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FINANCIAL STATEMENTS
ITAWAMBA COMMUNITY COLLEGE

For the Year Ended
June 30, 2023

ITAWAMBA COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Itawamba Community College
Fulton, MS

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Itawamba Community College as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Itawamba Community College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Itawamba Community College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Itawamba Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions (PERS), Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB) on pages 4-15 and 53-56, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 Itawamba Community College's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024 on our consideration of Itawamba Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Itawamba Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Itawamba Community College's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
April 24, 2024

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Itawamba Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal years ended June 30, 2023 and 2022. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

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

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

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

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

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

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information related to the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68) "Accounting and Financial Reporting for Pensions" and Governmental Accounting Standards Board Statement No. 71 (GASB 71) "Pension Transition for Payments Made Subsequent to the Measurement Date", and Governmental Accounting Standards Board Statement No. 75 (GASB 75) "Accounting and Financial Reporting for Postemployment Benefits other than Pensions." This includes information about the College's proportionate share of the net pension liability, pension contributions, and net pension liability of the Mississippi Public Employees Retirement System (PERS), and the College's proportionate share of net OPEB liability, the College's OPEB contributions, and the net OPEB liability of the State and School Employees' Life and Health Insurance Plan established for state employees.

Effective for fiscal year 2022, the College adopted GASB Statement No. 87, Leases (GASB 87) which intended to establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. The adoption of this statement did not impact the financial statements.

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

Condensed Statement of Net Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	\$ 69,977,085	\$ 68,107,118
Noncurrent Assets	<u>123,327,207</u>	<u>117,438,455</u>
Total Assets	<u>193,304,292</u>	<u>185,545,573</u>
Deferred Outflows of Resources	<u>10,552,432</u>	<u>9,020,426</u>
Liabilities		
Current Liabilities	5,800,130	4,124,977
Noncurrent Liabilities	<u>90,903,815</u>	<u>74,800,897</u>
Total Liabilities	<u>96,703,945</u>	<u>78,925,874</u>
Deferred Inflows of Resources	<u>3,598,464</u>	<u>19,962,699</u>
Net Position		
Net Investment in Capital Assets	105,523,690	98,115,659
Restricted:		
Expendable	18,477,369	18,542,671
Unrestricted (Deficit)	<u>(20,446,744)</u>	<u>(20,980,904)</u>
Total Net Position	<u>\$ 103,554,315</u>	<u>\$ 95,677,426</u>

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$64,554,240 and \$60,524,280 at June 30, 2023 and 2022, respectively.

Short-term Investments

Short-term investments consist of certificates of deposit with financial institutions. The total amount of short-term investments reported as current assets on the College financial statements were \$398,628 and \$397,647 at June 30, 2023 and 2022, respectively.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$3,784,500 and \$6,966,490 at June 30, 2023 and 2022, respectively.

Inventories

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$276,620 and \$218,701 at June 30, 2023 and 2022, respectively.

Noncurrent assets

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, historical library holdings and subscription-based IT assets at June 30, 2023 and 2022. The amount reported is net of accumulated depreciation and amortization. Capital assets, net totaled \$123,327,207 and \$117,438,455 at June 30, 2023 and 2022, respectively.

Deferred Outflows of Resources

The College has deferred outflows related to pension related deferrals as further described in Note 9 to the financial statements and other postemployment benefits (OPEB) related to contributions paid subsequent to the measurement date as further described in Note 10 to the financial statements. The deferred outflows totaled to \$10,552,432 as of June 30, 2023 and \$9,020,426 as of June 30, 2022.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2023 and 2022 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$4,408,151 and \$2,696,133 at June 30, 2023 and 2022, respectively.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year, but these revenues were not yet earned by the College and will be reported as revenue in the subsequent year in which they are earned. The unearned revenue totaled \$438,537 and \$721,468 at June 30, 2023 and 2022, respectively.

Net OPEB Liabilities – Current Portion

At June 30, 2023, the College reported a liability of \$83,334 for its proportionate share of the net OPEB liability-current portion. The OPEB liability is 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 for 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 0.33557357 percent. This was an increase of .00574891 percent from the proportionate share as of the measurement date of June 30, 2021. The total amount of the net OPEB liability-current portion was \$83,334 at June 30, 2023, an increase of \$15,958 from the balance as of June 30, 2022. Additional information is disclosed in Note 10.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2023 and 2022 fiscal years. The amount of the current portion of long-term debt at June 30, 2023 and 2022 was \$675,000 and \$640,000, respectively.

Net Subscription-Based IT Arrangement (SBITA) Liability-Current Portion

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 current portion of net SBITA liability was \$195,108.

Noncurrent Liabilities

Deposits

Deposits represents the deposits paid by students for reservation for and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon checkout at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$121,950 and \$112,300 at June 30, 2023 and 2022, respectively.

Deferred Inflows of Resources

The College has deferred inflows of resources resulting from differences between expected and actual experience, changes in actuarial assumptions and differences between estimated and actual return on pension plan investments. In addition, the College has OPEB related deferred inflows of resources resulting from changes in actuarial assumptions and changes in proportion and differences between the employer's contributions and the proportionate share of contributions. The deferred inflows totaled \$3,598,464 as of June 30, 2023 and \$19,962,699 as of June 30, 2022.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the noncurrent portion of long-term debt was \$21,878,767 and \$22,765,087 at June 30, 2023 and 2022, respectively.

Net Pension Liabilities

The College's proportionate share of the Net Pension Liability (NPL) of PERS was \$67,270,831 for the statement of net position as of June 30, 2023. The NPL is equal to the Total Pension Liability (TPL) minus the System Fiduciary Net Position (FNP) (basically the market value of assets). 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 proportionate share of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The College's proportion share was 0.326817 percent. The total amount of the net pension liability was \$67,270,831 as of June 30, 2023, an increase of \$17,402,967 from the balance as of June 30, 2022. Additional information is disclosed in Note 9.

Net OPEB Liabilities

At June 30, 2023, the College reported a liability of \$1,569,983 for its proportionate share of the net OPEB liability-noncurrent portion. The OPEB liability is 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 for 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 0.33557357 percent. There was an increase of .00574891 percent from the proportionate share as of the measurement date of June 30, 2021. The total amount of the net OPEB liability-noncurrent portion was \$1,569,983 at June 30, 2023, a decrease of \$485,663 from the balance as of June 30, 2022. Additional information is disclosed in Note 10.

Net Subscription-Based IT Arrangement (SBITA) 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 noncurrent portion of net SBITA liability was \$62,284.

Net Position

Net Position represents the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2023 and 2022 were \$103,554,315 and \$95,677,426, respectively.

