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# **Northwest Mississippi Community College**

**Independent Auditor's Report, Management's  
Discussion and Analysis, Financial Statements, and  
Required Supplementary Information**

June 30, 2023

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## Independent Auditor's Report on the Financial Statements and Supplementary Information

Board of Trustees  
Northwest Mississippi Community College  
Senatobia, Mississippi

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the business-type activities of Northwest Mississippi Community College (the "College") as of and for the year ended June 30, 2023 and the related notes to the financial statements. The financial statements of the business-type activities of the College as of and for the year ended June 30, 2023, and the aggregate discretely component unit, the Northwest Mississippi Foundation (the "Foundation"), as of and for the year ended December 31, 2022, collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30 2023, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the Foundation as of and for the year ended December 31, 2022, which represents 100 percent of the total assets, total net assets, and revenues of the component unit as of December 31, 2022, and the respective changes in financial position thereof for the year end. Those financial 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 the Foundation, is based solely on the report of other auditors.

#### **Basis for Opinion**

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*, 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 the 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 Northwest Mississippi Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023, the College adopted the provisions of Government Accounting Standards Board Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

## ***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 the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's 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 opinion. 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 GAAS 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 GAAS 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 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 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 (MD&A), the schedule of the College's proportionate share of the net pension liability, the schedule of College's pension contributions, the schedule of the College's proportionate share of the net OPEB liability, and the schedule of the College's OPEB contributions as listed in the table of contents 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 the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards and related notes is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements. This information is the responsibility of management and is derived from and relate 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, based on our audit and the report of other auditors, the schedule of expenditures of federal awards and related notes, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of the 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 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 the College's internal control over financial reporting and compliance.

FORVIS,LLP

Memphis, Tennessee  
March 26, 2024

## **Management's Discussion and Analysis**

This section of the Northwest Mississippi Community College (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2023. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the college's management.

### ***Using this Report***

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

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

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

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

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

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

**Condensed Statement of Net Position**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Assets:			
Current assets	\$ 64,066,853	\$ 35,278,294	\$ 28,788,559
Noncurrent assets:			
Other	12,618,759	30,988,344	(18,369,585)
Long-term receivable	582,878	300,000	282,878
Capital, net	<u>146,037,069</u>	<u>129,938,283</u>	<u>16,098,786</u>
Total assets	<u>223,305,559</u>	<u>196,504,921</u>	<u>26,800,638</u>
Deferred outflows of resources	<u>14,369,092</u>	<u>11,583,056</u>	<u>2,786,036</u>
Liabilities:			
Current liabilities	6,033,757	8,153,747	(2,119,990)
Noncurrent liabilities	<u>114,375,173</u>	<u>93,792,085</u>	<u>20,583,088</u>
Total liabilities	<u>120,408,930</u>	<u>101,945,832</u>	<u>18,463,098</u>
Deferred inflows of resources	<u>5,361,883</u>	<u>23,441,556</u>	<u>(18,079,673)</u>
Net position:			
Net investment in capital assets	118,648,406	102,500,489	16,147,917
Restricted:			
Expendable	31,659,044	27,682,936	3,976,108
Unrestricted	<u>(38,403,612)</u>	<u>(47,482,836)</u>	<u>9,079,224</u>
Total net position	<u>\$111,903,838</u>	<u>\$ 82,700,589</u>	<u>\$ 29,203,249</u>

**Assets**

**Current Assets**

*Cash and cash equivalents*

Cash and cash equivalents consist of cash in the College's bank accounts that are unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$37,373,936 at June 30, 2023, compared to the fiscal year 2022 amount of \$27,139,386. This increase is due to an increase of net income and a shift from restricted cash to unrestricted cash.

*Accounts receivable*

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, accounts receivable arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. Accounts receivable was \$25,589,342 at June 30, 2023, compared to the fiscal year 2022 amount of \$7,529,922. The increase in accounts receivable is related to FY23 federal aid received in FY24.

*Inventories*

The College maintains inventories of merchandise for resale in the Northwest Bookstore. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$618,991 at June 30, 2023, and \$492,158 at June 30, 2022. This increase is related to student supply inventory and memorabilia.

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

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*Long-term receivable-current portion*

Long-term receivable consists of the agreement with Marshall County to pay the College \$1,000,000 of back taxes over a period of ten years and the current portion of a 3-year lease agreement. The outstanding balance from Marshall County reported as a current asset at June 30, 2023 was \$100,000, which is due in the next fiscal year. The outstanding balance from Marshall County reported as a current asset at June 30, 2022 was also \$100,000.

The College has recorded a lease receivable related to real estate property at the College's DeSoto Center location leased to the University of Mississippi. The outstanding balance reported as a current asset at June 30, 2023 is \$356,244.

*Prepaid expenses*

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and travel advances. Prepaid expenses totaled \$28,340 at June 30, 2023, in comparison to \$16,828 at June 30, 2022.

**Non-Current Assets**

*Restricted cash and cash equivalents*

Cash and cash equivalents that are considered restricted, non-current assets include cash held in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund and cash held in the unexpended plant fund for future capital improvements. The amount of restricted cash and cash equivalents at June 30, 2023 totaled \$12,618,759, in comparison to \$30,988,344 at June 30, 2022.

*Long-term receivable*

Long-term receivable consists of the agreement with Marshall County to pay the College \$1,000,000 of back taxes over a period of ten years. The outstanding balance reported as a long-term asset at June 30, 2023 totaled \$150,000 and 2022 was \$300,000.

The College has recorded a lease receivable related to real estate property at the College's DeSoto Center location leased to the University of Mississippi for three years. The outstanding balance reported as a long-term asset at June 30, 2023 is \$382,878.

*Capital assets, net*

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2023. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$146,037,069 at June 30, 2023, in comparison to \$129,938,283 at June 30, 2022. The largest portion of capital assets of the College consists of buildings. The amount reported prior to depreciation at June 30, 2023 totaled \$152,616,113 or 73.34% of total depreciable capital assets compared to \$118,736,074 or 73.18% of total depreciable capital assets at June 30, 2022. These building are used for housing students, classrooms, and faculty and staff offices.

*Deferred outflow of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflow of resources consists Other Post Employment Benefits "OPEB" as well as pensions. The deferred outflow of resources related to OPEB totals \$500,337 at June 30, 2023 compared to \$637,074 at June 30, 2022. The deferred outflow of resources related to pension totals \$13,868,755 at June 30, 2023 compared to \$10,945,982 at June 30, 2022. This increase in deferred outflow is related to increases in deferred outflow from the State retirement system's performance in fiscal year 2022 (measurement period of PERS).

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

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***Liabilities***

***Current Liabilities***

*Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities represent amounts due at June 30, 2023 for employee benefits, accrued payroll, and for unpaid goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$4,670,128 at June 30, 2023, in comparison to \$7,300,812 at June 30, 2022. This decrease is attributed to the completion of a major construction project.

*Unearned revenue*

Unearned revenue represents revenue that was received by the College during the fiscal year that the College had not earned or expended by the end of the June 30, 2023 fiscal year. The unearned revenue totaled \$60,402 at June 30, 2022. There was no unearned revenue at June 30, 2023.

*Bond payable, current portion*

The current portion of the bond payable is \$475,000. A bond was issued in the fiscal year 2020 for the purposes of financing college facility construction. The debt will mature on March 1, 2050.

*Premium on bond, current portion*

The current portion of the bond premium is \$138,850. The bond premium is being amortized over the remaining life of the issued bond using the straight-line method.

*Other current liabilities*

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2023 was \$115,723 as compared to \$101,623 at June 30, 2022.

***Non-Current Liabilities***

*Net OPEB liability*

This liability is the College's present obligation to pay OPEB in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net OPEB liability was \$2,259,026 at June 30, 2023, with \$115,612 considered due within the next fiscal year, while at June 30, 2022 the net OPEB liability was \$2,991,665, with \$92,060 considered due within the next fiscal year.

*Net pension liability*

This liability is the College's present obligation to pay pension benefits in the future, which is calculated as the present value of the projected future benefit payments attributable to current and former employees' services rendered. This is also considered the part of an employees' compensation earned and deferred for future payment. The net pension liability was \$85,975,390 at June 30, 2023 and \$64,053,536 at June 30, 2022. This increase is a direct result in the State retirement system's performance for the year ended June 30, 2022 (PERS measurement period).

*Net Subscription-Based IT Arrangement liability*

This liability is the College's present obligation to pay for the right to use another party's information technology software as specified by contract. The net SBITA liability was \$549,719 with \$518,444 considered due within the next fiscal year.

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

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***Deferred Inflow of Resources***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources related to OPEB totals \$1,345,741 at June 30, 2023 and \$1,189,995 at June 30, 2022. The deferred inflow of resources related to pensions totals \$3,288,246 at June 30, 2023 and \$22,251,561 at June 30, 2022. This decrease is a direct result in the State retirement system's performance for the year ended June 30, 2022 (PERS measurement period). The deferred inflow of resources related to lease agreements totals \$727,896 at June 30, 2023.

***Net Position***

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. During fiscal year 2023, total net position increased by \$29,203,249 or 35.31%. The College's net position is presented as unrestricted, restricted – expendable, and net investment in capital assets. Further analysis of the College's net position is seen in the "Analysis of Net Position" and "Operating Expenses" sections below.

