	8,684,034	1,760,021
Other Long-Term Liabilities									
Accrued Leave Liability				779,231	20,895	-	-	800,126	-
Deposits Refundable				110,700	9,400	-	-	120,100	-
Leases Payable				274,899	-	133,142	-	141,757	137,290
Subscription-based IT Arrangements				-	4,327,872	730,881	33,340	3,630,331	651,601
Net OPEB Liability				1,799,121	-	429,991	-	1,369,130	69,156
Net Pension Liability				36,965,873	15,337,154	-	-	52,303,027	-
Total Other Liabilities				39,929,824	19,695,321	1,294,014	33,340	58,364,471	858,047
Total Long-Term Liabilities				\$ 50,784,290	\$ 19,695,321	\$ 3,464,446	\$ 33,340	\$ 67,048,505	\$ 2,618,068

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

	Notes Payable	Interest	Total
2024	\$ 1,760,021	\$ 221,831	\$ 1,981,852
2025	615,000	239,269	854,269
2026	635,000	220,519	855,519
2027	650,000	198,544	848,544
2028	680,000	172,997	852,997
2029-2033	3,300,000	474,350	3,774,350
2034	720,000	14,400	734,400
Totals	\$ 8,360,021	\$ 1,541,910	\$ 9,901,931

On June 30, 2023, the July 1, 2023, 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, 2023, is shown in the schedule.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

8. Leases

**Leases**

The college is a lessee for various noncancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the college recognizes expense based on the provisions of the lease contract. For all other leases, the college recognized a lease liability and an intangible right-to-use lease asset.

At lease commencement, the college initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The college generally uses an approximation of its incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. That rate is calculated based on management's assessment of current debt and current interest rates.

The lease term includes the noncancellable period of the lease plus any additional periods covered by either a college or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the college and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

**As Lessee**

Lease Assets:

Following is a summary of changes in lease assets for the year ended June 30, 2023:

	Beginning Balance 7/1/2022	Additions	Deletions	Amortization	Ending Balance 6/30/2023
Copiers	\$ 123,309	-	-	(59,610)	\$ 63,699
iPads	91,296	-	-	(73,036)	18,260
Total	<u>\$ 214,605</u>	<u>-</u>	<u>-</u>	<u>(132,646)</u>	<u>\$ 81,959</u>

Amortization is computed on a straight-line basis over the lesser of the estimated useful lives of the assets leased or the lease term, whichever is shorter. Useful lives are determined in the same way as depreciable capital assets.

Lease Liabilities:

The college leases various equipment to optimize its cash flows year-over-year. The following is a schedule changes in lease liabilities for the year ended June 30, 2023:

	Beginning Balance 7/1/2022	Additions	Retirements	Ending Balance 6/30/2023	Amounts due within one year
Copiers	\$ 128,825	-	(61,184)	\$ 67,641	\$ 63,174
iPads	146,074	-	(71,958)	74,116	74,116
Total	<u>\$ 274,899</u>	<u>-</u>	<u>(133,142)</u>	<u>\$ 141,757</u>	<u>\$ 137,290</u>



**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

8. Leases (continued)

The college has entered into the following leases for copiers and iPads ranging from 24-60 months. The lease agreements can only be cancelled if both parties agree. There are no options to extend and no variable payments options.

Description	Date of Issue	Date of Maturity	Interest Rate	Payment	Amount Outstanding
Copiers Lease	7/2019	6/2024	2.96%	\$4,972/mo.	\$ 58,721
Copier Lease	11/2020	10/2025	4.940%	\$289/mo.	1,291
Copier Lease	2/2021	6/2024	10.470%	\$114/mo.	7,629
iPads Lease	10/2021	9/2023	3.000%	\$76,340/yr.	74,116
Total Leases Payable					<u>\$ 141,757</u>

Each lease is a fixed payment lease with a fair-market value buyout option. The college does not intend to exercise the buyout of any of its current leases. There are no terms of any lease whereby variable payments would be due. The following is a schedule by years of the total payments due on notes payable:

	Lease Payable	Interest	Total
2024	\$ 137,290	\$ 3,550	\$ 140,840
2025	3,323	146	3,469
2026	<u>1,144</u>	<u>12</u>	<u>1,156</u>
Totals	<u>\$ 141,757</u>	<u>\$ 3,708</u>	<u>\$ 145,465</u>

**As Lessor**

The college has evaluated its current leases as lessor and determined that its leases as lessor are immaterial, both individually and in the aggregate and therefor are not reported under long-term leases.