Analysis of Net Position

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

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

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

The following is a breakdown of the restricted net position:

	<u>2023</u>	<u>2022</u>
Debt Service	\$ 0	\$ 196,539
Capital Projects	17,458,587	17,852,237
Unemployment Compensation	105,565	105,132
Other	<u>913,217</u>	<u>388,763</u>
Total Restricted Net Position	<u>\$ 18,477,369</u>	<u>\$ 18,542,671</u>

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

GASB 68, 75 and 96 impact on Net Position:

	<u>2023</u>	<u>2022</u>
Total net position	\$ 103,554,315	\$ 95,677,426
Deferred outflows of resources – pension	(10,148,567)	(8,572,383)
Deferred inflows of resources – pension	2,664,490	19,135,890
Net pension liability	<u>67,270,831</u>	<u>49,867,864</u>
Total impact of GASB 68	<u>59,786,754</u>	<u>60,431,371</u>
Deferred outflows of resources – OPEB	(403,865)	(448,043)
Deferred inflows of resources – OPEB	933,974	826,809
Net OPEB liability	<u>1,653,317</u>	<u>2,123,022</u>
Total impact of GASB 75	<u>2,183,426</u>	<u>2,501,788</u>
Net SBITA asset	(230,181)	0
SBITA liability	<u>257,392</u>	<u>0</u>
Total impact of GASB 96	<u>27,211</u>	<u>0</u>
Net position net of GASB 68, 75 and 96 impact	165,551,706	158,610,585
Less net investment in capital assets	(105,523,690)	(98,115,659)
Less restricted net position	<u>(18,477,369)</u>	<u>(18,542,671)</u>
Unrestricted net position	<u>\$ 41,550,647</u>	<u>\$ 41,952,255</u>

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

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Tuition and Fees, net	\$ 3,082,544	\$ 4,528,744
Grants and Contracts	24,837,759	27,868,882
Auxiliary Enterprises, net	4,434,141	4,098,352
Other Operating Revenues	<u>804,686</u>	<u>834,781</u>
Total Operating Revenues	<u>33,159,130</u>	<u>37,330,759</u>
Operating Expenses	<u>59,206,242</u>	<u>59,463,822</u>
Operating Loss	<u>(26,047,112)</u>	<u>(22,133,063)</u>
Nonoperating Revenues(Expenses):		
State Appropriations	17,382,143	16,930,686
Local Appropriations	6,748,402	6,570,225
Noncapital Gifts	1,336,612	928,257
Investment Income, Net	76,739	47,156
Interest expense on capital asset-related debt	(648,524)	(586,472)
Other Nonoperating Revenues (Expenses)	<u>(9,018)</u>	<u>(2,533)</u>
Net Nonoperating Revenues(Expenses)	<u>24,886,354</u>	<u>23,887,319</u>
Income (Loss) Before Other Revenues	<u>(1,160,758)</u>	<u>1,754,256</u>
Appropriations restricted for capital purposes	<u>9,037,647</u>	<u>6,460,907</u>
Total Other Revenues	<u>9,037,647</u>	<u>6,460,907</u>
Total Increase in Net Position	<u>7,876,889</u>	<u>8,215,163</u>
Net Position		
Net Position – Beginning of Year	<u>95,677,426</u>	<u>87,462,263</u>
Net Position – End of Year	<u>\$ 103,554,315</u>	<u>\$ 95,677,426</u>

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The following shows GASB 68 and 75 and other non-cash items impact on the Change in Net Position:

	<u>2023</u>	<u>2022</u>
Change in net position	\$ 7,876,889	\$ 8,215,163
GASB 68 impact	(644,617)	3,771,198
GASB 75 impact	(318,362)	205,997
GASB 96 impact	<u>27,211</u>	<u>0</u>
Change in total net position, net of GASB 68 and GASB 75 expenses	<u>6,941,121</u>	<u>12,192,358</u>
Less net investment in capital assets changes	(7,408,031)	1,137,208
Less restricted net position changes	<u>65,302</u>	<u>12,040,335</u>
Change in unrestricted net position, net of GASB 68, 75 and 96 expenses	<u>\$ (401,608)</u>	<u>\$ 25,369,901</u>
Other non-cash transactions:		
Depreciation and amortization	\$ 4,838,093	\$ 4,007,292

Total operating loss for the fiscal year 2023 and 2022 was \$26,047,112 and \$22,133,063, respectively. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2023 and 2022 were \$33,159,130 and \$37,330,759, respectively. Tuition and fees were \$3,082,544 and \$4,528,744, respectively. The tuition discount was \$12,348,561 and \$10,224,901, respectively. Operating expenses, including depreciation and amortization of \$4,838,093 and \$4,007,292, totaled \$59,206,242 and \$59,463,822, respectively. Of this total \$23,577,665 and \$22,390,606 or 40% and 38% was for instruction.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,082,544 and \$4,528,744 for June 30, 2023 and 2022. The tuition discount for the 2023 and 2022 fiscal years was \$12,348,561 and \$10,224,901, respectively.

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Grants and Contracts

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

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

	<u>2023</u>	<u>2022</u>
Federal Sources	\$ 21,303,654	\$ 23,117,518
State Sources	<u>3,534,105</u>	<u>4,751,364</u>
Total All Sources	<u>\$ 24,837,759</u>	<u>\$ 27,868,882</u>

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$804,686 and \$834,781 for the 2023 and 2022 fiscal years.

Auxiliary Enterprises

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

Auxiliary enterprises for the year ended June 30, 2023 include the College's bookstore in the amount of \$2,869,182, student housing in the amount of \$659,158 and the food services in the amount of \$692,617. Auxiliary enterprises for the year ended June 30, 2022 included the College's bookstore in the amount of \$2,634,179, student housing of \$529,478 and food services of \$662,288.

Operating Expenses

Operating expenses totaling \$59,206,242 and \$59,463,822 include salaries and benefits of \$31,697,309 and \$27,121,410, travel of \$366,545 and \$278,403, scholarships and fellowships of \$5,150,527 and \$10,876,312, utilities of \$2,563,450 and \$2,073,050, supplies of \$7,010,263 and \$8,585,670, contractual services of \$7,580,055 and \$6,521,685, and depreciation and amortization of \$4,838,093 and \$4,007,292, respectively for June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Expenses by Function:		
Instruction	\$ 23,577,665	\$ 22,390,606
Academic Support	739,277	616,909
Student Services	4,773,274	3,998,910
Institutional Support	6,472,644	5,769,288
Operations and Maintenance of Plant	7,730,219	6,537,825
Student Financial Aid	3,245,082	9,541,763
Education Grants-COVID	1,904,045	1,333,149
Auxiliary Enterprises	5,925,943	5,268,080
Depreciation and Amortization	<u>4,838,093</u>	<u>4,007,292</u>
Total Operating Expenses by Function	<u>\$ 59,206,242</u>	<u>\$ 59,463,822</u>

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$17,382,143 for 2023 fiscal year and \$16,930,686 for 2022 fiscal year, of which \$17,382,143 and \$16,930,686 was for operations. State capital aid in the amount of \$3,130,783 and \$630,783 was received for the purchase, construction, renovation, and repair of fixed assets for the 2023 and 2022 fiscal years, respectively.

Local Appropriations

The College also receives revenue from counties in the College's district. The College uses the funding for salaries and benefits and for operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$6,748,402 and \$6,570,225 for the 2023 and 2022 fiscal years from the counties. This appropriation was fully recorded by the College during the fiscal year.

Noncapital Gifts

This consists of gifts made to the College from a nongovernmental organization and/or individuals. The cash gifts totaled \$1,336,612 and \$928,257 at June 30, 2023 and 2022, respectively.

Investment Income, Net

This includes the interest income from the cash in the bank accounts and certificates of deposit. The investment income at June 30, 2023 and 2022 shows \$76,739 and \$47,156 in investment income.

Other Revenues

State Appropriations for Capital Purposes

\$3,130,783 and \$630,783 are the amounts of revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2023 and 2022 fiscal year, respectively.

Local Appropriations for Capital Purposes

This includes revenue received from the counties for capital projects during the fiscal years. The amount of this grant totaled \$5,903,364 and \$5,630,124 for the 2023 and 2022 fiscal years.