***Analysis of Net Position***

An unrestricted net position is a net position available to the College for any lawful purpose. The following is a breakdown of unrestricted net position as of June 30, 2023 and June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Unrestricted general fund	\$ 38,675,881	\$ 27,221,765	\$ 11,454,116
Unrestricted debt obligations	(316,100)	(320,860)	4,760
Unrestricted auxiliary fund	1,751,920	4,519,960	(2,768,040)
Unrestricted lease and subscriptions	(16,002)	-	(16,002)
Unrestricted OPEB and pension fund	<u>(78,499,311)</u>	<u>(78,903,701)</u>	<u>404,390</u>
Total unrestricted net position	<u>\$ (38,403,612)</u>	<u>\$ (47,482,836)</u>	<u>\$ 9,079,224</u>

The College was able to increase Unrestricted Net Position despite a net loss in OPEB and Pension Fund's Net Position. The College's pension expense related to the State retirement system was approximately \$5,260,000 in fiscal year 2023.

Restricted - expendable net position consist of gifts or grants from third parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted – expendable net position as of June 30, 2023 and June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Restricted – expendable for Unemployment benefits	\$ 130,656	\$ 130,656	\$ -
Restricted – expendable for Capital projects	31,511,737	27,552,280	3,959,457
Restricted – expendable Grants and Projects	<u>16,651</u>	<u>-</u>	<u>16,651</u>
Total restricted net position	<u>\$ 31,659,044</u>	<u>\$ 27,682,936</u>	<u>\$ 3,976,108</u>

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

The increase in restricted- expendable net position is due to transfers from the general fund for capital projects.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Net investment in capital assets	\$118,648,406	\$102,500,489	\$ 16,147,917

This increase is due to the College's new additions exceeding depreciation on capital assets.

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

For the year ended June 30, 2023 with comparative information for the year ended June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Variance Positive (Negative)</u>
Total operating revenues	\$ 62,600,938	\$ 63,701,076	\$ (1,100,138)
Total operating expenses	<u>74,388,574</u>	<u>81,987,168</u>	<u>(7,598,594)</u>
Net operating loss	(11,787,636)	(18,286,092)	6,498,456
Nonoperating revenues(expenses)	<u>32,358,241</u>	<u>28,986,916</u>	<u>3,371,325</u>
Income (loss) before other revenues, expenses, gains, or losses	20,570,605	10,700,824	9,869,781
Total other revenues, expenses, gains, or losses	<u>8,632,644</u>	<u>14,789,349</u>	<u>(6,156,705)</u>
Change in net position	29,203,249	25,490,173	3,713,076
Net position beginning of year	<u>82,700,589</u>	<u>57,210,416</u>	<u>25,490,173</u>
Net position end of year	<u>\$111,903,838</u>	<u>\$ 82,700,589</u>	<u>\$ 29,203,249</u>

Total operating loss for the fiscal year 2023 was \$11,787,636, while the loss for fiscal year 2022 was \$18,286,092. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

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

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

Total operating revenues for fiscal year 2023 were \$62,600,938, compared to \$63,701,076 for fiscal year 2022. Tuition and fees for fiscal year 2023 were \$11,058,876 compared to \$14,467,244 for fiscal year 2022, net of the tuition discount, which was \$13,901,710 for fiscal year 2023, compared to \$12,498,156 for fiscal year 2022. The decrease in operating revenue is due to an increase in State grants and contracts net against a decrease in Federal grants, tuition and fees.

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

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Operating expenses for fiscal year 2023, including depreciation and amortization of \$6,561,315, and pension expense of \$5,263,103, totaled \$74,388,574. Operating expenses for fiscal year 2022 totaled \$81,987,168, including depreciation and amortization of \$4,306,473, and pension expense of \$925,086. Operating expenses decreased in the current fiscal year due to decrease of scholarships.

Instructional expenditures composed 31.94% of the fiscal year 2023 operating expenses and 28.98% of the fiscal year 2022 operating expenses.

**Revenues**

**Operating Revenues**

*Tuition and fees*

Tuition and fees include all tuition and related fees assessed for educational purposes totaling \$24,960,586 for fiscal year 2023, in comparison to \$26,965,400 for fiscal year 2022. The tuition discount for the 2023 fiscal year was \$13,901,710 compared to the fiscal year 2022 tuition discount of \$12,498,156.

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

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2023 and June 30, 2022.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Federal sources	\$ 30,912,467	\$ 37,135,534	\$ (6,223,067)
State sources	12,393,416	4,210,242	8,183,174
Other sources	<u>1,322,339</u>	<u>1,458,700</u>	<u>(136,361)</u>
Total all sources	<u>\$ 44,628,222</u>	<u>\$ 42,804,476</u>	<u>\$ 1,823,746</u>

Federal sources decreased due to completion of the COVID-19 pandemic related funding. State funds increased from 2022 as the state awarded funding from pandemic related sources.

*Sales and services from educational activities*

Sales and services from educational activities totaled \$338,215 for the 2023 fiscal year as compared to \$272,541 for the 2022 fiscal year.

*Sales and services from auxiliary enterprises, net*

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

Auxiliary enterprises primarily include the Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$5,720,113 for the 2023 fiscal year as compared to \$5,395,352 for the 2022 fiscal year. The discount for scholarship allowance was \$4,007,043 for fiscal year 2023 and \$4,052,655 for fiscal year 2022.

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

*Other operating revenues*

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues totaled \$855,512 for the 2023 fiscal year as compared to \$761,463 for the 2022 fiscal year.

**Operating Expenses**

Operating expenses for fiscal year 2023 totaled \$74,388,574, including salaries and benefits of \$35,860,412, OPEB expense of \$(324,544), pension expense of \$5,263,103, scholarships of \$4,366,920, utilities of \$2,381,969, commodities/supplies of \$10,757,384, contractual services of \$8,570,350, travel of \$759,665, depreciation and amortization of \$6,561,315 and other operating expense of \$192,000. Operating expenses for fiscal year 2022 totaled \$81,987,168 including salaries and benefits of \$34,598,411, OPEB expense of \$(181,287), pension expense of \$925,086, scholarships of \$14,998,537, utilities of \$1,944,782, commodities/supplies of \$11,635,062, contractual services of \$12,827,622, travel of \$686,162, depreciation and amortization of \$4,306,473, and other operating expense of \$246,320.

**Expenses by Function**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Instruction	\$ 25,168,498	\$ 23,756,983	\$ 1,411,515
Academic support	1,157,707	1,096,346	61,361
Student services	6,899,418	6,073,655	825,763
Institutional support	9,214,410	13,439,813	(4,225,403)
Operations and maintenance of plant	9,372,559	10,977,803	(1,605,244)
Student Financial Aid	2,990,329	13,867,548	(10,877,219)
Auxiliary enterprises	8,085,779	7,724,748	361,031
OPEB expense	(324,544)	(181,287)	(143,257)
Pension expense	5,263,103	925,086	4,338,017
Depreciation and amortization	<u>6,561,315</u>	<u>4,306,473</u>	<u>2,254,842</u>
Total operating expenses by function	<u>\$ 74,388,574</u>	<u>\$ 81,987,168</u>	<u>\$ (7,598,594)</u>

The decrease in operating expenses is due to a decrease in the expenses related to Student Financial Aid as the grant funds awarded to students and the college institution as financial support related to the COVID19 pandemic were exhausted in the previous fiscal period.

**Non-Operating Revenues (Expenses)**

*State appropriations*

The College's largest source of non-operating revenue is the State of Mississippi appropriations. These appropriations were for educational and general operations of the College. The College received \$24,310,822 for fiscal year 2023 compared to \$22,487,955 for fiscal year 2022.

*Local appropriations*

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year. The College received \$7,504,682 in county appropriations for fiscal year 2023, compared to \$7,164,332 for fiscal year 2022.

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

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*Interest income, net*

Interest income includes the amount earned on cash in the bank accounts and from certificates of deposit. The interest income for fiscal year 2023 was \$945,958, as compared to \$156,860 for fiscal year 2022.

**Other Revenues, Expenses, Gains, and Losses**

*State appropriations restricted for capital purposes*

State appropriations restricted for capital purposes consist of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. Expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. The College received \$869,579 in state appropriations for capital purposes for fiscal year 2023, compared to \$6,500,000 for fiscal year 2022.

*Local appropriations for capital purposes*

The College receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities, and any debt service portion of appropriations for the payment of debt principal and interest. The College received \$7,766,244 in local appropriations for capital purposes for fiscal year 2023, compared to \$8,289,569 for fiscal year 2022.

**Capital Grants and Gifts**

Capital grants and gifts are presented in nongovernmental grants and contracts and include revenue received from outside agencies restricted for capital projects during the fiscal year and the value of capital assets donated to the college. The amount of this grant totaled \$880,054 for fiscal year 2023 as compared to \$1,206,663 for fiscal year 2022. Capital grants consist of reimbursed career-technical equipment purchases and capital campaign funds received from the Northwest Mississippi Community College Foundation.