9. Subscription-Based Information Technology Arrangements (SBITAs)

The college has entered into the following subscription-based information technology arrangements. The subscriptions can only be cancelled if both parties agree. There are no options to extend and no variable payments options.

At commencement, the College initially measures the liability at the present value of payments expected to be made during the subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized in amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset.

The College generally uses its estimated incremental borrowing rate as the discount rate unless the rate that the vendor charges is known. The estimated incremental borrowing rate is the rate the College would be charged for borrowing the subscription payment amounts during the subscription term.

The subscription term includes the noncancelable period of the contract plus any additional periods covered by either a College or vendor option to extend for which it is reasonably certain to not be exercised. Periods in which both the College and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

9. Subscription-Based Information Technology Arrangements [SBITAs] (continued)

Description	Date of Issue	Date of Maturity	Discount Rate	Payment	Amount Outstanding
Workflow System	6/30/2023	6/2028	3.00%	\$36,057- 43,828/yr	\$ 187,424
ERP System	7/1/2022	6/30/2028	3.00%	\$663,978 - \$795,684/yr	\$ 3,378,686
Payment Processing	12/12/2022	12/11/2025	3.00%	\$33,563/yr	\$ 64,221
Total SBITA liabilities					<u>\$ 3,630,331</u>

SBITA Assets:

Following is a summary of changes in SBITA assets for the year ended June 30, 2023:

	Beginning Balance 7/1/2022	Additions	Adjustments	Amortization	Ending Balance 6/30/2023
SBITA assets	\$ -	4,457,576	33,613	(747,025)	3,744,164
Total	<u>-</u>	<u>4,457,576</u>	<u>33,613</u>	<u>(747,025)</u>	<u>3,744,164</u>

Amortization is computed on a straight-line basis over the term of the arrangement.

SBITA Liabilities:

A summary of SBITA liabilities during the year ending June 30, 2023:

	Beginning Balance 7/1/2022	Additions	Reductions	Adjustments	Ending Balance 6/30/2023	Amounts due within one year
Workflow System	\$ -	187,424	(33,340)	33,340	187,424	36,057
ERP System	-	4,042,664	(663,978)	-	3,378,686	583,908
Payment Processing System	-	97,784	(33,563)	-	64,221	31,636
Total	<u>\$ -</u>	<u>4,327,872</u>	<u>(730,881)</u>	<u>33,340</u>	<u>\$ 3,630,331</u>	<u>\$ 651,601</u>

The schedule detailing the annual requirements under the SBITA liabilities is as follows:

	Principal	Interest	Total
2024	\$ 651,601	\$ 103,287	\$ 754,888
2025	693,312	89,362	782,674
2026	709,482	68,563	778,045
2027	760,876	47,278	808,154
2028	815,060	24,452	839,512
Totals	<u>\$ 3,630,331</u>	<u>\$ 332,942</u>	<u>\$ 3,963,273</u>

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

9. Subscription-Based Information Technology Arrangements [SBITAs] (continued)

Exemptions

Short-term SBITAs: Exempt from capitalization

GASB 96 provides an exemption for short-term SBITAs, defined as a subscription with a maximum possible noncancelable term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Like the treatment of short-term leases under GASB 87, GASB 96 only requires subscription payments for short-term SBITAs to be recognized as outflows of resources when incurred.

Immaterial SBITAs: Exempt from capitalization and disclosure

At the end of Statement No. 96 is a comment which reads "The provisions of this Statement need not be applied to immaterial items." As with GASB 87, GASB 96 does not provide an explicit materiality threshold for governmental entities to apply to their SBITA portfolio, but it does allow for the exemption of immaterial SBITAs. Governments making policy elections for GASB 96 can adopt methodology and thresholds similar to their determinations for lease or asset capitalization.

10. 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.

11. 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.

12. Concentrations

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

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

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

13. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2023:

	Salaries and Wages	Pension Expense	Fringe Benefits	Travel	Contractual Services	Utilities and Communication	Scholarships and Fellowships	Commodities	Depreciation and Amortization	Total
Instruction	\$11,023,002	\$3,175,634	\$1,619,080	\$233,702	\$16,856,259	\$76,772	\$788,364	\$2,162,879	\$-	\$35,935,692
Academic support	461,690	130,730	74,422	33,589	96,340	89	-	31,438	-	828,298
Student services	2,743,239	773,331	446,480	317,644	312,273	30,443	340,131	439,459	-	5,403,000
Institutional support	3,102,097	784,698	258,207	119,839	3,720,624	116,135	-	131,611	-	8,233,211
Operation of plant	1,190,382	339,967	261,938	-	1,542,122	1,645,055	-	802,684	-	5,782,148
Student aid	-	-	-	-	-	-	2,735,138	-	-	2,735,138
Auxiliary enterprises	302,052	87,058	67,062	-	1,713,959	431,618	-	1,280,424	-	3,882,173
Depreciation	-	-	-	-	-	-	-	-	3,570,917	3,570,917
Total Operating Expenses	<u>\$18,822,462</u>	<u>\$5,291,418</u>	<u>\$2,727,189</u>	<u>\$704,774</u>	<u>\$24,241,577</u>	<u>\$2,300,112</u>	<u>\$3,863,633</u>	<u>\$4,848,495</u>	<u>\$3,570,917</u>	<u>\$66,370,577</u>

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

14. Defined Benefit Pension Plan

General Information about the Pension Plan

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at [www.pers.ms.gov](http://www.pers.ms.gov).

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the college is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2023 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 may be amended only by the Mississippi Legislature. The college's contributions to PERS for the fiscal years ending June 30, 2023, 2022 and 2021, were \$3,160,768, \$3,044,137, and \$2,893,200, 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, 2023, the College reported a liability of \$52,303,027 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023, net pension liability was 0.2541%, which was based on a measurement date of June 30, 2022. This was a 0.004% increase from its proportionate share used to calculate the June 30, 2022, net pension liability, which was 0.2501% based on a measurement date of June 30, 2021.

**Northeast Mississippi Community College**  
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**For the Year Ended June 30, 2023**

14. Defined Benefit Pension Plan (continued)

For the year ended June 30, 2023, the College recognized pension expense of \$5,291,418. At June 30, 2023, 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	\$ 733,947	\$ -
Net difference between projected and actual earnings on pension plan investments	2,859,852	
Changes of assumptions	1,780,482	-
Changes in proportion and differences between College contributions and proportionate share of contributions	814,672	-
College contributions subsequent to the measurement date	<u>3,160,768</u>	<u>-</u>
Total	<u>\$ 9,349,721</u>	<u>\$ -</u>

\$3,160,768 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, 2024. 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
2024	\$ 2,042,536
2025	1,561,084
2026	(252,772)
2027	<u>2,838,105</u>
Total	<u>\$ 6,188,953</u>

*Actuarial assumptions* - The total pension liability as of June 30, 2022, was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation: 2.40%  
Salary increases: 2.65-17.90%, including inflation  
Investment rate of return: 7.55%, net of pension plan investment expenses, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

**Northeast Mississippi Community College**  
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14. Defined Benefit Pension Plan (continued)

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016, to June 30, 2020. The experience report is dated April 20, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Expected</u>
Domestic Equity	25.00%	4.60%
International Equity	20.00%	4.50%
Global Equity	12.00%	4.85%
Fixed Income	18.00%	1.40%
Real Estate	10.00%	3.65%
Private Equity	10.00%	6.00%
Private Infrastructure	2.00%	4.00%
Private Credit	2.00%	4.00%
Cash Equivalents	1.00%	0.10%
Total	<u>100.00%</u>	

*Discount rate* - The discount rate used to measure the total pension liability was 7.55%. 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 7.55%, 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 (6.55%) or one percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease 6.55%</u>	<u>Current Discount Rate 7.55%</u>	<u>1% Increase 8.55%</u>
College's proportionate share of the Net Pension Liability	<u>\$ 68,260,791</u>	<u>\$ 52,303,027</u>	<u>\$ 39,146,661</u>

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

**Northeast Mississippi Community College  
Notes to Financial Statements  
For the Year Ended June 30, 2023**

**15. 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 \$69,156 for the year ended June 30, 2023.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB* - At June 30, 2023, the College reported a long-term liability of \$1,299,974 and a short-term liability of \$69,156, for a total liability of \$1,369,130 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the College's proportion was 0.2779%. This was a decrease of 0.0016% from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the College recognized OPEB expense of \$(138,358). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**Northeast Mississippi Community College**  
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15. Other Post-Employment Benefits (OPEB) (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,134	\$ 593,163
Net difference between projected and actual earnings on OPEB plan investments	94	-
Changes of assumptions	213,538	126,763
Changes in proportion and differences between College contributions and proportionate share of contributions	117,336	10,364
College's contributions subsequent to the measurement date	<u>69,156</u>	<u>-</u>
Total	<u>\$ 401,258</u>	<u>\$ 730,290</u>

