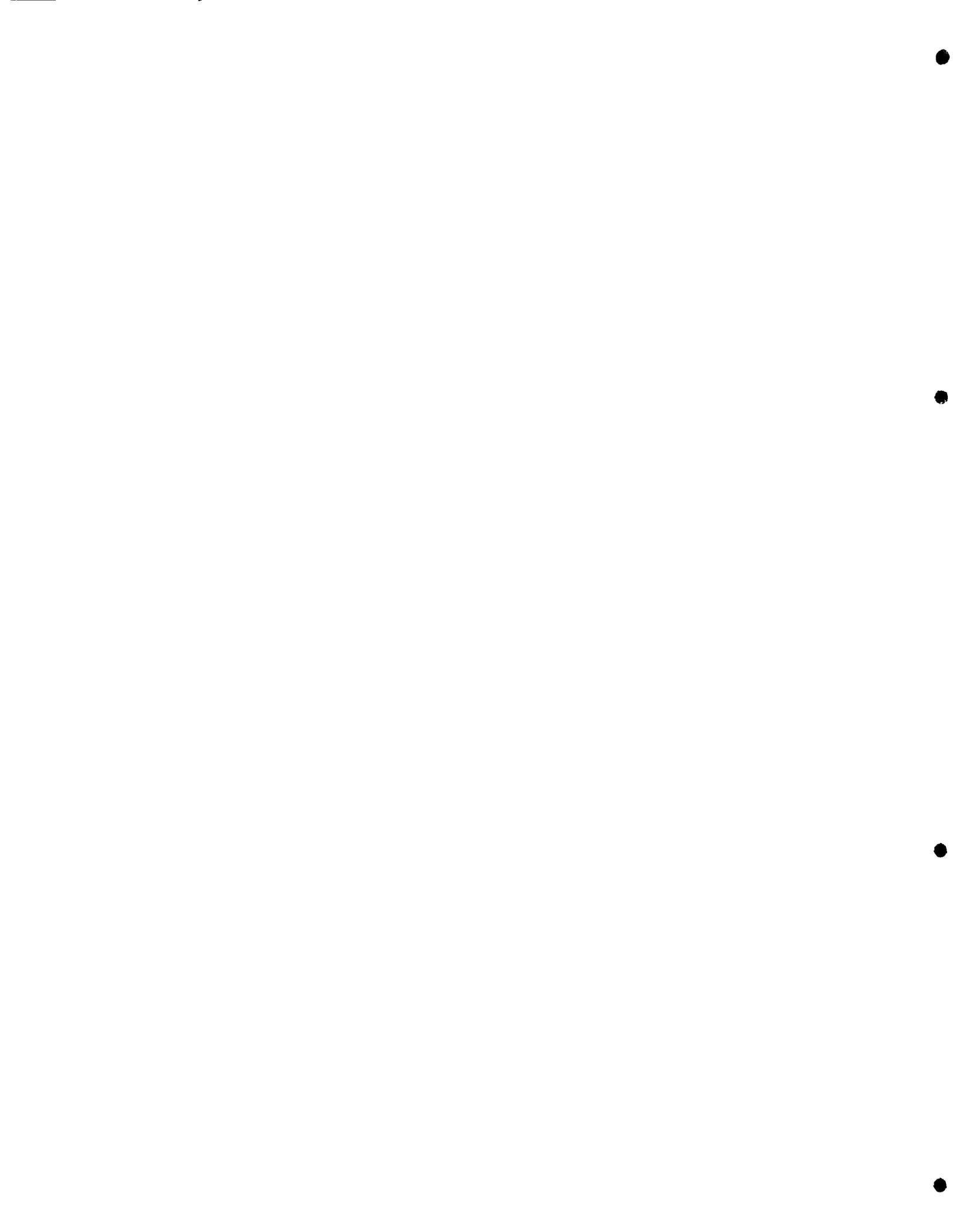




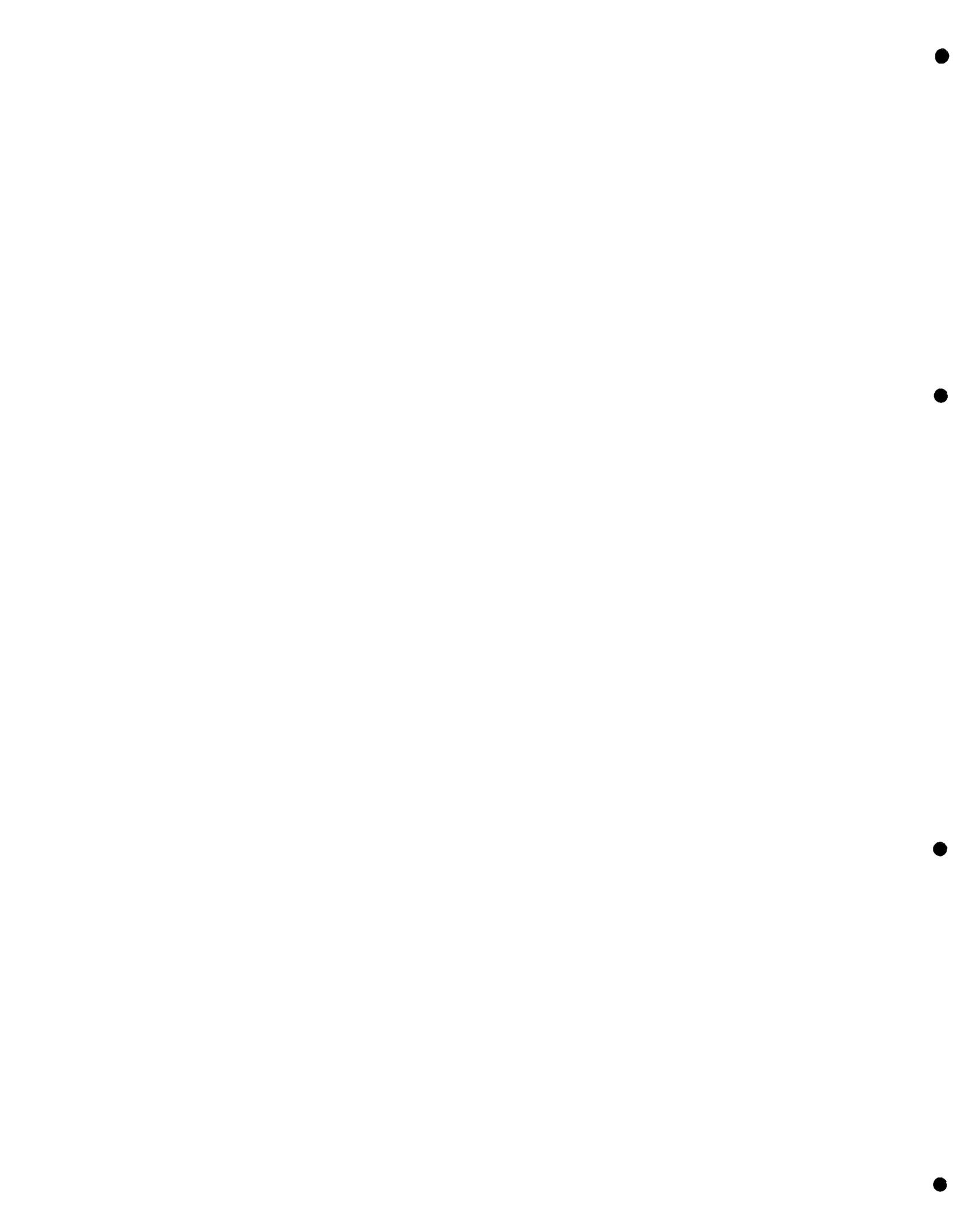
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NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013



**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT

Dr. Johnny L. Allen, President
and Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

We have audited the accompanying basic financial statements of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation, Inc. the aggregate discretely presented component unit as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Northeast Mississippi Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northeast Mississippi Community College at June 30, 2013, and information of Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northeast Mississippi Community College's and discretely presented component unit Northeast Mississippi Community College Development Foundation, Inc.'s basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 12, 2014, on our consideration of Northeast Mississippi Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northeast Mississippi Community College's internal control over financial reporting and compliance.