**Other Additions (Deletions), Net**

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for fiscal year 2023 was \$(3,179) compared to \$(220) for fiscal year 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 the user to assess the College's:

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

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

**Condensed Statement of Cash Flows (Direct Method)**

For the fiscal year ended June 30, 2023 and June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Variance Positive (Negative)</u>
Cash and cash equivalents provided (used) by:			
Operating activities	\$ (27,109,216)	\$ (20,880,757)	\$ (6,228,459)
Noncapital financing activities	30,985,345	28,030,167	2,955,178
Capital and related financing activities	(12,957,122)	(12,708,929)	(248,193)
Investing activities	<u>945,958</u>	<u>156,860</u>	<u>789,098</u>
Net increase (decrease) in cash and cash equivalents	(8,135,035)	(5,402,659)	(2,732,376)
Cash and cash equivalents, beginning of year	<u>58,127,730</u>	<u>63,530,389</u>	<u>(5,402,659)</u>
Cash and cash equivalents, end of year	<u>\$ 49,992,695</u>	<u>\$ 58,127,730</u>	<u>\$ (8,135,035)</u>

The major sources of funds included in operating activities for fiscal year 2023 include student tuition and fees, \$4,950,466, auxiliary enterprises, \$5,698,259; and grants and contracts, \$28,177,478. The major uses of funds for fiscal year 2023 were payments made to employees and benefit providers, \$41,087,305, payments made to suppliers, \$24,155,879; and for scholarships, \$690,899.

In comparison, the major sources of funds included in operating activities for fiscal year 2022 include student tuition and fees, \$7,929,105, auxiliary enterprises, \$7,154,255; and grants and contracts, \$41,381,449. The major uses of funds for fiscal year 2022 were payments made to employees and benefit providers, \$39,503,928; payments made to suppliers, \$26,270,673; and for scholarships, \$9,879,857.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$23,637,042 in fiscal year 2023, as compared to \$21,011,273 in fiscal year 2022.

**Significant Capital Asset and Related Financing Transactions**

The College began or continued construction of multiple capital projects including a performing arts center using bond proceeds received in fiscal year 2020 as well as an excess of funds in unrestricted college funds.

**Financial Implications of GASB Pronouncements**

The College implemented GASB 68 in fiscal year 2015, and GASB 75 in fiscal year 2018. The College implemented GASB 87 and GASB 96 in the current fiscal year. The objectives of these GASB Statements are to improve accounting and financial reporting by state and local governmental entities related to pensions, OPEB, long term lease agreements, and the use of third-party assets, including subscription-based information technology arrangements. The implications of these pronouncements distort the College's true activity and financial position; therefore, the following statements eliminate the impact of these GASB Statements to provide a more useful report on the College's operations and net position. Depreciation is also removed, as this expense is non-budgeted and non-cash.

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

***GASB 68, 75, 87, and 96 Impact on Net Position***

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Total net position	\$111,903,838	\$ 82,700,589	\$ 29,203,249
Deferred outflows of resource- pension	(13,868,755)	(10,945,982)	(2,922,773)
Deferred outflows of resource- OPEB	(500,337)	(637,074)	136,737
Deferred inflows of resource- pension	3,288,246	22,251,561	(18,963,315)
Deferred inflows of resource- OPEB	1,345,741	1,189,995	155,746
Net pension liability	85,975,390	64,053,536	21,921,854
Net OPEB liability	2,259,026	2,991,665	(732,639)
Interest receivable on lease asset	(14,906)	-	(14,906)
Lease asset	(739,122)	-	(739,122)
Deferred inflows of resource-Lease	727,896	-	727,896
Net SBITA asset	(543,504)	-	(543,504)
Accrued interest on SBITA liability	3,915	-	3,915
SBITA liability	549,719	-	549,719
Total impact on GASB 68, 75, 87, and 96	<u>78,483,309</u>	<u>78,903,701</u>	<u>(420,392)</u>
Net position net of GASB 68, 75, 87, and 96	190,387,147	161,604,290	28,782,857
Net investments in capital assets	(118,648,406)	(102,500,489)	(16,147,917)
Restricted net position	<u>(31,659,044)</u>	<u>(27,682,936)</u>	<u>(3,976,108)</u>
Unrestricted net of GASB 68, 75, 87, and 96	<u>\$ 40,079,697</u>	<u>\$ 31,420,865</u>	<u>\$ 8,658,832</u>

***GASB 68, GASB 75, GASB 87, GASB 96, and Other Non-Cash Items Impact on Change in Net Position***

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Change in Net Position	\$ 29,203,249	\$ 25,490,173	\$ 3,713,076
GASB 68 impact	35,766	(4,161,247)	4,197,013
GASB 75 impact	(440,156)	(181,287)	(258,869)
GASB 87 impact	(26,132)	-	(26,132)
GASB 96 impact	10,130	-	10,130
Depreciation and amortization	<u>6,561,315</u>	<u>4,306,473</u>	<u>2,254,842</u>
Change in net position after GASB 68, GASB 75, GASB 87, GASB 96, and other non-cash items	<u>\$ 35,344,172</u>	<u>\$ 25,454,112</u>	<u>\$ 9,890,060</u>
Change in net position- operation	<u>\$ 8,064,528</u>	<u>\$ 9,064,017</u>	<u>\$ (999,489)</u>
Change in net position- plant	<u>\$ 20,718,329</u>	<u>\$ 12,083,622</u>	<u>\$ 8,634,707</u>

***Factors Impacting Future Periods***

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

**Northwest Mississippi Community College  
Management's Discussion and Analysis  
June 30, 2023**

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tuition and fees. State appropriations are now the second largest source of revenue for the College and, therefore, one of the key factors influencing the College's financial condition.

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

The College is also accredited through the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOC"). Continued accreditation is the backbone for a higher education institution like the College in order to assure the educational quality and improve effectiveness of the institution. The College's accreditation was reaffirmed by SACSCOC in June 2020. The next decision on reaffirmation of accreditation through the SACSCOC is scheduled for June of 2027.

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

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

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**ASSETS**

Cash and cash equivalents	\$ 37,373,936
Accounts receivables, net	25,589,342
Inventories	618,991
Long-term receivable, current portion	100,000
Long-term lease receivable, current portion	356,244
Prepaid expenses	<u>28,340</u>
Total current assets	<u>64,066,853</u>
Non-current assets:	
Restricted cash and cash equivalents	12,618,759
Long-term receivable	200,000
Long-term lease receivable	382,878
Capital assets, net of accumulated depreciation	<u>146,037,069</u>
Total non-current assets	<u>159,238,706</u>
Total assets	<u>223,305,559</u>
Deferred outflows of resources:	
OPEB	500,337
Pensions	<u>13,868,755</u>
Total deferred outflows of resources	<u>14,369,092</u>
Total assets and deferred outflows	<u><u>\$ 237,674,651</u></u>

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

**(Continued)**

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities	\$ 4,670,128
Bond payable, current portion	475,000
Premium on bond, current portion	138,850
Subscription liability, current portion	518,444
Net OPEB liability, current portion	115,612
Other current liabilities	115,723

Total current liabilities	6,033,757
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Non-current liabilities:

Bond payable, net of current portion	22,615,000
Premium on bond, net of current portion	3,610,094
Subscription liability, net of current portion	31,275
Net OPEB liability	2,143,414
Net pension liability	85,975,390

Total non-current liabilities	114,375,173
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Total liabilities	120,408,930
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Deferred inflows of resources:

Leases	727,896
OPEB	1,345,741
Pensions	3,288,246

Total deferred inflows of resources	5,361,883
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Net position:

Net investment in capital assets	118,648,406
Restricted for expendable:	
Unemployment compensation	130,656
Capital projects	31,511,737
Grants & projects	16,651
Unrestricted	(38,403,612)

Total net position	111,903,838
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Total liabilities, deferred inflows, and net position	\$ 237,674,651
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**Northwest Mississippi Community College Foundation**  
**Statement of Financial Position**  
**December 31, 2022**

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**ASSETS**

Cash and cash equivalents	\$	433,576
Unconditional promises to give, net		2,278,788
Investments		<u>12,919,480</u>
Total assets	\$	<u><u>15,631,844</u></u>

**LIABILITIES**

Accounts payable	\$	<u>48,478</u>
Total liabilities		<u>48,478</u>

**NET ASSETS**

Without donor restrictions		47,805
With donor restrictions		<u>15,535,561</u>
		<u>15,583,366</u>
Total net assets	\$	<u><u>15,631,844</u></u>

**Northwest Mississippi Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2023**

Operating revenues:	
Tuition and fees (net of scholarship allowances of \$13,901,710)	\$ 11,058,876
Federal grants and contracts	30,912,467
State grants and contracts	12,393,416
Nongovernmental grants and contracts	1,322,339
Sales and services of educational departments	338,215
Auxiliary enterprises:	
Bookstore (net of scholarship allowances of \$1,548,489)	3,338,981
Food services (net of scholarship allowances of \$1,260,728)	1,002,916
Student housing (net of scholarship allowances of \$1,197,826)	952,876
Performing arts	331,443
Other Auxiliary revenues	93,897
Other operating revenues	855,512
	<hr/>
Total operating revenues	62,600,938
	<hr/>
Operating expenses:	
Salaries and wages	30,794,083
Fringe benefits	5,066,329
OPEB expense	(324,544)
Pension expense	5,263,103
Travel	759,665
Contractual services	8,570,350
Utilities	2,381,969
Scholarships and fellowships	4,366,920
Commodities	10,757,384
Depreciation and amortization expense	6,561,315
Other operating expenses	192,000
	<hr/>
Total operating expenses	74,388,574
	<hr/>
Operating loss	(11,787,636)
	<hr/>
Non-operating revenues (expenses):	
State appropriations	24,310,822
Local appropriations	7,504,682
Insurance loss recoveries	80,836
Interest income	945,958
Lease revenue	363,948
Interest expense on capital asset-related debt	(848,005)
	<hr/>
Net non-operating revenues	32,358,241
	<hr/>
Income before other revenues, expenses, gains and losses	20,570,605
	<hr/>
Other revenues, expenses, gains, and losses:	
State appropriations restricted for capital purposes	869,579
Local appropriations restricted for capital purposes	7,766,244
Other deletions, net	(3,179)
	<hr/>
Net other revenues, expenses, gains, and losses	8,632,644
	<hr/>
Changes in net position	29,203,249
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Net position, beginning of year	82,700,589
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Net position, end of year	\$ 111,903,838
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See accompanying notes.