\$69,156 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, 2024. 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
2024	\$ (79,717)
2025	(73,214)
2026	(95,092)
2027	(80,100)
2028	(50,044)
Thereafter	<u>(20,021)</u>
Total	<u>\$ (398,188)</u>

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.40%
Salary increases	2.65-17.90%, including wage inflation
Municipal Bond Index Rate	
Measurement date	3.37%
Prior measurement date	2.13%
Year FNP is projected to be depleted	
Measurement date	2022
Prior measurement date	2021
Single equivalent interest rate, net of OPEB plan	
Investment expense, including inflation	
Measurement date	3.37%
Prior measurement date	2.13%
Health care cost trends, Medicare supplement	
Claims, Pre-Medicare	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2029 FYE

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

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

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate* - The discount rate used to measure the total OPEB liability at June 30, 2022, was 3.37%. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. 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, 2021, and June 30, 2022, total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022, was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.37%) or 1-percentage-point higher (4.37%) than the current discount rate:

	1% Decrease 2.37%	Current Discount Rate 3.37%	1% Increase 4.37%
Net OPEB Liability	\$ 1,508,265	\$ 1,369,130	\$ 1,249,614

*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	\$ 1,273,877	\$ 1,369,130	\$ 1,476,324

*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>.

**Northeast Mississippi Community College**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2023**

16. 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 June 20, 2024, and determined there were not events that occurred that warranted disclosure.

**Northeast Mississippi Community College Development Foundation, Inc.**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2023**

**Note 1: Summary of Significant Accounting Policies**

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.

Form of Governance

The Foundation is governed by a twenty-member board at this time. The board is composed of five members of the Board of Trustees of the Northeast Mississippi Community College, the college faculty/staff development officer, the Student Government Association President, the Alumni Association President, five county directors, and seven members at large. All board members are appointed to the board by current Foundation board members. Board members serve on the board for an indefinite time period.

Reporting Entity

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

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.

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.

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.

In-Kind Donations

The Foundation received donated supplies, athletics apparel and other goods to be used in college programs of \$62,423 for the year ended June 30, 2023. 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.

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 based on restrictions put in place by the donor.

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.

**Northeast Mississippi Community College Development Foundation, Inc.**

**Notes to the Financial Statements  
For the Year Ended June 30, 2023**

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

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

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

The Foundation has a board policy that when interest and dividends are earned on investment accounts, the earnings are reinvested into the account and not distributed to a bank account. The Foundation only withdraws money from the investment account when there are scholarship expenses that need to be covered.

Unconditional Promises to Give

The Foundation has recorded unconditional promises to give of \$88,165 at June 30, 2023, of which \$14,211 is current and \$73,954 is long-term. The Foundation expects to receive payment on the current portion during 2024.

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 uncollectible.

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.

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 2023.

Revenue Recognition

Contributions received are recorded as without donor restriction or with donor restriction support depending on the existence and nature of any donor restrictions. When a stipulated time restriction ends or when a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and are reported in the Statement of Activities as "net assets released from restrictions".

**Northeast Mississippi Community College Development Foundation, Inc.**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2023**

Financial Reporting

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

Net assets without restrictions represent resources generated from operations or that are not subject to donor-imposed stipulations. 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 net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and or the passage of time. Net assets in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

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

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

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). See Note 8 for fair value 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.

Adoption of New Accounting Standard

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 has one operating lease with AT&T for a Cell Tower that is located on the donated land from the Franks Foundation asset transfer. The adoption of FASB ASC 842, *Leases*, did not have an impact on the Foundation's change in net assets or cash flows.

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.

**Northeast Mississippi Community College Development Foundation, Inc.**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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 Foundation are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**Note 2: Availability and Liquidity**

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

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

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

- 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, 2023:

Financial assets at year end:

Cash and cash equivalents	\$ 122,552
Unconditional promises to give (net)	88,165
Cash surrender value life insurance investment	16,836
Unrestricted portion of investments	94,653
Restricted portion of investments and stock	9,485,612
Total financial assets	<u>9,807,818</u>

Less amounts not available to be used within one year:

Restricted portion of investments and stock	9,485,612
Unconditional promises to give (net)	88,165
	<u>9,573,777</u>

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

\$ 234,041

**Northeast Mississippi Community College Development Foundation, Inc.**

Notes to the Financial Statements

For the Year Ended June 30, 2023

**Note 3: Economic Dependence and Concentration**

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

**Note 4: Promises to Give**

Unconditional promises to give:

With donor restrictions	\$ 88,165
Total	\$ <u>88,165</u>

Reported As:

Current	\$ 14,211
Long-term	73,954
Total	\$ <u>88,165</u>

These pledges are due as follows:

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

Due in less than one year	\$ 14,211
Due in one to five years	38,668
Due in six to ten years	39,335
Due in eleven to fifteen years	13,329
Total	<u>105,543</u>
Less: Discounts to present value	(17,378)
Less: Allowances for bad debts	-
Net unconditional promises to give at June 30, 2023	\$ <u>88,165</u>

**Note 5: Investments**

Investments as of June 30 are summarized as follows:

	Cost	Fair Value
<i>Cash Equivalents:</i>		
1 <sup>st</sup> Financial Bank USA CD# 3001984	\$ 245,000	\$ 245,000
Academy Bank National Association CD# 9450438677	245,000	245,000
American State Bank CD# 60002	245,000	245,000
Bank Vista CD# 1307111	245,000	245,000
Bankers' Bank of the West CD# 5003288	230,000	230,000
Byline Bank CD# CD1189587	245,000	245,000
Cadence Trust Variable Rate Mma	250,000	250,000
Connectone Bank CD# 103287574	245,000	245,000
Ddm Reich & Tang FDIC Fund	156,751	156,751
First Federal Savings and Loan CD# 1359590459	245,000	245,000
Georgia Banking Company CD# 14006590	245,000	245,000
Greenstate Cu CD# 15461126-1001	245,000	245,000
Metropolitan Capital Bank & Trust CD# 100103837	245,000	245,000
Mvb Bank, Inc. CD# 12354378016	95,000	95,000
Nano Banc CD# 4001002346	245,000	245,000
Peoples Bank & Trust Co of Hazard CD# 60003721	245,000	245,000
Transportation Alliance Bank, Inc. CD# 600198964	245,000	245,000
United Fidelity Bank, FSB CD# 588107	245,000	245,000
Webbank CD# 503000388	245,000	245,000



**Northeast Mississippi Community College Development Foundation, Inc.**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

	Cost	Fair Value
<i>Equities:</i>		
Abbvie Inc Com	37,920	47,156
Accenture PLC Class A Ordinary Shares	12,125	41,041
Advance Auto Pts Inc Com	31,675	15,044
Amazon.Com Inc Com	49,046	65,180
American Tower Corporation	26,537	48,485
Apple Inc Com	20,436	73,709
Applied Matls Inc Com	51,420	60,707
Bristol Myers Squibb Co Com	26,262	29,097
Broadcom Inc Com	53,319	93,682
Chesapeake Energy Corp Com	47,931	44,350
Cisco Sys Inc Com	11,607	32,596
Citizens Finl Group Inc Com	23,774	15,909
Constellation Brands Inc Cl A	33,805	34,458
Dollar Gen Corp New Com	15,680	23,769
Dominion Energy, Inc	32,127	27,449
Dominos Pizza Inc Com	15,064	16,850
Eog Res Inc Com	42,871	41,198
Exxon Mobil Corp Com	13,494	18,554
Federated Hermes Inc Cl B	18,475	19,718
Fedex Corp Com	35,466	42,143
First Eagle Global Fund Class R6 #962	331,732	353,756
Franklin Resources Inc Com	26,086	27,778
General Dynamics Corp Com	33,003	30,121
Gilead Sciences Inc Com	30,376	37,764
Honda Motor LTD Amern Shs	11,665	14,852
International Business Machs Corp Com	24,138	25,424
JP Morgan Chase & Co Com	49,575	116,352
JP Morgan Equity Income Fund Cl R6 #3633	357,451	412,349
JP Morgan Large Cap Growth Fund R6 #2148	330,230	294,445
JP Morgan Undiscovered Managers Behavioral Value Fund – R6 #3467	175,082	222,544
John Hancock Funds III – International Growth Fund Cl #487	243,043	193,663
John Hancock III Disciplined Value Fund Cl I #3403	168,458	186,881
John Hancock Funds III – Disciplined Value Mid Cap Fund – Is #3633	168,041	202,006
Kinder Morgan Inc Del Com	46,824	41,328
Kraft Heinz Co Com	16,388	16,330
Lockheed Martin Corp Com	48,099	57,548
Lowe's Cos Inc Com	19,659	112,399
Lyondellbasell Industries N V Shs A	32,062	27,549
Medtronic PLC Shs	15,479	16,739
Meridian Small Cap Growth Fund Inv #178	64,651	45,391
Microsoft Corp Com	47,725	299,675
Nutrien LTD Com	30,599	15,944
Old Republic Intl Corp Com	24,790	26,680
Philip Morris Intl Inc Com	31,741	31,238
Prudential Finl Inc Com	78,486	59,990
Qualcomm Inc Com	35,801	30,950
Raytheon Technologies Corp Com	46,269	46,041
Restaurant Brands Intl Inc Com	40,966	53,489
Stanley Black & Decker Inc Com	19,426	22,490
Sysco Corp Com	21,502	20,776
T Rowe Price Mid-Cap Growth Fund #64	105,362	122,159