Parsons, Vanstony & Co. P.A.

March 12, 2014
Booneville, Mississippi

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

This section of the Northeast Mississippi Community College's (NEMCC) annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2013. 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 Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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

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

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

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

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

The following represents a condensed Statement of Net Position as of June 30, 2013 and 2012:

Condensed Statement of Net Position			
June 30, 2013 and 2012			
	2013	2012	Increase (Decrease)
ASSETS			
Current Assets	\$ 11,137,466	\$ 15,464,113	\$ (4,326,647)
Non-Current Assets			
Other	1,771,802	2,443,237	(671,435)
Capital Assets	42,912,033	37,512,964	5,399,069
Total Assets	55,821,301	55,420,314	400,987
LIABILITIES:			
Current Liabilities	1,497,053	1,504,216	(7,163)
Non-Current Liabilities	3,487,380	3,763,444	(276,064)
Total Liabilities	4,984,433	5,267,660	(283,227)
NET POSITION	\$ 50,836,868	\$ 50,152,654	\$ 684,214

Assets

Current Assets

Cash and Cash Equivalents Current

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$9,650,756 and \$10,409,431, respectively, at June 30, 2013 and 2012.

Accounts Receivable

Accounts receivable relates to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as dorm rent, food service and bookstore charges. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$1,269,063 and \$1,372,281 respectively, at June 30, 2013 and 2012.

Inventories

The College maintains inventories of resale merchandise in the Northeast Bookstore. Books, student supplies and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$16,645 and \$365,308, respectively, at June 30, 2013 and 2012. The significant decrease in inventories was due to the fact that the Bookstore operations were outsourced beginning in July 2012 and the College no longer maintains bookstore inventory.

Noncurrent Assets

Cash and Cash Equivalents –Restricted

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered non-current are cash in restricted funds to be used for the purpose designated by the funding agency, such as a federal granting agency, or scholarships. The amount of cash and cash equivalents considered non-current at June 30, 2013 and 2012, totaled \$1,720,595 and \$2,390,053 respectively.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings. The amount reported is net of accumulated depreciation. Capital assets, net of accumulated depreciation, totaled \$42,912,033 at June 30, 2013, in comparison to \$37,512,964 at June 30, 2012.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at year-end for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,157,650 and \$1,037,888, respectively, at June 30, 2013 and 2012.

Unearned Revenue

Unearned revenue represents revenue that was received by the College during the fiscal year but not yet earned. Unearned revenue totaled \$90,253 and \$69,708, respectively, at June 30, 2013 and 2012.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of bond and note indebtedness that is payable within one year of the statement of net position date. The amount of the long-term liabilities-current portion at June 30, 2013 and 2012 was \$249,150 and \$396,620 respectively.

Noncurrent Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is room deposits paid by dormitory students and held in reserve by the college for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2013 and 2012, was \$86,300 and \$81,600, respectively.

Accrued Leave Liabilities

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$475,588 at June 30, 2013 as compared to \$507,202 at June 30, 2012.

Long-Term Liabilities

This liability consists of bond, and capital lease indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of the long-term liabilities balance was \$2,925,492 at June 30, 2013 as compared to \$3,174,642 at June 30, 2012.