**Northwest Mississippi Community College Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 67,862	\$ 1,230,291	\$ 1,298,153
Investment income, net	621	(1,844,789)	(1,844,168)
Special events, net	32,192	-	32,192
Net assets released from restrictions	1,857,512	(1,857,512)	-
	<u>1,958,187</u>	<u>(2,472,010)</u>	<u>(513,823)</u>
Total revenue			
Expenses:			
Program services:			
Distributions for educational purposes	606,487	-	606,487
Distributions for other purposes	1,418,857	-	1,418,857
	<u>2,025,344</u>	<u>-</u>	<u>2,025,344</u>
Total program services			
Support services:			
Management and general	95,546	-	95,546
Fundraising	382,186	-	382,186
	<u>477,732</u>	<u>-</u>	<u>477,732</u>
Total support services			
Total expenses	<u>2,503,076</u>	<u>-</u>	<u>2,503,076</u>
Change in net assets before contributed services	(544,889)	(2,472,010)	(3,016,899)
Contributed services from Northwest Community College	<u>477,730</u>	<u>-</u>	<u>477,730</u>
Change in net assets	(67,159)	(2,472,010)	(2,539,169)
Net assets, beginning of year, as previously stated	114,964	17,201,132	17,316,096
Prior period adjustment	<u>-</u>	<u>806,439</u>	<u>806,439</u>
Net assets, beginning of year, as restated	<u>114,964</u>	<u>18,007,571</u>	<u>18,122,535</u>
Net assets, end of year	<u>\$ 47,805</u>	<u>\$ 15,535,561</u>	<u>\$ 15,583,366</u>

**Northwest Mississippi Community College**  
**Statement of Cash Flows - Direct Method**  
**Year Ended June 30, 2023**

Cash flows from operating activities:	
Tuition and fees	\$ 4,950,466
Grants and contracts	28,177,478
Sales and services of educational departments	338,215
Payments to suppliers	(24,155,879)
Payments to employees for salaries and benefits	(41,087,305)
Payments for utilities	(2,381,969)
Payments for scholarships and fellowships	690,899
Auxiliary enterprise charges:	
Bookstore	3,338,981
Food services	1,002,916
Student housing	931,022
Performing arts	331,443
Other	93,897
Other receipts (payments)	<u>660,620</u>
Net cash used by operating activities	<u>(27,109,216)</u>
Cash flows from noncapital financing activities:	
State appropriations	23,637,042
Local appropriations	7,348,303
Federal loan receipts	6,026,097
Federal loan disbursements	<u>(6,026,097)</u>
Net cash provided by noncapital financing activities	<u>30,985,345</u>
Cash flows from capital and related financing activities:	
Cash received on long-term receivable	100,000
Cash received on long-term lease receivable	363,948
Cash paid for capital assets	(20,330,505)
Capital appropriations received	9,070,145
Principal paid on capital debt	(948,051)
Capital debt interest paid	(1,293,487)
Other sources (uses)	<u>80,828</u>
Net cash used by capital and related financing activities	<u>(12,957,122)</u>
Cash flows from investing activities:	
Interest received on investments	<u>945,958</u>
Net decrease in cash and cash equivalents	(8,135,035)
Cash and cash equivalents, beginning of the year	<u>58,127,730</u>
Cash and cash equivalents, end of the year	<u>\$ 49,992,695</u>

See accompanying notes.

**Northwest Mississippi Community College**  
**Statement of Cash Flows - Direct Method**  
**Year Ended June 30, 2023**

**(Continued)**

Reconciliation of operating loss to net cash used

by operating activities:

Operating loss \$ (11,787,636)

Adjustments to reconcile net loss to net cash used

by operating activities:

Depreciation and amortization expense 6,561,315

Changes in assets and liabilities (increase) decrease in assets:

Receivables, net (17,371,752)

Inventories (126,834)

Prepaid expenses (11,512)

Deferred outflows (2,786,036)

Increase (decrease) in liabilities:

Accounts payable and accrued liabilities (3,907,715)

Unearned revenues (60,692)

Deferred inflows (18,807,569)

Net OPEB liability (732,639)

Net pension liability 21,921,854

Total adjustments (15,321,580)

Net cash used by operating activities \$ (27,109,216)

Supplemental disclosure of non-cash operating, capital,  
and financing activities:

Tuition and fees \$ 5,057,819

Institutional payments for scholarships and fellowships (5,057,819)

Capital assets in subscription liabilities 216,961

Capital assets in accounts payable and accrued liabilities 1,262,870

Total non-cash operating, capital, and financing activities \$ 1,479,831

Cash and cash equivalents:

Cash and cash equivalents classified as current assets \$ 37,373,936

Cash and cash equivalents classified as non-current assets 12,618,759

Total cash and cash equivalents \$ 49,992,695

**Northwest Mississippi Community College Foundation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

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Cash flows from operating activities:	
Decrease in net assets	\$ (2,539,169)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Realized and unrealized losses on investments, net	2,146,921
Interest and dividends restricted on investments, net	(302,133)
Decrease in unconditional promises to give, net	161,804
Increase in accounts payable	<u>21,992</u>
Net cash used in operating activities	<u>(510,585)</u>
Cash flows from investing activities:	
Purchase of investments	(275,000)
Investments sold	<u>250,000</u>
Net cash used in investing activities	<u>(25,000)</u>
Net decrease in cash	(535,585)
Cash, beginning of year	<u>969,161</u>
Cash, end of year	<u><u>\$ 433,576</u></u>

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies.

#### *Nature of operations*

Northwest Mississippi Community College (the “College”) is a comprehensive two-year community and technical college. The College provides the students of its eleven-county district and beyond with the opportunity to obtain an affordable quality education through academic and career technical curricula leading to certificates, diplomas, or associates degrees.

#### *Reporting entity*

The College was founded in 1928 and is one of Mississippi’s 15 public community colleges. The College operates at four campuses: the main campus in Senatobia, Mississippi, Desoto Center at Southaven and Olive Branch, Mississippi, and Lafayette-Yalobusha Technical Center at Oxford, Mississippi. The legal authority for the establishment of Northwest Mississippi Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

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

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

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

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

During the year ended June 30 2023, the Foundation provided \$578,367, to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation’s financial statements are presented at the end of the College’s Notes to the Financial Statements. Complete financial statements for the Foundation can be obtained from: 4975 Highway 51 North – Senatobia, MS 38668.

***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.

***Basis of accounting***

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The College prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. The College has the option to apply any other accounting literature unless the literature conflicts with or contradicts a GASB pronouncement.

***Cash and cash equivalents***

For the 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.

***Accounts receivable***

Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.

***Inventories***

Inventories consist of books, supplies, and dry goods in the bookstore. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.

***Prepaid expenses***

Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year(s).

***Restricted cash and cash equivalents***

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as restricted cash and cash equivalents on the Statement of Net Position. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

***Long-term receivables***

Long-term receivable consists of the agreement with Marshall County to pay the College \$1,000,000 of back taxes over a period of ten years. These payments are in equal annual installments of \$100,000 and split equally between the College’s General and Unexpended Plant funds.

***Leases***

The College recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the College initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The College monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Capital assets, net of accumulated depreciation***

Capital assets are recorded at cost on the date of acquisition, or, if donated, at fair value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 8 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred.

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows for the College are pension related as well as OPEB related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows for the College are future pension, OPEB, and lease related.

***Bond payable and bond premium***

The College has a bond payable with a thirty-year life. The bond premium is being amortized over the remaining life of the issued bond using the straight-line method.

***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.

***Compensated absences***

The College Board of Trustees leave policy provides for personal and sick leave for all nine, ten, and twelve-month employees. The College's policy does not provide for payment of accumulated leave beyond the current fiscal year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

***Non-current liabilities***

Non-current liabilities include dormitory housing deposits.

***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.

***Postemployment Benefits Other than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

***Classification of revenues***

The College has classified its revenues as either operating or non- operating revenues according to the following criteria:

Operating revenues

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

Non-operating revenues

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

***Tax revenues (local appropriations)***

The College receives ad valorem taxes from each county in its eleven-county district. Each county assesses a tax millage in support of the College as required by state law.

***State appropriations***

The College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed based on a full-time equivalent funding formula which is based on total credit hours generated by all students with special consideration given only to high-cost programs. Currently, the first 15% of the appropriations are split equally among the colleges, and the remaining 85% of the appropriations are allocated based on the college's full-time equivalency.