**Northeast Mississippi Community College Development Foundation, Inc.**

Notes to the Financial Statements

For the Year Ended June 30, 2023

	<u>Cost</u>	<u>Fair Value</u>
<i>Equities: (continued)</i>		
Texas Instruments Inc Com	34,628	33,664
Totalenergies SE	30,987	35,160
Truist Finl Corp Com	9,656	6,677
United Parcel Svc Inc Cl B	15,143	27,605
Upbound Group Inc Com	59,656	31,130
Vail Resorts Inc	16,657	18,882
Verizon Communications Inc Com	40,931	30,124
Walmart Inc.	24,841	36,937
<i>Fixed Income:</i>		
Pioneer Multi-Asset Ultrashort Income Fund Class Y #7716	<u>189,669</u>	<u>188,685</u>
Sub-Total	\$ <u>8,102,662</u>	\$ <u>8,771,361</u>
Cash Surrender Value Life Insurance Investment		16,836
Accrued Investment Income		17,095
Farmers and Merchants Bank Stock		791,809
Total		\$ <u>9,597,101</u>
Without Donor Restrictions		\$ 111,489
With Donor Restrictions		<u>9,485,612</u>
Total		\$ <u>9,597,101</u>

The following schedule summarizes the investment return in the Statement of Activities:

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Dividend and Interest income	\$ 260,440	\$ 615	\$ 259,825
Unrealized/Realized Gain (Loss) on Assets (Net)	<u>535,413</u>	<u>(131,718)</u>	<u>667,131</u>
Total	\$ <u>795,853</u>	\$ <u>(131,103)</u>	\$ <u>926,956</u>

Note 6: Property and Equipment  
The following is a summary of property and equipment:

Land – Unrestricted	\$ 80,000
Land – Restricted	45,000
Office Equipment	28,364
Less: Accumulated Depreciation	<u>(28,025)</u>
	\$ <u>125,339</u>

Depreciation expense totaled \$297 for the year.

**Northeast Mississippi Community College Development Foundation, Inc.**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**Note 7: Net Assets**

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

Athletics	\$ 319,978
Building Endowments	5,596
Endowment Scholarships	669,822
College Programs	145,135
Fine Arts	55,760
Other	488,334
Scholarships	143,171
Endowments (See Below)	7,790,981
Total	<u>\$ 9,618,777</u>

The \$143,171 in Scholarships is made up of mostly tuition guarantee payments from surrounding counties.

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

Scholarships – Franks Foundation	\$ 4,000,000
Scholarships – Haney	1,037,833
Scholarships – Martin	100,049
Scholarships – Miller	227,840
Scholarships – Newby	350,000
Scholarships – Rees	480,000
Scholarships – Tuckier	151,564
Scholarships – Woods	125,000
Scholarships – Various	1,318,695
Total	<u>\$ 7,790,981</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.

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:

**Northeast Mississippi Community College Development Foundation, Inc.**

Notes to the Financial Statements

For the Year Ended June 30, 2023

	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	\$ 16,836	-	-	16,836
Investments without restrictions	94,653	94,653	-	-
Financial Assets With Restrictions:				
Unconditional promises to give	88,165	-	-	88,165
Investments with restrictions	8,693,803	8,693,803	-	-
Farmers & Merchants Bank				
Stock	791,809	-	-	791,809
Total	\$ 9,685,266	8,788,456	-	896,810

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 follow:

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

Level 2 – Inputs to the valuation methodology include

\*Quoted prices for similar assets or liabilities in active markets;

\*Quoted prices for identical assets or liabilities in inactive markets;

\*Inputs other than quoted prices that are observable for the asset or liability;

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

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

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

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

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

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

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2023**

**Note 9: Leases**

As Lessor:

The Foundation leases land to AT&T for a cellular-enabled mobile device site, i.e. a cell tower. The lease is an operating lease with 5-year terms. The lease does not transfer ownership of the leased assets and does not provide an option for the lessees to purchase the assets. The current lease term is set to expire March 15, 2024. It is probable that the Foundation will extend the lease for an additional 5 years.