Statement of Cash Flows

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

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

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (20,471,958)	\$ (22,714,124)
Noncapital Financing Activities	26,136,952	23,385,549
Capital and Related Financing Activities	(1,710,792)	(10,713,980)
Investing Activities	<u>75,758</u>	<u>12,401,569</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,029,960	2,359,014
Cash and Cash Equivalents – Beginning of the Year	<u>60,524,280</u>	<u>58,165,266</u>
Cash and Cash Equivalents – End of the Year	<u>\$ 64,554,240</u>	<u>\$ 60,524,280</u>

The major sources of funds included in operating activities include student tuition and fees, \$4,457,473 and \$3,343,957, auxiliary enterprises, \$4,385,072 and \$4,152,724, and grants and contracts, \$25,772,044 and \$28,903,968. The major uses of funds were payments made to employees, \$32,605,751 and \$31,130,666, for scholarships and fellowships, \$5,150,527 and \$10,876,312 and to suppliers, \$7,551,071 and \$9,122,136 for fiscal year end June 30, 2023 and 2022.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$18,391,363 and \$15,905,330 for June 30, 2023 and 2022, respectively.

Significant Capital Asset Transactions

Itawamba Community College is constructing a new administration building through the MS Bureau of Buildings. The total project cost is approximately \$22,000,000. The project is being funded by state bond funds.

Itawamba Community College is renovating and constructing some athletic facilities. The total project cost is approximately \$10,075,000. The project is being funded by local funds.

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2023 financial situation. The increase in the level of State support, compensation increases, student tuition and fee increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

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

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

ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Contact Information

Questions concerning any information provided by Itawamba Community College or Itawamba Community College Foundation provided in this report, or request for additional information should be addressed to Executive Director of Finance Business Services, Itawamba Community College, 602 West Hill Street, Fulton, MS 38843.

ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2023

	June 30, 2023
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 59,546,598
Cash and cash equivalents - restricted	5,007,642
Short-term investments	398,628
Accounts receivables, net	3,784,500
Prepaid expenses	963,097
Inventories	276,620
Total Current Assets	<u>69,977,085</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation and amortization	123,327,207
Total Noncurrent Assets	<u>123,327,207</u>
Total Assets	<u><u>193,304,292</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - OPEB	403,865
Deferred outflows - pensions	10,148,567
Total Deferred Outflows of Resources	<u><u>10,552,432</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	4,408,151
Unearned revenues	438,537
Current portion of net OPEB liability	83,334
Subscription liability - current portion	195,108
Long-term debt - current portion	675,000
Total Current Liabilities	<u>5,800,130</u>
Noncurrent liabilities:	
Deposits refundable	121,950
Net pension liability	67,270,831
Net OPEB liability	1,569,983
Subscription liability, net of current portion	62,284
Long-term debt, net of current portion	21,878,767
Total Noncurrent Liabilities	<u>90,903,815</u>
Total Liabilities	<u><u>96,703,945</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - OPEB	933,974
Deferred inflows - pensions	2,664,490
Total Deferred Inflows of Resources	<u><u>3,598,464</u></u>
NET POSITION	
Net Investment in Capital Assets	105,523,690
Restricted for:	
Expendable:	
Capital projects	17,458,587
Unemployment Compensation	105,565
Specified Programs and Scholarships	913,217
Unrestricted (Deficit)	<u>(20,446,744)</u>
Total Net Position	<u><u>\$ 103,554,315</u></u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With comparative information as of June 30, 2022)

	<u>2023</u>	<u>(Restated) 2022</u>
Assets		
Cash	\$ 1,971,218	\$ 1,714,364
Investments, at fair value	12,344,271	10,802,487
Interest receivable	<u>331</u>	<u>183</u>
Total assets	\$ <u>14,315,820</u>	\$ <u>12,517,034</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Without donor restrictions	10,568,333	9,489,331
With donor restrictions	<u>3,747,487</u>	<u>3,027,703</u>
Total net assets	<u>14,315,820</u>	<u>12,517,034</u>
Total liabilities and net assets	\$ <u>14,315,820</u>	\$ <u>12,517,034</u>

See accompanying notes to financial statements.

ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2023

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$12,348,561)	\$ 3,082,544
Federal grants and contracts	21,303,654
State grants and contracts	3,534,105
Sales and services of educational departments	111,850
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$1,306,171)	659,158
Food services (net of scholarship allowances of \$1,306,171)	692,617
Bookstore	2,869,182
Other auxiliary revenues	213,184
Other operating revenues	692,836
Total Operating Revenues	<u>33,159,130</u>
Operating Expenses:	
Salaries and wages	24,701,008
Fringe benefits	6,996,301
Travel	366,545
Contractual services	7,580,055
Utilities	2,563,450
Scholarships and fellowships	5,150,527
Commodities	7,010,263
Depreciation and amortization	4,838,093
Total Operating Expenses	<u>59,206,242</u>
Operating Income (Loss)	<u>(26,047,112)</u>
Nonoperating Revenues (Expenses):	
State appropriations	17,382,143
Local appropriations	6,748,402
Gifts	1,336,612
Investment income	76,739
Interest expense on capital asset-related debt	(648,524)
Other nonoperating revenues (expenses)	(9,018)
Total Net Nonoperating Revenues (Expenses)	<u>24,886,354</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>(1,160,758)</u>
Federal appropriations restricted for capital purposes	3,500
State appropriations restricted for capital purposes	3,130,783
Local appropriations restricted for capital purposes	5,903,364
Total Other Revenues (Expenses)	<u>9,037,647</u>
Change in Net Position	7,876,889
Net Position:	
Net Position - Beginning of Year	<u>95,677,426</u>
Net Position - End of Year	<u>\$ 103,554,315</u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
(With summarized information for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Revenue:				
Contributions	\$ 366,971	\$ 647,654	\$ 1,014,625	\$ 358,912
Grants	-	80,000	80,000	24,850
Investment income	203,573	-	203,573	118,263
Miscellaneous revenue	14,133	-	14,133	-
Total revenue	584,677	727,654	1,312,331	502,025
Net assets released from restrictions:				
Satisfaction of program restrictions	7,870	(7,870)	-	-
Total revenue	592,547	719,784	1,312,331	502,025
Expenses:				
Distributions for educational purposes	407,652	-	407,652	273,283
Support services:				
Management and general:				
Operational expenses	10,616	-	10,616	10,435
Professional fees	17,565	-	17,565	20,076
Other expenses	550	-	550	368
Total expenses	436,383	-	436,383	304,162
Change in net assets	156,164	719,784	875,948	197,863
Other change in net assets				
Net unrealized (losses) gains on investments	922,838	-	922,838	(1,547,102)
Change in net assets	1,079,002	719,784	1,798,786	(1,349,239)
Net assets at beginning of year	9,507,435	3,009,599	12,517,034	13,866,273
Reclassification of net assets due to donor restrictions	(18,104)	18,104	-	-
Net assets at beginning of year, restated	9,489,331	3,027,703	12,517,034	13,866,273
Net assets at end of year	\$ 10,568,333	\$ 3,747,487	\$ 14,315,820	\$ 12,517,034

See accompanying notes to financial statements.

ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

Cash Flows from Operating Activities:

Tuition and fees	\$ 4,457,473
Grants and contracts	25,772,044
Sales and services of educational departments	111,850
Payments to suppliers	(7,551,071)
Payments to employees for salaries and benefits	(32,605,751)
Payments for utilities	(2,616,053)
Payments for scholarships and fellowships	(5,150,527)
Auxiliary enterprise charges:	
Student housing	668,808
Food services	692,617
Bookstore	2,810,463
Other auxiliary enterprises	213,184
Other receipts (payments)	(7,274,995)
Net Cash Provided (Used) by Operating Activities	<u>(20,471,958)</u>

Cash Flows from Noncapital Financing Activities:

State appropriations	18,391,363
Local appropriations	6,408,977
Federal loan receipts	2,580,144
Federal loan disbursements	(2,580,144)
Gifts and grants for other than capital purposes	1,336,612
Net Cash Provided (Used) by Noncapital Financing Activities	<u>26,136,952</u>

Cash Flows from Capital and Related Financing Activities:

Cash paid for capital assets	(8,933,119)
Capital appropriations received	9,037,647
Principal paid on capital debt, leases and SBITAs	(947,520)
Interest paid on capital debt and leases	(867,800)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,710,792)</u>

Cash Flows from Investing Activities:

Interest received on investments	<u>75,758</u>
Net Cash Provided (Used) by Investing Activities	<u>75,758</u>

Net Increase (Decrease) in Cash and Cash Equivalents	4,029,960
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Cash and Cash Equivalents - Beginning of the Year	<u>60,524,280</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 64,554,240</u></u>
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Cash and Cash Equivalents	\$ 59,546,598
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Cash and Cash Equivalents - Restricted	<u>5,007,642</u>
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Total Cash and Cash Equivalents	<u><u>\$ 64,554,240</u></u>
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ITAWAMBA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

Operating income (loss)	\$ <u>(26,047,112)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Changes in Pension and OPEB	(962,979)
Depreciation and amortization	4,838,093
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	2,309,808
Inventories	(57,919)
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(278,568)
Unearned revenues	(282,931)
Deposits refundable	<u>9,650</u>
Total adjustments	<u>5,575,154</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(20,471,958)</u></u>

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(With comparative information for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,798,786	\$ (1,349,239)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized losses (gains) on investments	(922,838)	1,547,102
Changes in assets and liabilities:		
Unconditional promises to give	-	1,000
Interest receivable	<u>(148)</u>	<u>232</u>
Net cash provided by (used in) operating activities	<u>875,800</u>	<u>199,095</u>
Cash flows from investing activities:		
Purchase of investments	(658,149)	(160,813)
Proceeds from sales and maturities of investments	<u>39,203</u>	<u>43,207</u>
Net cash provided by (used in) investing activities	<u>(618,946)</u>	<u>(117,606)</u>
Net change in cash	256,854	81,489
Cash at beginning of year	<u>1,714,364</u>	<u>1,632,875</u>
Cash at end of year	<u>\$ 1,971,218</u>	<u>\$ 1,714,364</u>

See accompanying notes to financial statements.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Itawamba Community College reports the following discretely presented component unit:

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

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

During the year ended June 30, 2023, the Foundation distributed \$407,652 to the College.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities. The effect of interfund activity has been eliminated from these financial statements.
- C. Basis of Accounting - The financial statements of the college have been prepared using the economic resources measurement focus and 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, which is in accordance with accounting principles generally accepted in the United States of America.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- F. Short-Term Investments – The College considers all highly liquid investments with an original maturity of more than three months but less than twelve months to be short-term investments.
- G. Investments – The College accounts for their investments at fair value in accordance with GASB. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

GASB requires entities to group assets and liabilities that are carried at fair value in their financial statements in a three level hierarchy based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. The following describes the hierarchy of inputs used to measure fair value:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.

Level 3 – Valuation is based on significant valuation assumptions that are not readily observable in the market.

- H. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- I. Inventories - Inventories consist of bookstore, printing and food service supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- J. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred.
- K. Subscription-Based Information Technology Arrangements – The Government Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs. GASB 96 was implemented during fiscal year 2023. See Note 5 for further details.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- L. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports \$10,148,567 of deferred outflows related to its pension plan and \$403,865 related to OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports \$2,664,490 of deferred inflows related to its pension plan and \$933,974 related to OPEB.

See Note 9 and 10 for further details.

- M. Unearned Revenues - Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- N. Compensated Absences - The College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- O. 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.
- P. 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, the benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.
- Q. Classification of Revenues - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

- R. Local Appropriations – The College receives ad valorem taxes from each county in its five-county district. Each county assesses a tax millage in support of the College as required by state law.
- S. State Appropriations – Itawamba Community College receives funds from the State of Mississippi through the State Board of Community and Junior Colleges. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high costs programs.
- T. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- U. Net Position - GASB Statement No. 63 reports equity as "Net Position" rather than "Net Assets". Net position, net investment in capital assets is reduced by the outstanding balances of long-term debt used to finance the purchase or construction of those assets. Restricted net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held for debt service, capital projects and unemployment compensation.

The unrestricted net position balance of (\$20,446,744) at June 30, 2023, includes \$17,458,587 for auxiliary operations, the impact of including the College's proportionate share of the PERS net pension liability and related deferred outflows/inflows of (\$59,786,754), the impact of including the College's proportionate share of the State's OPEB liability and related deferred outflows/inflows of (\$2,183,426), and a remaining amount of \$24,064,849.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's general policy to use unrestricted resources first.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- V. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by the management of the Institution. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenues and expenses. It is at least reasonably possible that the estimates and assumptions used could change within the next year.
- W. Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.
- X. Accounting Standards Update - The College implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which changes the accounting and financial reporting for subscription-based information technology arrangements (SBITA's). Under previous guidance, SBITA's were classified as operating expenses. GASB Statement No. 96 defines a SBITA as a contract that conveys the right to use another party's IT software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB Statement No. 96, SBITA's that convey the right to obtain the present service capacity from use of the underlying IT assets, and the right to determine the nature and manner of use as specified in the contract, are required to be recognized on the statement of net position. The adoption of this standard did not impact the beginning net position on the College's financial statements. As a result of implementation of GASB 96, the College recognized a right to use subscription asset of \$564,912 and subscription liability of \$564,912 as additions in the current year. The additional disclosures required by this standard are included in Note 5.

NOTE 2 – CASH AND INVESTMENTS

Policies:

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

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.

Cash and Cash Equivalents

The carrying amount of the college's deposits with financial institutions was \$64,554,240 and the bank balance was \$66,334,518.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – CASH AND INVESTMENTS - continued

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

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

The following table summarizes the carrying values of the college's investments reported on the statement of net position at June 30, 2023:

Short-term investments	\$ <u>398,628</u>
------------------------	-------------------

The following table summarizes the categorization of investments at June 30, 2023:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Fair Value Measurement Level 2</u>	<u>Rating</u>
Certificates of deposit	Less than 1	\$ <u>398,628</u>	\$ <u>398,628</u>	Not Rated

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

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

Custodial Credit Risk – Investments - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2023, the College did not have any investments to which this would apply.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of June 30, 2023, the college did not have any investments to which this would apply.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

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

Student tuition	\$ 1,839,918
Auxiliary enterprises and other operating activities	0
Federal, state, and private grants and contracts	1,923,134
State appropriations	476,147
Local appropriations	606,373
Other	<u>24,287</u>
Total Accounts Receivable	4,869,859
Less allowance for doubtful accounts	<u>(1,085,359)</u>
Net Accounts Receivable	<u>\$3,784,500</u>