***Scholarship discounts and allowances***

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

***Net position***

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as “Net Position” rather than “Fund Balance”. Net Position is classified in three categories:

- Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors.
- Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted – expendable.

The unrestricted net position balance of (\$38,403,612) at June 30, 2023, includes \$618,991 reserved for inventories and a remaining amount of \$(39,022,603).

***Income taxes***

The College is recognized as a local governing authority and is excluded by the Internal Revenue Service from federal income taxation.

***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

***New Accounting Pronouncements***

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. As a result of implementation GASB 96, the College recognized a right to use subscription asset of \$852,924 and subscription

**Northwest Mississippi Community College**  
**Notes to Financial Statements**

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liability of \$852,924 as of July 1, 2022. The additional disclosures required by this standard are included in Note 8 and 11.

**2. Cash and Cash Equivalents**

***Cash, cash equivalents and short-term investments***

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

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

The carrying amount of the College's deposits with financial institutions reported was \$32,620,099. Cash equivalents also include money market funds of \$17,372,596.

***Custodial credit risk – deposits***

Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, the college's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2023, none of the College's bank balance of \$34,438,113 was exposed to custodial credit risk.

***Restricted cash and cash equivalents***

As of June 30, 2023, the carrying amount of cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets was \$12,618,759.

**3. Accounts Receivable**

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

Student tuition	\$ 8,182,065
Federal, state, and private grants and contracts	21,344,040
State appropriations	2,775,537
Local appropriations	286,912
Other	<u>232,788</u>
Total accounts receivable	32,821,342
Allowance for doubtful accounts	<u>(7,232,000)</u>
Net accounts receivable	<u>\$ 25,589,342</u>

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

**Northwest Mississippi Community College**  
**Notes to Financial Statements**

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**4. Long-term Receivables**

Long-term receivable as of June 30, 2023 consists of amounts due from Marshall County of the following:

Current portion	\$ 100,000
Non-current portion	<u>200,000</u>
Total receivable	<u>\$ 300,000</u>

**5. Lease Receivables**

The College has recorded a lease receivable related to real estate property at the College's DeSoto Center location leased to the University of Mississippi. The agreement has a term beginning July 1, 2022, and will end June 30, 2025. A discount rate of 4% was used to measure the initial receivable. Revenue recognized under the lease contract during the year ended June 30, 2023, was \$382,223, which includes both lease revenue and interest. There were no variable lease revenues in fiscal year 2023. Lease revenue and interest revenue is reflected as nonoperating revenue in the statements of revenue, expenses and changes in net position.

Future payments under the lease are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 356,244	\$ 26,256
2025	<u>382,878</u>	<u>11,621</u>
Total payments	<u>\$ 739,122</u>	<u>\$ 37,877</u>

**6. Inventories**

Inventory as of June 30 2023 consists of the following:

Bookstore- books, supplies, and dry goods	<u>\$ 618,991</u>
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**7. Prepaid Expenses**

Prepaid expense as of June 30 2023 consists of the following:

Insurance and bonds	<u>\$ 28,340</u>
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**Northwest Mississippi Community College**  
**Notes to Financial Statements**

**8. Capital Assets**

A summary of changes in capital assets for the year ended June 30 2023, are presented as follows:

	Beginning Balance (Adjusted for GASB 96) June 30, 2022	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance June 30, 2023
Nondepreciable capital assets:					
Land	\$ 6,939,557	\$ -	\$ -	\$ -	\$ 6,939,557
Construction in progress	29,959,866	15,687,199	-	(39,237,166)	6,409,899
Livestock	<u>130,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,300</u>
Total nondepreciable capital assets	<u>37,029,723</u>	<u>15,687,199</u>	<u>-</u>	<u>(39,237,166)</u>	<u>13,479,756</u>
Depreciable capital assets:					
Improvements other than buildings	20,263,145	-	-	5,357,127	25,620,272
Buildings	118,736,074	-	-	33,880,039	152,616,113
Equipment	21,225,501	5,835,296	151,702	-	26,909,095
Library books	2,016,758	70,900	216,146	-	1,871,512
Right of use SBITA assets	<u>852,924</u>	<u>216,961</u>	<u>-</u>	<u>-</u>	<u>1,069,885</u>
Total depreciable capital assets	<u>163,094,402</u>	<u>6,123,157</u>	<u>367,848</u>	<u>39,237,166</u>	<u>208,086,877</u>
Less accumulated depreciation for:					
Improvements other than buildings	8,809,950	852,382	-	-	9,662,332
Buildings	42,785,061	2,753,685	-	-	45,538,746
Equipment	16,126,058	2,331,227	148,523	-	18,308,762
Library books	1,611,849	97,640	216,146	-	1,493,343
Right of use SBITA assets	<u>-</u>	<u>526,381</u>	<u>-</u>	<u>-</u>	<u>526,381</u>
Total accumulated depreciation	<u>69,332,918</u>	<u>6,561,315</u>	<u>364,669</u>	<u>-</u>	<u>75,529,564</u>
Total depreciable capital assets, net	<u>93,761,484</u>	<u>(438,158)</u>	<u>3,179</u>	<u>39,237,166</u>	<u>132,557,313</u>
Capital assets, net	<u>\$ 130,791,207</u>	<u>\$ 15,249,041</u>	<u>\$ 3,179</u>	<u>\$ -</u>	<u>\$ 146,037,069</u>

Depreciation is computed on a straight-line basis with the exception of library books category, which is computed using a composite method. Depreciation expense for the year ended June 30, 2023 totaled \$6,561,315. 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%	-

**9. Construction Commitments and Financing**

The College has contracted for various construction projects as of June 30, 2023. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

	<u>Funded By</u>	<u>State Sources</u>	<u>Other</u>
McLendon renovation	NWCC	\$ -	\$ 243,532
Yalobusha renovation	NWCC	-	257,732
Sidewalk project	MDOT/NWCC	-	48,511
WFD/CTE building	NWCC	3,000,000	12,126,818
MDAH Restoration	NWCC	264,000	322,341
Men's Dorm Project	NWCC	6,000,000	3,252,706
Holder Road	NWCC	-	63,831
		<u>          </u>	<u>          </u>
Totals		<u>\$ 9,264,000</u>	<u>\$ 16,315,471</u>

**10. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consist of the following at June 30, 2023. All accounts payable and accrued liabilities are considered current liabilities of the College.

Employee salary and benefits	\$ 2,030,858
Payments to suppliers and contractors	2,468,354
Student payables	135,252
Interest on capital related debt	<u>35,664</u>
Total accounts payable and accrued liabilities	<u>\$ 4,670,128</u>

**11. Long-term Liabilities**

Long-term liabilities of the College consist of bonds payable, net of premium and the subscription liabilities. The bond premium is amortized over the life of the bond using the straight-line method.

Information regarding the issue amounts, interest rates, and maturity dates for the bond included in the long-term liabilities balance at June 30 2023, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

	<u>Original Issue</u>	<u>Annual Interest Rate</u>	<u>Maturity</u>
Special Obligation Bond Series 2020	\$ 24,000,000	3.0% - 5.0%	2050

**Northwest Mississippi Community College  
Notes to Financial Statements**

<u>Description and Purpose</u>	<u>Balance (Adjust for GASB 96) June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Bonded debt: Special Obligation Bond Series 2020	\$ 23,550,000	\$ -	\$ 460,000	<b>\$ 23,090,000</b>	\$ 475,000
Other long-term liabilities: Premium on bond	3,887,794	-	138,850	<b>3,748,944</b>	138,850
Subscription liability	852,924	184,846	488,051	<b>549,719</b>	518,444
Total	<u>\$ 28,290,718</u>	<u>\$ 184,846</u>	<u>\$ 1,086,901</u>	<u><b>\$ 27,388,663</b></u>	<u>\$ 1,132,294</u>

<u>Years Ending June 30</u>	<u>Bonded Debt</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 475,000	\$ 948,300	\$ 1,423,300
2025	490,000	934,050	1,424,050
2026	505,000	919,350	1,424,350
2027	530,000	894,100	1,424,100
2028	555,000	867,600	1,422,600
2029 - 2033	3,225,000	3,898,500	7,123,500
2034 - 2038	3,955,000	3,158,200	7,113,200
2039 - 2043	4,815,000	2,300,800	7,115,800
2044 - 2048	5,855,000	1,258,000	7,113,000
2049 - 2050	<u>2,685,000</u>	<u>162,200</u>	<u>2,847,200</u>
Totals	<u>\$ 23,090,000</u>	<u>\$ 15,341,100</u>	<u>\$ 38,431,100</u>

**Subscription liability**

The College has various Subscription-based IT arrangements, the terms of which expire in various years through 2025. The arrangements qualify as other than short-term arrangements under GASB 96 and, therefore, the assets and related liabilities have been recorded. At agreement commencement, the College measures the subscription liability at the present value of the subscription payments expected to be made during the subscription term and discounted by a discount rate. The College used 4% as the discount rate. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance. See Note 8 - Capital Assets, for information on right-to-use assets and associated accumulated amortization.

Future payments under the long-term subscriptions are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 518,444	\$ 12,321
2025	<u>31,275</u>	<u>1,274</u>
Total payments	<u>\$ 549,719</u>	<u>\$ 13,595</u>

## 12. Defined Benefit Pension Plan

### *General information about the Pension Plan*

#### Plan description

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

#### Benefits provided

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

#### Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2023 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2023, 2022 and 2021 were \$5,161,999, \$4,992,880, and \$5,013,721, respectively, which equaled the required contributions for each year.