Lease Income

Lease income is included in the Statement of Activities as part of other operating income.

Crown Communication, LLC	\$	7,856
Total	\$	<u>7,856</u>

**Note 10: Related Party Transactions**

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

Salary and Fringe Benefits	\$	248,387
Postage and Freight		2,021
Other		7,625
Total	\$	<u>258,033</u>

The members of the Foundation Board of Directors contributed \$22,503 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 11: Compensated Absences**

The Foundation does not have a policy for compensated absences.

**Note 12: 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 13: 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	\$	39,975
General and Administrative		124,921
Fund Raising		136,934
Total	\$	<u>301,830</u>

For a complete breakdown of the expense categories listed above, please see Statement of Functional Expenses on page 5 of this report.

**Northeast Mississippi Community College Development Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2023**

**Note 14: 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.

**Note 15: Endowment Net Assets**

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted Endowment Funds	\$ <u>-</u>	\$ <u>7,790,981</u>	\$ <u>7,790,981</u>

Changes in endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 6,803,527	\$ 6,803,527
Contributions	-	395,000	395,000
Unrealized gain on assets		592,454	592,454
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>7,790,981</u>	\$ <u>7,790,981</u>

**Note 16: 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 Foundation evaluated subsequent events and transactions that occurred after the Statement of Financial Position date up to the date that the financial statements were issued on February 14, 2024. No adjustments are considered necessary to these financial statements.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability (asset)	0.2541%	0.2501%	0.2464%	0.2453%	0.2400%	0.2300%	0.2300%	0.2301%	0.2272%
College's proportionate share of the net pension liability (asset)	\$ 52,303,027	\$ 36,965,873	\$ 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	\$ 17,495,038	\$ 16,627,585	\$ 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	298.96%	222.32%	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)	59.93%	70.44%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,160,768	\$ 3,044,137	\$ 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>\$ 3,160,768</u>	<u>\$ 3,044,137</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 18,165,336	\$ 17,495,038	\$ 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%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability	0.2779%	0.2795%	0.2692%	0.2657%	0.2578%	0.2496%
College's proportionate share of the net OPEB liability	\$ 1,369,130	\$ 1,799,121	\$ 2,095,265	\$ 2,254,178	\$ 1,994,190	\$ 1,958,265
College's covered-employee payroll	\$ 17,989,861	\$ 16,627,585	\$ 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	7.61%	10.82%	12.77%	14.11%	13.08%	13.13%
Plan Fiduciary net position as a percentage of the total OPEB liability (asset)	0.21%	0.16%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 69,156	\$ 55,795	\$ 72,291	\$ 83,559	\$ 90,354	\$ 83,484
Contributions in relation to the actuarially determined contribution	<u>\$ 69,156</u>	<u>\$ 55,795</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 17,989,861	\$ 17,495,039	\$ 16,627,585	\$ 16,407,319	\$ 15,975,239	\$ 15,244,629
Contributions as a percentage of covered-employee payroll	0.38%	0.32%	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, 2023**

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, 2023**

Pension Schedules (continued)

1. Changes of Assumptions (continued)

2021

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

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, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75%

**Northeast Mississippi Community College**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2023**

Pension Schedules (continued)

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

Salary increase	3.00-18.25%, 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.

2021

The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current measurement date.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% 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.

2021

The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

**Northeast Mississippi Community College**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2023**

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

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2021, actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

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	3.00-18.25%, including wage inflation
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	6.50%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2030
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Education</b>			
Direct:			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant	84.007		\$ 187,406
Federal Direct Student Loans	84.268		3,097,948
Federal Work Study Programs	84.033		128,303
Federal Pell Grant Program	84.063		8,835,830
Total Student Financial Assistance Cluster			* 12,249,487
Education Stabilization Fund (ESF)			
COVID-19 HEERF Institutional Portion	84.425F		1,113,759
Total Education Stabilization Fund (ESF)			* 1,113,759
Total Direct Funding			13,363,246
Passed Through MS Community College Board			
Adult Education - Basic Grants to States	84.002	N/A	448,594
Career and Technical Basic Grants to States	84.048	V048A190024	258,258
Total passed-through MS Community College Board			706,852
Total U. S. Department of Education			14,070,098
<b>U. S. Department of Labor</b>			
Workforce Investment Opportunity Act Cluster			
Passed Through Three Rivers Planning & Development District			
WIA/WIOA Adult Program	17.258	22-03-30	489,728
WIA/WIOA Youth Activities	17.259	22-06-30	428,683
WIA/WIOA Dislocated Worker Formula Grants	17.278	22-03-30	314,463
Total passed-through Three Rivers Planning and Development District			1,232,874
Total Workforce Investment Opportunity Act Cluster			1,232,874
Total U.S. Department of Labor			1,232,874