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 1,226,137	\$ 349,382	\$ 0	\$ 1,575,519
Construction in progress	<u>22,112,347</u>	<u>8,555,201</u>	<u>(23,938,930)</u>	<u>6,728,618</u>
Total Nondepreciable Capital Assets	<u>\$ 23,338,484</u>	<u>\$ 8,904,583</u>	<u>\$ (23,938,930)</u>	<u>\$ 8,304,137</u>
Depreciable Capital Assets:				
Improvements other than buildings	\$ 13,158,163	\$ 0	\$ 99,249	\$ 13,257,412
Buildings	121,174,490	0	23,839,681	145,014,171
Equipment	16,727,754	1,234,506	(110,833)	17,851,427
Library books	<u>2,130,509</u>	<u>31,862</u>	<u>(58,691)</u>	<u>2,103,680</u>
Total Depreciable Capital Assets	<u>\$ 153,190,916</u>	<u>\$ 1,266,368</u>	<u>\$ 23,769,406</u>	<u>\$ 178,226,690</u>

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – CAPITAL ASSETS - continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less Accumulated				
Depreciation for:				
Improvements other				
than buildings	\$ 8,047,268	\$ 375,481	\$ 0	\$ 8,422,749
Buildings	37,908,383	2,779,767	0	40,688,150
Equipment	11,112,802	1,304,640	(101,817)	12,315,625
Library books	<u>2,022,492</u>	<u>43,474</u>	<u>(58,689)</u>	<u>2,007,277</u>
Total Accumulated				
Depreciation	\$ <u>59,090,945</u>	\$ <u>4,503,362</u>	\$ <u>(160,506)</u>	\$ <u>63,433,801</u>
Total Depreciable				
Capital Assets, Net	\$ <u>94,099,971</u>	\$ <u>(3,236,994)</u>	\$ <u>23,929,912</u>	\$ <u>114,792,889</u>
Capital Assets, Net	\$ <u>117,438,455</u>	\$ <u>5,667,589</u>	\$ <u>(9,018)</u>	\$ <u>123,097,026</u>
Subscription IT Assets, Net (Note 5)				<u>230,181</u>
Total Capital Assets, Net, as Reported in the Statement of Net Position				<u>\$ 123,327,207</u>

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

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ASSETS (SBITA)

The College has multiple subscription-based IT arrangements for items such as software and various site licenses.

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

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

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

A summary of subscription IT asset activity during the year ended June 30, 2023, is presented as follows:

	Balance 7/1/2022	Additions	Remeasurements	Deductions	Balance 6/30/2023
Subscription IT assets	\$ -	\$ 564,912	\$ -	\$ -	\$ 564,912
Less accumulated amortization	-	334,731	-	-	334,731
Total subscription IT assets, net	\$ -	\$ 230,181	\$ -	\$ -	\$ 230,181

A summary of subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurements	Deductions	Balance 6/30/2023	Amounts due within one year
Subscription IT liabilities	\$ -	\$ 564,912	\$ -	\$ 307,520	\$ 257,392	\$ 195,108
Total	\$ -	\$ 564,912	\$ -	\$ 307,520	\$ 257,392	\$ 195,108

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 5 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ASSETS (SBITA) - continued

Exemptions

Short-term SBITAs: Exempt from capitalization

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

Immaterial SBITAs: Exempt from capitalization and disclosure

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

For purposes of this note disclosure, subscription-based IT liabilities by individual SBITA are listed below:

<u>Description</u>	<u>Discount Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Everbridge	2.015%	7/01/2022	4/29/2025	\$ 32,627
Microsoft	0.276%	7/01/2022	11/30/2023	164,379
Atrium	2.366%	8/04/2022	8/03/2027	<u>60,386</u>
				<u>\$ 257,392</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 195,108	\$ 2,185	\$ 197,293
2025	31,385	1,416	32,801
2026	15,269	731	16,000
2027	<u>15,630</u>	<u>370</u>	<u>16,000</u>
Totals	<u>\$ 257,392</u>	<u>\$ 4,702</u>	<u>\$ 262,094</u>

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities of the college consist of bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2023. Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2023, is listed in the following schedule.

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Int. Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
<u>Bonded Debt</u>								
2020 Special Obligation Bonds	20,000,000	4.00%-5.00%	10/2040	19,390,000	0	640,000	18,750,000	675,000
Bond Premium				4,015,087	0	211,320	3,803,767	
Total Bonded Debt				23,405,087	0	851,320	22,553,767	675,000
Due within one year							675,000	
Total Long-term Liabilities							\$ 21,878,767	

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 – LONG-TERM LIABILITIES – continued

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

	<u>Debt</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 675,000	\$ 818,425	\$ 1,493,425
2025	710,000	783,800	1,493,800
2026	745,000	747,425	1,492,425
2027	785,000	709,175	1,494,175
2028	825,000	668,925	1,493,925
2029-2033	4,790,000	2,666,500	7,456,500
2034-2038	6,000,000	1,463,400	7,463,400
2039-2041	<u>4,220,000</u>	<u>257,800</u>	<u>4,477,800</u>
Totals	<u>\$ 18,750,000</u>	<u>\$ 8,115,450</u>	<u>\$ 26,865,450</u>

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 – FUNCTIONAL EXPENSE CLASSIFICATIONS

Natural Classifications with Functional Classifications.

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

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation & Amortization	Other	Total
Instruction	\$ 14,916,353	\$ 3,998,581	\$ 92,903	\$ 1,813,987	\$ 12,412	\$ 0	\$ 2,743,429	\$ 0	\$ 0	23,577,665
Academic support	466,977	141,669	860	56,656	0	0	73,115	0	0	739,277
Student services	3,107,289	931,920	183,450	408,214	0	0	142,401	0	0	4,773,274
Institutional support	3,434,723	990,205	83,762	1,267,219	0	1,400	695,335	0	0	6,472,644
Operation of plant	2,059,622	717,315	4,572	1,871,934	1,808,954	0	1,267,822	0	0	7,730,219
Student aid	0	0	0	0	0	3,245,082	0	0	0	3,245,082
Education Grants-COVID	0	0	0	0	0	1,904,045	0	0	0	1,904,045
Auxiliary enterprises	716,044	216,611	998	2,162,045	742,084	0	2,088,161	0	0	5,925,943
Depreciation and amortization	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,838,093</u>	<u>0</u>	<u>4,838,093</u>
Total Operating Expenses	<u>\$ 24,701,008</u>	<u>\$ 6,996,301</u>	<u>\$ 366,545</u>	<u>\$ 7,580,055</u>	<u>\$ 2,563,450</u>	<u>\$ 5,150,527</u>	<u>\$ 7,010,263</u>	<u>\$ 4,838,093</u>	<u>\$ 0</u>	<u>\$ 59,206,242</u>

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 – CONSTRUCTION COMMITMENTS AND FINANCING

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

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Funded By</u>			
		<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>	<u>Other</u>
Football Complex	\$ 4,230	\$ 0	\$ 0	\$ 4,230	\$ 0
Fine Arts Renovation	70,573	0	0	70,573	0
Indoor Sports Complex	1,980,003	0	0	1,980,003	0
Fulton/LRC/Campus Police Relocation	346,537	0	0	346,537	0
Belden Center Lab Infill	42,025	0	0	42,025	0
Baseball Stadium Reno	2,457,105	0	0	2,457,105	0
Softball/Tennis Complex	4,014,169	0	0	4,014,169	0
Monroe Hall Renovation	2,192,004	0	0	2,192,004	0
Sheffield Hall Air Handler/HVAC Modifications	411,000	0	0	411,000	0
Student Academic Center Recruiting Renovation	30,000	0	0	30,000	0
Student Services Renovation(Tupelo)	2,469,099	0	0	2,469,099	0
Sidewalk Project	1,310,383	0	1,048,306	262,077	0
Student Activities/Grill Reno	3,608,104	0	0	3,608,104	0
ARPA Infrastructure	829,833	829,833	0	0	0
Fulton Cafeteria Reno	1,593,644	0	0	1,593,644	0
*New Admin Building (BoB)	21,981,400	0	21,981,400	0	0
Tech Ed Fulton HVAC Upgrade	2,727,814	2,727,814	0	0	0
Fine Arts HVAC Upgrade	338,322	338,322	0	0	0
Energy Projects	4,138,405	0	4,138,405	0	0
Total	<u>\$ 50,544,650</u>	<u>\$ 3,895,969</u>	<u>\$27,168,111</u>	<u>\$19,480,570</u>	<u>\$ 0</u>