**Northwest Mississippi Community College**  
**Notes to Financial Statements**

***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 \$85,975,390 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 with a measurement date of June 30, 2022 was 0.4177 percent, which was a decrease from the proportionate share with a measurement date of June 30, 2021 of 0.4334 percent.

For the year ended June 30 2023, the College recognized pension expense of \$5,263,103. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
Differences between expected and actual experience	\$ 1,217,352	\$ -	\$ 1,217,352
Change of assumptions	2,973,558	-	2,973,558
Net difference between projected and actual earnings on pension plan investments	4,515,846	-	4,515,846
Change in proportion and differences between college contributions and proportionate share of contributions	-	(3,288,246)	(3,288,246)
College's contributions subsequent to the measurement date	<u>5,161,999</u>	<u>-</u>	<u>5,161,999</u>
	<u>\$ 13,868,755</u>	<u>\$ (3,288,246)</u>	<u>\$ 10,580,509</u>

\$5,161,999 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:

<u>Year Ending June 30</u>	<u>Total</u>
2024	\$ 1,060,513
2025	933,622
2026	(1,240,899)
2027	<u>4,665,274</u>
Totals	<u>\$ 5,418,510</u>

**Northwest Mississippi Community College  
Notes to Financial Statements**

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**Actuarial assumptions**

The total pension liability as of June 30, 2022 was determined by an 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 measurements:

Inflation	2.40%
Salary increases	2.65% to 17.90%, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, 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 Annuity were based on the PubS.H-2010(B) Contingent Annuity 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 actuarial assumption 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 weighing 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>Long-term Expected Target Allocation</u>	<u>Real Rate of Return</u>
Domestic equity	25%	4.60%
International equity	20%	4.50%
Global equity	12%	4.85%
Fixed income	18%	1.40%
Real estate	10%	3.65%
Private equity	10%	6.00%
Private infrastructure	2%	4.00%
Private credit	2%	4.00%
Cash equivalents	1%	(0.10)%
Total	<u>100%</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 (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). Based

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Notes to Financial Statements**

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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 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 1-percentage-point lower (6.55%) or 1-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	\$ 112,206,664	\$ 85,975,390	\$ 64,349,038

***Pension plan fiduciary net position***

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

**13. Other Postemployment Benefits (OPEB)**

***General information about the OPEB plan***

Plan description

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

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

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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 \$115,612 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 liability of \$2,259,026 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 0.4585 percent. This was a decrease from 0.4648 percent 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 (\$324,544). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
Differences between expected and actual experience	\$ 1,871	\$ (978,703)	\$ (976,832)
Change of assumptions	352,331	(209,156)	143,175
Net difference between projected and actual earnings on OPEB plan investments	156	-	156
Change in proportion and differences between college contributions and proportionate share of contributions	30,367	(157,882)	(127,515)
College's contributions subsequent to the measurement date	<u>115,612</u>	<u>-</u>	<u>115,612</u>
	<u>\$ 500,337</u>	<u>\$ (1,345,741)</u>	<u>\$ (845,404)</u>

\$115,612 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:

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<u>Year Ending June 30</u>	<u>Net Deferred Outflows/Inflows of Resources</u>
2024	\$ (225,756)
2025	(209,835)
2026	(235,472)
2027	(168,353)
2028	(86,856)
Thereafter	<u>(34,744)</u>
Totals	<u>\$ (961,016)</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, including wage inflation	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%

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 Annuity were based on the PubS.H-2010(B) Contingent Annuity 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 an actuarial experience study dated April 20, 2021.

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

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.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent. 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 the June 30, 2021 and the June 30,

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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 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	<u>1% Decrease (2.37%)</u>	<u>Current Discount Rate (3.37%)</u>	<u>1% Increase (4.37%)</u>
Net OPEB liability	\$ 2,488,595	\$ 2,259,026	\$ 2,061,828

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 2,101,861	\$ 2,259,026	\$ 2,435,893

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/>.

**Northwest Mississippi Community College**  
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**13. Functional Classification of Expenses**

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

	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>OPEB and Pension</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Commodities</u>	<u>Depreciation and Amortization</u>	<u>Other</u>	<u>Total</u>
Instruction	\$ 17,073,309	\$ 2,656,918	\$ -	\$ 205,695	\$ 2,114,975	\$ 19,485	\$ 592,437	\$ 2,505,679	\$ -	\$ -	\$ 25,168,498
Academic support	780,680	124,340	-	6,016	16,064	-	-	230,607	-	-	1,157,707
Student services	3,763,212	626,058	-	441,059	509,396	-	784,154	775,539	-	-	6,899,418
Institutional support	4,382,774	712,541	-	102,007	2,964,643	-	-	860,445	-	192,000	9,214,410
Operation of plant	3,239,891	618,307	-	1,914	950,956	1,904,050	-	2,657,441	-	-	9,372,559
Student aid	-	-	-	-	-	-	2,990,329	-	-	-	2,990,329
Auxiliary enterprises	1,554,217	328,165	-	2,974	2,014,316	458,434	-	3,727,673	-	-	8,085,779
OPEB expense	-	-	(324,544)	-	-	-	-	-	-	-	(324,544)
Pension expense	-	-	5,263,103	-	-	-	-	-	-	-	5,263,103
Depreciation and amortization	-	-	-	-	-	-	-	-	6,561,315	-	6,561,315
<b>Total operating expenses</b>	<b>\$ 30,794,083</b>	<b>\$ 5,066,329</b>	<b>\$ 4,938,559</b>	<b>\$ 759,665</b>	<b>\$ 8,570,350</b>	<b>\$ 2,381,969</b>	<b>\$ 4,366,920</b>	<b>\$ 10,757,384</b>	<b>\$ 6,561,315</b>	<b>\$ 192,000</b>	<b>\$ 74,388,574</b>

## **15. Risk Management**

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

## **16. Unemployment Compensation Trust Fund.**

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2023, the fund was adequately funded with a balance of \$130,656.

## **17. Concentrations**

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

## **18. Contingencies**

### ***Federal grants***

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

### ***Litigation***

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

## **19. Consistency Between Reporting Periods**

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

## **20. Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$38,403,612) 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 \$5,161,999 resulting from 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 \$8,706,756 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 4 years.

The unrestricted net position amount of (\$38,403,612) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,288,246 balance of deferred inflow of resources related to pensions, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$38,403,612) 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 \$115,612 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 \$384,725 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 6 years.

The unrestricted net position amount of (\$38,403,612) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,345,741 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 6 years.

## **21. Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Northwest Mississippi Community College evaluated the activity of the College through the date the financial statements were available to be issued, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

## Notes to Financial Statements

### 1. Organization and Summary of Significant Accounting Policies

#### ***Organization***

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

#### ***Basis of presentation***

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

#### ***Cash and cash equivalents***

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

#### ***Investments***

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

#### ***Promises to give***

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

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

#### ***Contributions***

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

**Northwest Mississippi Community College Foundation**  
**Notes to Financial Statements**

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***Income tax status***

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

***Estimates***

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

***Contributed services***

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

***Premises***

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

**2. Restrictions on Net Assets**

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

Donor-restricted for other educational purposes	\$ 3,219,567
Donor-restricted for purchase of scoreboard	26,000
Donor-restricted endowment	<u>12,289,994</u>
 Total net assets with donor restrictions	 <u>\$ 15,535,561</u>

**3. Endowment**

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

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

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

At December 31, 2022, the endowment fund is composed of:

Amounts required to be invested in perpetuity	\$ <u>12,289,994</u>
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The composition of endowment net assets for this fund and the changes in endowment net assets as December 31, 2022, is as follows:

Endowment net assets, January 1, 2022	\$ 14,153,625
Contributions	376,743
Investment return (net)	(1,844,789)
Amounts appropriated for expenditure	<u>(395,585)</u>
Endowment net assets, December 31, 2022	\$ <u>12,289,994</u>

**4. Investments**

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

	<u>Fair Value (Level 1)</u>
Bank certificate of deposit	\$ <u>104,749</u>
Merrill Lynch managed holdings:	
TMA / Lord Abbett	2,527,362
TMA / Neuberger Berman	2,246,975
TMA/MFS LCV	1,137,421
TMA / Loomis Sayles large cap growth	960,208
Foreign holdings:	
TMA / MFS International Growth	396,549
TMA / London Co. Dividend Focused	881,627
TMA / RBA Risk-Bal. GLOBL ETF Strategy	1,787,991
TMA / Blackrock TACT WOP BAL 60/40	1,766,749
TMA / Lazard International	390,513
TMA / ALT Investments	<u>719,336</u>
Total managed holdings	<u>12,814,731</u>
Total investments	\$ <u>12,919,480</u>

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

**Northwest Mississippi Community College Foundation**  
**Notes to Financial Statements**

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The following schedule summarizes net investment income and its classification in the statement of activities for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 621	\$ 302,133	\$ 302,754
Net realized and unrealized gains (losses)	<u>-</u>	<u>(2,146,922)</u>	<u>(2,146,922)</u>
	<u>\$ 621</u>	<u>\$ (1,844,789)</u>	<u>\$ (1,844,168)</u>

**5. Promises to Give**

Unconditional promises to give, net, are summarized as follows for December 31, 2022:

Amounts to be collected in:	
Less than one year	\$ 804,877
One to five years	<u>1,580,913</u>
	2,385,790
Unamortized discount	<u>107,002</u>
	2,278,788
Allowance for uncollectible promises to give	<u>-</u>
	<u>\$ 2,278,788</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate range of 4.1%, when the donor makes an unconditional promise to give to the Foundation.