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

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Passed Through MS Department of Human Services			
CCDF Cluster			
COVID-19 Child Care and Development Block Grant	93.575	N/A	177,840
Child Care and Development Block Grant	93.575	6023669/6023670/ 6023671	49,410
Total Child Care and Development Block Grant			<u>227,250</u>
Total CCDF Cluster			<u>227,250</u>
Temporary Assistance for Needy Families (TANF)		6026122/ 6026123	
State Programs	93.558		463,335
Total passed-through MS Department of Human Services			<u>690,585</u>
Passed Through Three Rivers Planning and Development District			
Temporary Assistance for Needy Families (TANF)			
State Programs	93.558	N/A	90,053
Total passed-through Three Rivers Planning and Development District			<u>90,053</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>780,638</u>
<b>U.S. Department of Highway Planning and Construction</b>			
Passed Through Mississippi Department of Transportation			
Highway Planning and Construction		STP-0055-00(039)	
(Federal-Aid Highway Program)	20.205	LPA/108044	174,389
Total passed-through Mississippi Department of Transportation			<u>174,389</u>
<b>Total U.S. Department of Highway Planning and Construction</b>			<u>174,389</u>
<b>National Aeronautics and Space Administration</b>			
Passed Through University of Mississippi			
Aerospace Educations Services Program	43.001	19-04-052	7,500
Total passed-through University of Mississippi			<u>7,500</u>
<b>Total National Aeronautics and Space Administration</b>			<u>7,500</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 16,265,499</u>

\* Major Program

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



**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**Notes to the Schedule of Expenditures of Federal Awards**

The accompanying schedule includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2023. 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:

For purposes of this schedule, loans made to students under the Federal Direct Student Loans (ALN #84.268) 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 to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northeast Mississippi Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which comprise Northeast Mississippi Community College's basic financial statements, and have issued our report thereon dated June 20, 2024. Our report includes a reference to other auditors who audited the financial statements of Northeast Mississippi Community College Foundation, Inc., as described in our report on the College's financial statements. 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.

### **Report on 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 or significant deficiencies may exist that were not identified.

### **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
June 20, 2024

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

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

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

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

We have audited Northeast Mississippi Community College's compliance with the types of compliance requirements identified as subject to audit in the *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, 2023. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northeast Mississippi Community College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northeast Mississippi Community College's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northeast Mississippi Community College's federal programs.



### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northeast Mississippi Community College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northeast Mississippi Community College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northeast Mississippi Community College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northeast Mississippi Community College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Northeast Mississippi Community College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
June 20, 2024

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Rudolph Franks, CPA (1933-2019)

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

Dr. 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, 2023, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated June 20, 2024. 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 all 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 disclosed an instance of noncompliance with state laws and regulations. This instance of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are as follows:

**Finding 1:**

Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with State Treasurer that contains the name of the public depositor, its tax identification number and provides a list of all public accounts that were held by that depositor within 30 days of fiscal year.

Condition:

The College did not report all its public accounts to the State Treasurer as required to participate in the State Collateral Pool.

Cause:

The College failed to include one of its certificates of deposit and a money market account when it submitted the Annual Report to the State Treasurer within thirty days of year end.

Effect:

The College was not in compliance with the Mississippi Code 27-105-5.

Recommendation:

The College should implement adequate controls to ensure that all relevant reports regarding the State Collateral Pool include all public accounts of the College.

Response:

The college concurs with this finding. This was an oversight the past couple years due to personnel changes. This will be corrected for the June 30, 2024, Annual Report to the State Treasurer.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

Northeast Mississippi Community College's response to the was not audited, and accordingly, we express no opinion on it.

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.

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.

Tupelo, Mississippi

June 20, 2024



**Northeast Mississippi Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

**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 material 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>ALN Numbers</u>	<u>Name of Program or Cluster</u>
84.007, 84.268, 84.033 & 84.063 84.425F	Student Financial Assistance Cluster Covid-19 HEERF Institutional Portion

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

**Section II: Financial Statement Findings**

The results of our tests did not disclose any findings related to the Financial Statements.

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

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



# NORTHEAST

MISSISSIPPI COMMUNITY COLLEGE

## SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), Northeast Mississippi Community College has prepared and hereby submits the following summary of prior audit findings follow up as of June 30, 2023.

### Finding 2022-001

Corrected.