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

NOTE 9 - 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.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN – continued

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2023 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2023, 2022 and 2021 were \$4,092,639, \$3,914,844 and \$3,903,351, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the College reported a liability of \$67,270,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2023 net pension liability was 0.326817 percent, which was based on a measurement date of June 30, 2022. This was a decrease of 0.010574 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN – continued

For the year ended June 30, 2023, the College recognized pension expense of \$3,448,022. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 971,298	\$ -
Changes of assumptions	2,401,913	-
College contributions subsequent to the measurement date	4,092,639	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	2,664,490
Net difference between projected and actual earnings on pension plan investments	2,682,717	-
Total	\$ <u>10,148,567</u>	\$ <u>2,664,490</u>

\$4,092,639 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2024	\$ 213,418
2025	524,422
2026	(996,700)
2027	3,650,298
Total	\$ <u>3,391,438</u>

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

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN - continued

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

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

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

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

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 contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLAN - continued

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following table presents the College's proportionate share of the net pension liability 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:

	Discount Rate	College's Proportionate Share of Net Pension Liability
1% decrease	6.55%	\$87,795,305
Current discount rate	7.55%	\$67,270,831
1% increase	8.55%	\$50,349,447

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan.

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

Benefits provided

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continued

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$83,334 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 \$1,653,317 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 0.33557357 percent. This was an increase of 0.00574891 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 (\$235,024). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Changes in proportion and differences between College contributions and proportionate share of contributions	\$ 61,187	\$ 64,614
Differences between expected and actual experience	1,369	716,285
College contributions subsequent to measurement date	83,334	-
Net difference between projected and actual earnings on OPEB plan investments	114	-
Changes of assumptions	257,861	153,075
	<u>\$ 403,865</u>	<u>\$ 933,974</u>

\$83,334 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:

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continued

Years Ending June 30	
2024	\$ (161,231)
2025	(129,426)
2026	(137,965)
2027	(113,036)
2028	(51,272)
2029	(20,513)
Totals	\$ <u>(613,443)</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 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate:	
Measurement Date	3.37 percent
Prior Measurement Date	2.13 percent
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 percent
Prior Measurement Date	2.13 percent
Health Care Cost Trends:	
Medicare Supplemental Claims Pre-Medicare	7.00 percent for 2023 decreasing to an ultimate rate of 4.50 percent by 2029 FYE

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) – continued

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

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

	Discount Rate	College's Proportionate Share of Net OPEB Liability
1% decrease	2.37%	\$1,821,332
Current discount rate	3.37%	\$1,653,317
1% increase	4.37%	\$1,508,994

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

	College's Proportionate Share of Net OPEB Liability
1% decrease	\$1,538,293
Healthcare cost trend rates current	\$1,653,317
1% increase	\$1,782,761

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

NOTE 11 - CONCENTRATIONS

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

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

ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 – 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.

NOTE 13 – CONTINGENCIES

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

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

NOTE 14 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position (deficit) amount of (\$20,446,744) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$4,092,639 resulting from the college contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$6,055,928 balance of the deferred outflow of resources related to pensions at June 30, 2023 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$2,664,490 balance of the deferred inflow of resources related to pension at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position amount over the next 3 years.

The unrestricted net position (deficit) amount of (\$20,446,744) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$83,334 resulting from the college contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$320,531 balance of the deferred outflow of resources related to OPEB at June 30, 2023 will be recognized as OPEB expense and will decrease the unrestricted net position amount over the next 6 years. The \$933,974 balance of deferred inflows of resources related to OPEB at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position amount over the next 6 years.

NOTE 15 – 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 Itawamba Community College evaluated the activity of the College through April 24, 2024, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred that require disclosure in the notes to the financial statements.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 15 – SUBSEQUENT EVENTS - continued

In March 2020, the Employee Retention Credit ("ERC") was introduced as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act to incentivize employers to retain employees during the pandemic by offering a refundable tax credit against employment taxes. In December 2020 and March 2021, the ERC was further expanded and extended.

ERCs are similar to the Payroll Protection Program ("PPP") loans as they are another form of government assistance. However, whereas PPP loans provided funds requiring recipients to qualify for forgiveness by incurring qualifying expenditures in subsequent periods, ERCs are an employment tax credit if certain expenses are incurred by eligible employers.

The College filed an amended form 941-X for quarters 1, 2 and 3 of the 2021 calendar year to request the ERC.

Summary of ERC amounts claimed

Quarter 1, 2021 calendar year	\$2,257,847.08
Quarter 2, 2021 calendar year	\$2,577,245.34
<u>Quarter 3, 2021 calendar year</u>	<u>\$2,793,745.47</u>
Total ERC:	\$7,628,837.89

As part of the ERC process, the College engaged an attorney to assist with filing for the ERC. For the attorney's services, the College will pay 20% of the ERC received from the IRS to the attorney. As part of the agreement with the attorney, the attorney will only receive payment if the College receives the credit. The attorney fee is expected to be \$1,525,767.58.

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Basis of Accounting

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions.

C. Financial Statement 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. This standard established for external financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. Descriptions of the two net asset classes are as follows:

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

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

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

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

D. Income Taxes

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. However, a Form 990, Return of Organization Exempt from Income Tax, is required to be filed for the fiscal year beginning July 1, 2022 and ending June 30, 2023. For the year ended June 30, 2023, there was no unrelated business income. Accordingly, no provision for income taxes has been made in the financial statements. The Foundation's Forms 990 *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2023, 2022 and 2021 are subject to examination by the IRS, generally three years after they are filed. As of June 30, 2023 and 2022, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

E. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

F. Fair Value of Financial Instruments

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

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. 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.

H. Promises to Give

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

I. Comparative Financial Information

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

K. Revenue Recognition

The Foundation's revenue is derived from several different sources subject to varying applications of revenue recognition. Each are discussed below including the applicable method of revenue recognition.

Contribution and Grant Revenue: The Foundation recognizes revenue from contributions and grant programs using guidance provided by FASB ASU 2018-08 which governs revenue determined to be a contribution in nature. Revenue from grant programs is generally determined to be a contribution if the activity specified by the grant is to be planned and carried out by the recipient who has the rights to the benefit of carrying out the activity. Contributions are further evaluated for any donor or other conditions. Revenue from unconditional contributions is recognized immediately, whereas revenue from conditional contributions is recognized once all conditions have been met. Contributions received are recorded as with or without donor restrictions depending on whether any donor restrictions exist.

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts of these amounts are computed using risk-free interest rates at the time of the pledge, which are applicable to the years in which the pledges are scheduled to be received. Accretion of the discounts is included in contribution revenue. Pledges receivable are discussed later in this note. Investments received by gift are recorded at fair value at the date of donation. Donated assets are recorded at fair market value at the date of gift.

L. Reclassifications

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

- M.** Accounting Standards Updated – FASB 2016-02 Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. The implementation of this standard did not result in any change in the Foundation's financial statements.