**Northwest Mississippi Community College Foundation**  
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**6. Liquidity and Availability of Financial Assets**

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

Financial assets at year-end	\$ 15,631,844
Less those unavailable within one year, due to:	
Donor-restricted for accounts payable	48,478
Donor-restricted for distributions for education purposes	3,219,567
Donor-restricted for purchase of scoreboard	26,000
Donor-restricted to maintain as an endowment	<u>12,289,994</u>
 Financial assets available to meet cash needs for general expenses within one year	 <u>\$ 47,805</u>

**7. Analysis of Expenses**

The table below presents the Foundation's expenses by both their function and nature for fiscal year December 31, 2022:

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Scholarships	\$ 606,487	\$ -	\$ -	\$ 606,487
Education supplies and activities	1,418,857	-	-	1,418,857
Salaries and benefits	-	77,239	308,957	386,196
Postage and printing	-	12,269	49,075	61,344
Office supplies and equipment	-	2,888	11,552	14,440
Meals	-	2,168	8,672	10,840
Travel	-	<u>982</u>	<u>3,930</u>	<u>4,912</u>
 Total expenses	 <u>\$ 2,025,344</u>	 <u>\$ 95,546</u>	 <u>\$ 382,186</u>	 <u>\$ 2,503,076</u>

**8. Special Event Revenues and Expenses**

The following revenues and expenses are a result of special events for fiscal year December 31, 2022:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
2 + 2 golf tournament	\$ 37,287	\$ 23,248	\$ 14,039
Bull-o-rama	30,211	23,473	6,738
Rodeo	<u>31,070</u>	<u>19,655</u>	<u>11,415</u>
 Total	 <u>\$ 98,568</u>	 <u>\$ 66,376</u>	 <u>\$ 32,192</u>

## **9. Related Party Transactions**

One board member's family member owns and operates a golfing facility in the area, Cherokee Valley Golf Club. The Foundation paid \$6,538 for 2022, in connection with a golf tournament held on one of the golf courses to raise money for the 2 + 2 Scholarship Initiative.

## **10. 2 + 2 Scholarship Initiative**

The NWCC Foundation receives funds and pays all expenses related to the 2 + 2 scholarship golf tournament. The tournament revenues are split 50% to each the UM Foundation and the NWCC Foundation. The UM Foundation receives other contributions related to the 2 + 2 Scholarship Initiative. The Foundation sent UM \$9,184 for the 2022 tournament.

## **11. Royalty Agreement**

In May, 2005, the Foundation entered an agreement with Pearson Education Publishing allowing NWCC to customize mathematics and biology textbooks. The Foundation receives a \$10 per book royalty. The royalty income is designed for use by the mathematics and biology departments. The Foundation received \$0 for 2022.

## **12. Concentrations of Credit Risk**

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

## **13. Other Matters**

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the Foundation and the College are uncertain at this time.

## **14. Prior Period Adjustment**

Management has determined that the Foundation failed to record \$866,542 in Promises to Give in the prior year. These amounts have been discounted using the prior year's average incremental borrowing rate of 1.6%, resulting in a discount of \$33,617. Management also determined \$26,486 of Accounts Payable was not accurately recorded in the prior year. Therefore, retained earnings at December 31, 2021 have been adjusted by \$806,439 for the effect of the adjustment on prior years. The adjustment increased total assets by \$832,925 and total liabilities by \$26,486.

**Northwest Mississippi Community College Foundation**  
**Notes to Financial Statements**

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Statement of financial positions:

	<u>2022</u>	<u>2021</u>
Explanation:		
Promises to give	\$ -	\$ 866,542
Promises to give discounts	-	(33,617)
Accounts payable	-	(26,486)
Adjust beginning equity balance to account for unrecorded promises to give	<u>806,439</u>	<u>-</u>
	<u>\$ 806,439</u>	<u>\$ 806,439</u>

### **15. Subsequent Events**

Management has evaluated subsequent events through the date on which the financial statements were available to be issued.

***Required Supplementary Information***

**Northwest Mississippi Community College  
Required Supplementary Information**

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

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>
College's proportion of the net pension liability	0.4177%	0.4334%	0.4412%	0.4581%	0.4734%	0.4790%	0.4746%	0.4830%	0.4780%
College's proportionate share of the net pension liability	\$ 85,975,390	\$ 64,053,536	\$ 85,411,194	\$ 80,588,828	\$ 78,740,484	\$ 79,626,057	\$ 84,775,411	\$ 74,662,277	\$ 58,020,449
College's covered payroll	\$ 28,694,698	\$ 28,814,469	\$ 29,378,582	\$ 29,831,938	\$ 30,231,697	\$ 30,718,147	\$ 30,231,738	\$ 30,312,201	\$ 29,179,453
College's proportionate share of the net pension liability as a percentage of its covered payroll	299.6200%	222.3000%	290.7300%	270.1400%	260.4600%	259.2200%	280.4200%	246.3100%	198.8400%
Plan fiduciary net position as a percentage of the total pension liability	59.9300%	70.4400%	58.9700%	61.5900%	62.5400%	61.4900%	57.4700%	61.7000%	67.2100%

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

**Schedule of College Contributions (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	\$ 5,161,999	\$ 4,992,880	\$ 5,013,721	\$ 5,111,616	\$ 4,698,531	\$ 4,761,198	\$ 4,838,109	\$ 4,761,501	\$ 4,774,177
Contributions in relation to the contractually required contribution	5,161,999	4,992,880	5,013,721	5,111,616	4,698,531	4,761,198	4,838,109	4,761,501	4,774,177
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 29,658,610	\$ 28,694,698	\$ 28,814,469	\$ 29,378,582	\$ 29,831,938	\$ 30,231,697	\$ 30,718,147	\$ 30,231,738	\$ 30,312,201
Contributions as a percentage of covered payroll	17.4000%	17.4000%	17.4000%	17.4000%	15.7500%	15.7500%	15.7500%	15.7500%	15.7500%

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

See accompanying notes.

**Northwest Mississippi Community College  
Required Supplementary Information**

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

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	0.4585%	0.4648%	0.4732%	0.4902%	0.4903%	0.4774%
College's proportionate share of the net OPEB liability	\$ 2,259,026	\$ 2,991,665	\$ 3,682,477	\$ 4,159,447	\$ 3,792,722	\$ 3,745,544
College's covered-employee payroll	\$ 29,658,610	\$ 28,694,698	\$ 28,814,469	\$ 29,378,582	\$ 29,831,938	\$ 30,231,697
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	7.6200%	10.4300%	12.7800%	14.1600%	12.7100%	12.3900%
Plan fiduciary net position as a percentage of the total OPEB liability	0.2100%	0.1600%	0.1300%	0.1200%	0.1300%	0.0000%

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

**Schedule of College Contributions (OPEB)**

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	\$ 115,612	\$ 92,060	\$ 120,246	\$ 146,857	\$ 166,724	\$ 159,678
Contributions in relation to the to the actuarially determined contribution	115,612	92,060	120,246	146,857	166,724	159,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 29,658,610	\$ 28,694,698	\$ 28,814,469	\$ 29,378,582	\$ 29,831,938	\$ 30,231,697
Contributions as a percentage of covered-employee payroll	0.3900%	0.3200%	0.4200%	0.5000%	0.5600%	0.5300%

\* These schedules are presented to illustrate the requirement to show information for 10 years. However, GASB No. 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available. Prior year information is based on the historical amounts reported in prior year audit report(s).

## Notes to Required Supplementary Information

### 1. Pension schedules

#### Changes of assumptions

##### **2022**

- None

##### **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.
  - 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 ranges at all ages
  - For females, 121% of female rates at all ages
  - 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 ranges at all ages
  - For females, 110% of female rates at all ages
  - 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% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

**Northwest Mississippi Community College**  
**Notes to Required Supplementary Information**

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- 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 in the line of duty was decrease from 6% to 4%.

**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 female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - 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.
  - 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, 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 7% to 9%.

**2017**

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

**2016**

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

**2015**

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Change in benefit provisions

**2016**

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

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	27.7years
Asset valuation method	5-year smoothed market
Price inflation	2.75%
Salary increases	3.00% to 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense including inflation

**2. OPEB schedules**

Changes of assumptions

**2022**

- The Single Equivalent Interest Rate (SEIR) was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date

**Northwest Mississippi Community College**  
**Notes to Required Supplementary Information**

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**2021**

- The Single Equivalent Interest Rate (SEIR) was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

**2020**

- The Single Equivalent Interest Rate (SEIR) was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

**2019**

- The Single Equivalent Interest Rate (SEIR) was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

**2018**

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

**2017**

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

Change in benefit provisions.

**2019, 2018 and 2017**

- 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.