Net Position

Net position represent the difference between the College's assets and liabilities. Total net position at June 30, 2013 were \$50,836,868 as compared to \$50,152,654 at June 30, 2012.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Analysis of Net Position

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

The following is an analysis of net position as of June 30, 2013 and 2012:

	2013	2012
Net Investment in Capital Assets	\$ 39,737,391	\$ 33,941,702
Restricted for:		
Scholarships	41,118	43,813
Capital Projects	1,181,916	2,151,160
Debt Service	138,380	138,380
Unemployment	48,839	29,543
Specified Programs	43,936	54,626
Total Restricted Net Position	1,454,189	2,417,522
Unrestricted	9,645,288	13,793,430
Total Net Position	\$ 50,836,868	\$ 50,152,654

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Condensed Statement of Revenues, Expenses and Changes in Net Position

The following represents a condensed statement of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012:

Tuition and Fees	\$ 2,997,599	\$ 3,041,722
Grants and Contracts	15,041,915	15,800,951
Sales and Services of Educational Activities	695,113	645,732
Auxiliary Enterprises	1,306,246	3,112,136
Total Operating Revenues	<u>20,040,873</u>	<u>22,600,541</u>
Operating Expenses	<u>34,798,001</u>	<u>34,937,342</u>
Operating Loss	<u>(14,757,128)</u>	<u>(12,336,801)</u>
Non-operating Revenues (Expenses)		
State Appropriations	11,358,444	10,677,129
Local Appropriations	1,485,017	1,483,315
Investment Income	25,808	33,738
Interest Expense on Capital Related Debt	<u>(128,479)</u>	<u>(151,568)</u>
Total Non-operating Revenues	<u>12,740,790</u>	<u>12,042,614</u>
Income (Loss) Before Other Revenues	<u>(2,016,338)</u>	<u>(294,187)</u>
State Appropriations Restricted for Capital Purposes	963,658	4,363,162
Local Appropriations Restricted for Capital Purposes	<u>1,736,894</u>	<u>1,728,174</u>
Change in Net Position	<u>684,214</u>	<u>5,797,149</u>
Net Position, Beginning of Year	50,152,654	44,355,505
Prior Period Adjustments	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, Restated	<u>50,152,654</u>	<u>44,355,505</u>
Net Position, End of Year	<u>\$ 50,836,868</u>	<u>\$ 50,152,654</u>

Total operating loss for the fiscal year 2013 was \$(14,757,128) as compared to \$(12,336,801) for fiscal year 2012. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College shows a significant operating loss.

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

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

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Total operating revenues for fiscal year 2013 were \$20,040,873, as compared to \$22,600,541 for fiscal year 2012. Tuition and fees were \$2,997,599 in fiscal year 2013 compared to \$3,041,722 for fiscal year 2012. The tuition discount for fiscal year 2013 was \$5,079,914 compared to \$5,768,320 for fiscal year 2012. Operating expenses for fiscal year 2013, including depreciation expense of \$1,575,655, totaled \$34,798,001. Operating expenses for fiscal year 2012 totaled \$34,937,342, including depreciation of \$1,226,383.

Instructional expenditures comprised 38.97% of the fiscal year 2013 operating expenses and 39.19% of the fiscal year 2012 operating expenses.

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$2,997,599 for fiscal year 2013 in comparison to \$3,041,722 for fiscal year 2012. The tuition discount for the fiscal year 2013 was \$5,079,914 compared to fiscal year 2012 tuition discount of \$5,768,320.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2013 and 2012:

	June 30, 2013	June 30, 2012	Increase (Decrease)
Federal Sources	\$ 12,006,717	\$ 12,909,671	\$ (902,954)
State Sources	2,767,928	2,723,557	44,371
Other Sources	267,270	167,723	99,547
Total All Sources	<u>\$ 15,041,915</u>	<u>\$ 15,800,951</u>	<u>\$ (759,036)</u>

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$695,113 for fiscal year 2013 as compared to \$645,732 for the fiscal year 2012.

Sales and Services from Auxiliary Enterprises, Net

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

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$1,306,246 for fiscal year 2013, as compared to \$3,112,136 for the fiscal year 2012. The discount for scholarship allowance was \$1,461,310 for fiscal year 2013 and \$3,276,986 for fiscal year 2012. The major variance is a result of changes in the tuition discount calculation due to outsourcing operations of the bookstore.