NOTE 2 - RESTRICTIONS ON NET ASSETS

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

Grant-restricted for other educational purposes	\$ 77,246
Donor-restricted endowment	<u>3,670,241</u>
Total net assets with donor restrictions	<u>\$ 3,747,487</u>

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - ENDOWMENT

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

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

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

At June 30, 2023, the endowment fund is composed of:

Amounts required to be invested in perpetuity	<u>\$ 3,670,241</u>
Total donor-restricted endowment	<u><u>\$ 3,670,241</u></u>

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - INVESTMENTS

Investments consisted of the following at June 30, 2023:

Investments:	Market Value			Total
	Cost	Level 1	Level 2	
Common stocks	\$ 4,315	\$ 3,928	\$ 0	\$ 3,928
Bond funds	3,682,305	4,276,605	0	4,276,605
Stock Funds	1,463,986	7,169,545	0	7,169,545
Certificates of deposit	894,193	0	894,193	894,193
Total Investments	<u>\$6,044,799</u>	<u>\$11,450,078</u>	<u>\$ 894,193</u>	<u>\$12,344,271</u>

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

Level 2: Certificates of deposit are valued for the observable asset, either directly or indirectly.

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets at year-end	\$ 14,315,820
Less those unavailable within one year, due to:	
Grant-restricted for distributions for education purposes	77,246
Donor-restricted to maintain as an endowment	<u>3,670,241</u>
Financial assets available to meet cash needs for	
General expenditures within one year	<u>\$ 10,568,333</u>

NOTE 6 - FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the overall service mission of the Foundation, which is to provide scholarships and awards to students of the College. Program services are categorized in the primary area of student financial aid. The operations of the Foundation are categorized as general and administrative.

	Program Services	General and Administrative	Total Expenses
Scholarships and awards	\$ 407,652	\$ 0	\$ 407,652
Professional fees	0	17,565	17,565
Management and general	0	10,616	10,616
Other	0	550	550
	<u>\$ 407,652</u>	<u>\$ 28,731</u>	<u>\$ 436,383</u>

ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows at June 30:

Awards	\$ 7,870
	<u>\$ 7,870</u>

NOTE 8 - PREMISES

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

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 10 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through April 24, 2024, the date on which the financial statements were available to be issued and determined no subsequent events occurred requiring disclosure in the notes to the financial statements.

**ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years
For the Year Ended June 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. College's proportion of net pension liability (%)	0.326817%	0.337391%	0.350286%	0.358181%	0.364404%	0.380971%	0.388700%	0.395500%	0.403200%
B. College's proportionate share of net pension liability	\$67,270,831	\$49,867,864	\$67,811,299	\$63,011,104	\$60,611,211	\$63,330,310	\$69,437,063	\$61,135,110	\$48,941,098
C. College's covered payroll	\$22,499,113	\$22,433,051	\$23,324,691	\$23,327,424	\$23,270,669	\$24,439,502	\$24,300,379	\$24,708,698	\$24,632,330
D. College's proportionate share of net pension liability as a percentage of its covered payroll (%)	298.99%	222.30%	290.73%	270.12%	260.46%	259.13%	285.74%	247.42%	198.69%
E. Plan fiduciary net position as a percentage of total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS (PERS)
For the Last 10 Fiscal Years
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Contractually required contributions	\$4,092,639	\$3,914,844	\$3,903,351	\$4,058,497	\$3,674,071	\$3,665,132	\$3,849,222	\$3,827,312	\$3,891,620
B. Contributions in relation to contractually required contributions	\$4,092,639	\$3,914,844	\$3,903,351	\$4,058,497	\$3,674,071	\$3,665,132	\$3,849,222	\$3,827,312	\$3,891,620
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
D. College's covered payroll	\$23,520,909	\$22,499,113	\$22,433,051	\$23,324,691	\$23,327,424	\$23,270,669	\$24,439,502	\$24,300,379	\$24,708,698
E. Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
Last 10 Fiscal Years
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
A. College's proportion of net OPEB liability (%)	0.335574%	0.329825%	0.337678%	0.333082%	0.332031%	0.344118%
B. College's proportionate share of net OPEB liability	\$1,653,317	\$2,123,022	\$2,627,840	\$2,826,333	\$2,568,424	\$2,699,981
C. College's covered-employee payroll	\$22,499,113	\$22,433,051	\$23,324,691	\$23,327,424	\$23,270,669	\$24,439,502
D. College's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	7.35%	9.46%	11.27%	12.12%	11.04%	11.05%
E. Plan fiduciary net position as a percentage of total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

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

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS (OPEB)
Last 10 Fiscal Years
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Actuarially determined contributions	\$83,334	\$67,376	\$85,332	\$104,798	\$113,288	\$115,104
B. Contributions in relation to actuarially determined contributions	\$83,334	\$67,376	\$85,332	\$104,798	\$113,288	\$115,104
C. Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
D. College's covered-employee payroll	\$23,520,909	\$22,499,113	\$22,433,051	\$23,324,691	\$23,327,424	\$23,270,669
E. Contributions as a percentage of covered-employee payroll	0.35%	0.30%	0.38%	0.45%	0.49%	0.49%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/2018, and until a full 10-year trend is compiled, the College has only presented information for the years in which information was available. Prior year information is based on historical amounts reported in the prior year audit report(s).

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

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

PENSION SCHEDULES

(1) Changes in benefit provisions

a. 2016

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

(2) Changes in assumptions

a. 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

b. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

PENSION SCHEDULES (Continued)

c. 2017

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

d. 2016

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

e. 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 reflect actual experience more closely.
- Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

- (3) *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for June 30, 2022 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB SCHEDULES

(1) Changes in benefit provisions

a. 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.

b. 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.

**ITAWAMBA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

OPEB SCHEDULES (Continued)

- c. 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.
 - d. 2019
 - None.
 - e. 2018
 - None.
 - f. 2017
 - None.
- (2) Changes in assumptions
- a. 2022
 - The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.
 - b. 2021
 - The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.
 - c. 2020
 - The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.
 - d. 2019
 - The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.
 - e. 2018
 - The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.
 - f. 2017
 - The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.
- (3) *Method and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ended 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 percent
Salary increases, including wage inflation	3.00 percent to 18.25 percent
Initial health care cost trend rates	
Medicare Supplement Claims – Pre Medicare	6.50 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims – Pre Medicare	4.75 percent
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 percent