**Northwest Mississippi Community College  
Notes to Required Supplementary Information**

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***Method 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 the schedule for the year ending June 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	market value of assets
Price inflation	2.75%
Salary increase, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates Medicare supplement claims pre-Medicare	6.50%
Ultimate health care cost trend rates Medicare supplement claims pre-Medicare	4.50%
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%

***Supplementary Information***

**Northwest Mississippi Community College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity/Grant Identifying Number	Federal Expenditures
U.S. Department of Labor:			
WIOA - Cluster:			
Pass-through programs from:			
Senior Community Service Employment Program			
WIOA - Adult Program	17.258	N/A	\$ 156
WIOA - Dislocated Workers Formula Grant	17.278	N/A	133
Mississippi Department of Employment Security			
WIOA - Adult Program	17.258	N/A	19,718
WIOA - Dislocated Workers Formula Grant	17.278	N/A	17,485
South Delta Planning and Development District:			
WIOA - Adult Program	17.258	20-701-200	398,889
WIOA - Dislocated Worker Formula Grant	17.278	20-701-200	126,648
Three Rivers Planning and Development District:			
WIOA - Adult Program	17.258	20-09-10	541,838
WIOA - Youth Activities	17.259	20-07-30	350,379
WIOA - Dislocated Worker Formula Grant	17.278	20-09-10	157,884
WIOA - MSP Apprenticeship	17.258	22-NWCC-MAP	<u>42,916</u>
Total WIA/WIOA Cluster			<u>1,656,046</u>
Total U.S. Department of Labor			<u>1,656,046</u>
U.S. Department of Treasury:			
Pass-through programs from:			
Mississippi Department of Employment Security:			
Coronavirus State & Local Fiscal Recovery Funds	21.027	0003-DT021	439,441
Coronavirus State & Local Fiscal Recovery Funds	21.027	0003-DT022	607,554
Coronavirus State & Local Fiscal Recovery Funds	21.027	0003-DT023	3,534,035
Mississippi Department of Public Safety:			
Coronavirus State & Local Fiscal Recovery Funds	21.027	N/A	<u>17,000</u>
Total Coronavirus State & Local Fiscal Recovery Funds			<u>4,598,030</u>
Total U.S. Department of Treasury			<u>4,598,030</u>

**Northwest Mississippi Community College  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023**

**(Continued)**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity/Grant Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Education:			
Direct:			
Student Financial Aid - Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	319,383
Federal Work-study Program (FWS)	84.033	N/A	251,216
Federal Pell Grant Program	84.063	N/A	15,495,535
Federal Direct Student Loans	84.268	N/A	<u>6,026,097</u>
Total Student Financial Aid Cluster			<u>22,092,231</u>
TRIO - Student Support Services	84.042	N/A	<u>286,378</u>
Pass-through programs from:			
Mississippi Community College Board:			
Adult Education - State Grant Program	84.002	V002A170025	<u>603,105</u>
Mississippi Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A200024	<u>350,434</u>
Direct:			
Coronavirus Aid, Relief, and Economic Security (CARES) Education Stabilization Fund:			
COVID-19 HEERF Institutional Portion	84.425F	N/A	5,763,709
COVID-19 HEERF Strengthening Institutions Program	84.425M	N/A	419,701
COVID-19 HEERF Supplemental Assistance to Institutions of Higher Education (SAIHE) Program	84.425S	N/A	<u>371,972</u>
Total Education Stabilization Funds (CARES)			<u>6,555,382</u>
Total U.S. Department of Education			<u>29,887,530</u>

**Northwest Mississippi Community College  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023**

**(Continued)**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity/Grant Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Mississippi Community College Board:			
Child Care and Development Block Grant (CCDBG)	93.575	1701MSCCDF	67,915
Temporary Assistance for Needy Families	93.558	1701MSTANF	<u>6,000</u>
Total Mississippi Community College Board			<u>73,915</u>
Mississippi Department of Health and Human Services:			
Childcare Stabilization Grant	93.575	69CDGF-5555	<u>60,528</u>
South Delta Planning and Development District:			
Temporary Assistance for Needy Families	93.558	N/A	<u>325,366</u>
Three Rivers Planning and Development District:			
Temporary Assistance for Needy Families	93.558	N/A	<u>295,571</u>
Total U.S. Department of Health and Human Services			<u>755,380</u>
Delta Regional Authority:			
States' Economic Development Assistance Program	90.204	MS-54322	<u>41,578</u>
Total			<u><u>\$ 36,938,564</u></u>

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

## Notes to Schedule of Expenditures of Federal Awards

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Northwest Mississippi Community College under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

### 2. Summary of Significant Accounting Policies

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

### 3. Indirect Cost Rate

The College has a negotiated indirect cost rate of 40%.

### 4. Loan or loan guarantee programs

The federal award programs of the College had no outstanding loan balances nor were there any loan guarantees as of June 30, 2023.

***Reports on Internal Control and Compliance***

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

Board of Trustees  
Northwest Mississippi Community College  
Senatobia, 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, and its discretely presented component unit of Northwest Mississippi Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Northwest Mississippi Community College's basic financial statements, and have issued our report thereon dated March 26, 2024, which contained an emphasis of matter paragraph regarding the change in accounting principle. Our report includes a reference to other auditors who audited the financial statements of the Northwest Mississippi Community College Foundation as described in our report on the College's financial statements. The financial statements of the Northwest Mississippi Community College Foundation were not audited in accordance with *Government Auditing Standards*.

#### ***Report on Internal Control Over Financial Reporting***

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

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



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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Northwest Mississippi Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Northwest Mississippi Community College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

**Memphis, Tennessee  
March 26, 2024**

## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

### Independent Auditor's Report

Board of Trustees  
Northwest Mississippi Community College  
Senatobia, Mississippi

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

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

We have audited the Northwest Mississippi Community College's (the "College") 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 the College's major federal programs for the year ended June 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 the 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 the College's federal programs.

## ***Auditor's 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 the 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, GAAS, 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 the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the 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.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the College's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedules of findings and questioned costs as item 2023-001, to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the College’s response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The College’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

FORVIS, LLP

Memphis, Tennessee  
March 26, 2024

## Report on Compliance with State Laws and Regulations

### Independent Auditor's Report

Board of Trustees  
Northwest Mississippi Community College  
Senatobia, Mississippi

We have audited the financial statements of the business-type activities of Northwest Mississippi Community College as of and for the year ended June 30, 2023 and have issued our report thereon dated March 26, 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. Our report includes a reference to other auditors who audited the financial statements of the Northwest Mississippi Community College Foundation as described in our report on the College's financial statements. The financial statements of the Northwest Mississippi Community College Foundation were not audited in accordance with *Government Auditing Standards*.

We have also performed procedures to test compliance with certain other 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 those procedures to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

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

**FORVIS,LLP**

**Memphis, Tennessee**  
**March 26, 2024**

## Schedule of Findings and Questioned Costs

### Financial Statements

Type of Auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_yes x\_no

Significant deficiency(ies) identified not considered to be material weaknesses?

\_yes x\_none reported

Noncompliance material to financial statements noted?

\_yes x\_no

### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_yes x\_no

Significant deficiency(ies) identified not considered to be material weaknesses?

\_Xyes \_none reported

Type of Auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Xyes \_no

Identification of major programs:

#### ALN

84.425 F  
84.425 M  
84.425 S

#### Name of Federal Program or Cluster

COVID-19 HEERF Institutional Portion  
COVID-19 HEERF Strengthening Institutions Program  
COVID-19 HEERF Supplemental Assistance Program

#### Student Financial Assistance Cluster

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

21.027 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,108,157

Auditee qualified as low-risk auditee?

\_yes x\_no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Current Year Finding**

None reported

**Prior Year Findings**

None reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Current Year Findings**

Finding 2023-001

U.S. Department of Education

	<u>Student Financial Assistance Cluster</u>
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Criteria: Special Test – Gramm-Leach-Bliley Act – Student Information Security – The Gramm-Leach- Bliley Act (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data. (16 CFR 314) The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act (16 CFR 313.3(k)(2)(vi). Under an institution’s Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act , schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student financial aid programs. (16 CFR 314.3; HEA 483(a)(3)(E) and HEA 485B(d)(2)).

Condition: The College must have a written information security program to address the implementation of the minimum safeguards identified in 16 CFR 314.4(c)(1) through (8).

Questioned Costs: None

Context: The College has designated an individual to coordinate the information security program, and the College has procedures in place to perform a risk assessment and safeguard the security of student information; however, the College does not have a written information security program in accordance with the condition stated above.

Effect: Non-compliance with program requirements.

Cause: Internal controls were not adequately designed and implemented to ensure compliance with the program’s requirements.

Identification as a Repeat Finding, if Applicable: N/A

Recommendation: We recommend management continue to formalize their written policies and procedures for a information security to ensure program compliance the College complies with the program’s compliance requirements.

Views of Responsible Officials and Planned Corrective Actions: Administration concurs with the finding. See Management’s Corrective Action Plan.



**Prior Year Findings**

Finding 2022-001: Federal Program- Education Stabilization Fund

Corrective action implemented in current year.



**NORTHWEST**  
MISSISSIPPI COMMUNITY COLLEGE

## Management's Corrective Action Plan

Individual Responsible for Corrective Action Plan

Name Connie Joseph  
Title Controller  
Phone (662) 562-3292  
Email [cjoseph@northwestms.edu](mailto:cjoseph@northwestms.edu)

Finding 2023-001: U.S. Department of Education-Student Financial Assistance

Corrective Action Plan: Management is in the process of developing a written information security program.

Anticipated Completion Date: Prior to June 30, 2024