Operating Expenses

The following is a breakdown of operating expenses by category for the years ended June 30, 2013 and 2012:

	2013	2012	Increase (Decrease)
Salaries and Benefits	\$ 18,765,764	\$ 18,772,102	\$ (6,338)
Scholarships	5,776,990	4,452,093	1,324,897
Commodities	2,844,155	5,110,375	(2,266,220)
Contractual Services	3,758,088	3,357,449	400,639
Utilities	1,683,565	1,650,969	32,596
Travel	393,784	367,971	25,813
Depreciation	1,575,655	1,226,383	349,272
Total Operating Expenses by Category	<u>\$ 34,798,001</u>	<u>\$ 34,937,342</u>	<u>\$ (139,341)</u>

The following is a breakdown of operating expenses by functional classification for the years ended June 30, 2013 and 2012:

	2013	2012	Increase (Decrease)
Expenses by Function:			
Instruction	\$ 13,562,354	\$ 13,692,745	\$ (130,391)
Academic Support	479,470	507,982	(28,512)
Student Services	2,651,484	2,527,224	124,260
Institutional Support	3,757,008	3,523,628	233,380
Operation and Maintenance of Plant	4,635,836	3,228,225	1,407,611
Student Financial Aid	5,776,990	4,452,093	1,324,897
Auxiliary Enterprises	2,359,204	5,779,062	(3,419,858)
Depreciation	1,575,655	1,226,383	349,272
Total Operating Expenses by Function	<u>\$ 34,798,001</u>	<u>\$ 34,937,342</u>	<u>\$ (139,341)</u>

Non-operating Revenues (Expenses)

State Aid

The College's largest source of non-operating revenue is appropriations from the State of Mississippi. The College received \$11,358,444 for fiscal year 2013. For comparison, the College received state appropriations of \$10,677,129 for the fiscal year 2012. In addition, the College received \$963,658 in restricted state appropriations for fiscal year 2013 as compared to \$4,363,162 for fiscal year 2012.

Other Non-Operating Revenues

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

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

The College received \$3,221,911 in county appropriations for fiscal year 2013, compared to \$3,211,489 for fiscal year 2012. The appropriation was received from the five counties that support the College. This appropriation was fully recorded by the College during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts and the interest earned on the College's short-term investments. The investment income for fiscal year 2013 was \$25,808 as compared to \$33,738 for fiscal year 2012.

Non-operating Expenses

This consists of the interest expense on capital asset-related debt the College incurred during the fiscal year 2013. The total expense amounted to \$128,479 compared to \$151,568 for fiscal year 2012.

Statement of Cash Flows

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

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

The following is a condensed statement of cash flows for the years ended June 30, 2013 and 2012:

	2013	2012
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (12,456,872)	\$ (10,782,606)
Noncapital Financial Activities	12,820,490	12,040,380
Capital and Related Financing Activities	(1,816,569)	104,131
Investing Activities	24,818	32,763
Net Increase in Cash and Cash Equivalents	(1,428,133)	1,394,668
Cash and Cash Equivalents - Beginning of the Year	12,799,484	11,404,816
Cash and Cash Equivalents - End of the Year	\$ 11,371,351	\$ 12,799,484

The major sources of funds included in operating activities include student tuition and fees of \$3,043,003, auxiliary enterprises \$1,306,092, and grants and contracts \$15,110,517. The major uses of funds were payments made to employees, \$18,810,800, to suppliers \$6,386,958 and to scholarships \$5,776,990.

Significant Capital Asset Transactions

Capital improvements consisted primarily of construction of the Student Services Building on the main campus in Booneville.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2013 financial situation. The threat of continuing reductions in the level of State appropriations, increased costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases all impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately 34.60% of the College's revenue, including appropriations for capital purposes. State appropriations continue to be the single largest source of operating revenue for the College. The level of State support is therefore one of the key factors influencing the College's financial condition.