Itawamba Community College
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Student Financial Assistance Cluster-Cluster			
Department of Education			
Federal Supplemental Educational Opportunity Grants			
Federal Supplemental Educational Opportunity Grants	84.007		226,789
Total Federal Supplemental Educational Opportunity Grants			226,789
Federal Work-Study Program			
Federal Work-Study Program	84.033		145,843
Total Federal Work-Study Program			145,843
Federal Pell Grant Program			
Federal Pell Grant Program	84.063		11,405,499
Total Federal Pell Grant Program			11,405,499
Federal Direct Student Loans			
Federal Direct Student Loans	84.268		2,580,144
Total Federal Direct Student Loans			2,580,144
Total Department of Education			14,358,275
Total Student Financial Assistance Cluster-Cluster			* 14,358,275
CCDF Cluster-Cluster			
Department of Health and Human Services			
Passed through Mississippi Department of Human Services			
Child Care and Development Block Grant			
Child Care and Development Block Grant	93.575	Early Childhood Academy-- 6023719	79,212
Child Care and Development Block Grant	93.575	Childcare Strong-COVID 19	89,600
Total Child Care and Development Block Grant			168,812
Total Department of Health and Human Services			168,812
Total CCDF Cluster-Cluster			168,812
WIOA Cluster-Cluster			
Department of Labor			
Passed through Three Rivers Planning and Development District			
WIOA Adult Program			
WIOA Adult Program	17.258	WIOA-Adult PY2022--22-02-1	560,102
WIOA Adult Program	17.258	WIOA-Apprenticeship	154,332
Total WIOA Adult Program			714,434
WIOA Youth Activities			
WIOA Youth Activities	17.259	PY 2022 Gateway Program-- 22-02-30	449,992
Total WIOA Youth Activities			449,992
WIOA Dislocated Worker Formula Grants			
WIOA Dislocated Worker Formula Grants	17.278	WIOA-Dislocated Workers-- 22-02-1	206,387
WIOA Dislocated Worker Formula Grants	17.278	WIOA-Dislocated Worker Rapid Response--22-02-1	32,299
Total WIOA Dislocated Worker Formula Grants			238,686
Total Department of Labor			1,403,112
Total WIOA Cluster-Cluster			1,403,112
Other Programs			
Department of Commerce			
Manufacturing Extension Partnership			
Manufacturing Extension Partnership	11.611		14,556
Total Manufacturing Extension Partnership			14,556
Total Department of Commerce			14,556

Itawamba Community College
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Department of Education			
Passed through Mississippi Community College Board			
Adult Education - Basic Grants to States			
Adult Education - Basic Grants to States	84.002	V002A190025	518,964
Total Adult Education - Basic Grants to States			518,964
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	VO48A220024	264,398
Total Career and Technical Education -- Basic Grants to States			264,398
Total passed through Mississippi Community College Board			783,362
Passed through Mississippi Department of Education			
Higher Education Emergency Relief Fund (HEERF)			
Higher Education Emergency Relief Fund (HEERF)- Student Aid Portion	84.425E	84.425E	105,612
Higher Education Emergency Relief Fund (HEERF)- Institutional Portion	84.425F	84.425F	5,987,797
Total Education Stabilization Fund		*	6,093,409
Total passed through Mississippi Department of Education			6,093,409
<i>Total Department of Education</i>			6,876,771
Department of Health and Human Services			
Passed through Mississippi Department of Health and Human Services			
Community Health Workers for Public Health Response and Resilient			
Community Health Workers for Public Health Response and Resilient	93.495	SG-2506	15,652
Total Community Health Workers for Public Health Response and Resilient			15,652
Total passed through Mississippi Department of Health and Human Services			15,652
Passed through Three Rivers Planning and Development District			
Temporary Assistance for Needy Families (TANF) State Programs			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	23-TANF-ICC	182,330
Total Temporary Assistance for Needy Families (TANF) State Programs			182,330
Total passed through Three Rivers Planning and Development District			182,330
<i>Total Department of Health and Human Services</i>			197,982
National Aeronautical and Space Administration			
Passed through the University of Mississippi			
Aeronautics			
Aeronautics	43.002	80NSSC20M0101/22-04-52	7,500
Total passed through the University of Mississippi			7,500
<i>Total National Aeronautical and Space Administration</i>			7,500
National Endowment for the Humanities			
Passed through the Mississippi Humanities Council			
Promotion of the Humanities Federal/State Partnership			
Promotion of the Humanities Federal/State Partnership	45.129	SO-268648-20	2,676
Total passed through the Mississippi Humanities Council			2,676
<i>Total National Endowment for the Humanities</i>			2,676

Itawamba Community College
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
National Science Foundation			
Passed through American Association of Community Colleges			
STEM Education (formerly Education and Human Resources)			
STEM Education (formerly Education and Human Resources)	47.076	AACC-13900-012	10,091
Total passed through American Association of Community Colleges			10,091
<i>Total National Science Foundation</i>			<i>10,091</i>
Department of the Treasury			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
Passed through Mississippi Department of Public Safety			
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	ARPA-Law Enforcement-- HB 1542	10,000
Total passed through Mississippi Department of Public Safety			10,000
Passed through AccelerateMS			
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	003-DT007	55,700
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	003-DT008	109,253
Total passed through AccelerateMS			164,953
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			174,953
<i>Total Department of the Treasury</i>			<i>174,953</i>
<i>Total Other Programs</i>			<i>7,284,529</i>
<i>Total Expenditures of Federal Awards</i>			<i>\$ 23,214,728</i>

The accompanying notes are an integral part of this schedule

* - Major Program

ITAWAMBA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

SCHEDULE OF EXPENDITURES FEDERAL AWARDS

(1) Basis of Presentation

The accompanying schedule includes all federal awards administrated by Itawamba Community College. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

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

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

(3) Indirect Cost Rate

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

(4) Loan or loan guarantee programs

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

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Rudolph Franks, CPA (1933-2019)

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

Board of Directors
Itawamba Community College
Fulton, 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 discretely presented component unit for Itawamba Community College as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Itawamba Community College's basic financial statements, and have issued our report thereon dated April 24, 2024. The financial statements of Itawamba Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Itawamba Community College Foundation, Inc.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

Itawamba Community College's Response to Finding

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

Purpose of this Report

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

Franks, Franks, Wilmon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
April 24, 2024

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

Board of Directors
Itawamba Community College
Fulton, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Itawamba Community College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Itawamba Community College's major federal programs for the year ended June 30, 2023. Itawamba Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Itawamba Community 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 Itawamba Community College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Itawamba Community 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 Itawamba Community College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Itawamba Community College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Itawamba Community College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
April 24, 2024

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

Board of Directors
Itawamba Community College
Fulton, Mississippi

We have audited the financial statements of the business-type activities and the discretely presented component unit of Itawamba Community College as of and for the year ended June 30, 2023, which collectively comprise the Itawamba Community College's basic financial statements, and have issued our report dated April 24, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Itawamba Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the instance of noncompliance described in Finding 2023-001 in the Schedule of Findings and Questioned Costs. Itawamba Community College's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Fulton, Mississippi
April 24, 2024

ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? Yes X No
 Significant deficiency(s) identified
 not considered to be material weaknesses? Yes X None reported
Type of auditors' report issued on compliance
 for major programs: unmodified
Any audit findings disclosed that are required
 to be reported in accordance with
 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance
Listing Number(s) Name of Federal Program or Cluster

Cluster of Programs - Student Financial Aid:

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

Education Stabilization Fund:

84.425E	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion-
84.425F	HEERF Institutional Portion

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 750,000

**ITAWAMBA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS - continued

Auditee qualified as low-risk auditee? X Yes No

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

SECTION 2 - FINANCIAL STATEMENT FINDINGS:

2023-001 SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE

Repeat Finding: No

Criteria: The College is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the College maintains public funds.

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

Cause: The College failed to include one of its certificates of deposit when it submitted the Annual Report to the State Treasurer within thirty days of year end.

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

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

Response: The College will file the annual report with the State Treasurer timely and ensure all accounts are included in the future.

SECTION 3 - FEDERAL AWARD FINDINGS:

There were no findings related to the federal awards.



Auditee's Corrective Action Plan

As required by 2 CFR 200.511(a-c), Itawamba Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2023.

Finding 2023-001

- a. Contact person responsible for corrective action:

Sandi South and Cindy Bass

- b. Description of corrective action to be taken:

We will continue to exercise caution and due diligence when reporting public deposits to the State Treasurer.

- c. Anticipated completion date of corrective action

This has been completed and fully implemented as of June 30, 2024.



SUMMARY OF PRIOR AUDIT FINDINGS

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

Finding 2022-001

Corrected.

Finding 2022-002

Corrected.