The College expects a decline in enrollment for the next year due to a number of factors.

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

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

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Northeast Mississippi Community College
Statement of Net Position
June 30, 2013

ASSETS:

Current assets:

Cash and cash equivalents	\$ 9,650,756
Accounts receivable, net (Note 3)	1,269,063
Inventories	16,645
Prepaid expenses	201,002
Total Current Assets	<u>11,137,466</u>

Noncurrent assets:

Restricted cash and cash equivalents	1,720,595
Restricted short-term investments	29,000
Debt issue costs-net of accumulated amortization	22,207
Capital assets, net of depreciation (Note 4)	42,912,033
Total Noncurrent Assets	<u>44,683,835</u>

Total Assets	<u>55,821,301</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	1,157,650
Unearned revenues	90,253
Long-term liabilities - current portion (Note 5)	249,150
Total Current Liabilities	<u>1,497,053</u>

Noncurrent liabilities:

Deposits refundable	86,300
Accrued leave liabilities	475,588
Long-term liabilities (Note 5)	2,925,492
Total Noncurrent Liabilities	<u>3,487,380</u>

Total Liabilities	<u>4,984,433</u>
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NET POSITION

Net investment in capital assets	39,737,391
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Restricted for:

Expendable:

Scholarships and deferred revenue	41,118
Capital projects and repairs	1,181,916
Debt service	138,380
Unemployment	48,839
Specified Programs	43,936

Unrestricted	<u>9,645,288</u>
--------------	------------------

Total Net Position	<u>\$ 50,836,868</u>
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The notes to the financial statements are an integral part of this statement.

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Financial Position
June 30, 2013

Assets

Current Assets:

Cash and cash equivalents	\$ 98,136
Investments (Note 4)	654,147
Unconditional promises to give (net) (Note 3)	<u>28,750</u>

Total current assets	<u>781,033</u>
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Endowment Investments

Investments (Note 4)	<u>2,048,157</u>
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Total endowment investments	<u>2,048,157</u>
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Property and Equipment (Net) (Note 5)	<u>153,365</u>
---------------------------------------	----------------

Long-term unconditional promises to give (Note 3)	<u>129,282</u>
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Total assets	<u>3,111,837</u>
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Liabilities

Current Liabilities:

Accounts payable	<u>5,931</u>
------------------	--------------

Total current liabilities	<u>5,931</u>
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Net Assets

Unrestricted net assets	498,219
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Temporarily restricted net assets	559,530
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Permanently restricted assets	<u>2,048,157</u>
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Total net assets	<u>\$ 3,105,906</u>
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The notes to the financial statements are an integral part of this statement.

Northeast Mississippi Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

Operating Revenues	
Tuition and fees (Net of Scholarship Allowance of \$5,079,914)	\$ 2,997,599
Federal grants and contracts	12,006,717
State grants and contracts	2,767,928
Nongovernmental grants and contracts	267,270
Sales and services of educational departments	695,113
Auxiliary enterprises:	
Student Housing (Net of Scholarship Allowances of \$671,784)	396,450
Food Services (Net of Scholarship Allowances of \$789,526)	465,471
Bookstore	27,054
Other auxiliary revenues	417,271
Total Operating Revenues	<u>20,040,873</u>
Operating Expenses	
Salaries and wages	14,612,402
Fringe benefits	4,153,362
Travel	393,784
Contractual services	3,758,088
Utilities	1,683,565
Scholarships and fellowships	5,776,990
Commodities	2,844,155
Depreciation	1,575,655
Total Operating Expenses	<u>34,798,001</u>
Operating Income (Loss)	<u>(14,757,128)</u>
Nonoperating Revenues (Expenses)	
State appropriations	11,358,444
Local appropriations	1,485,017
Investment income	25,808
Interest expense on capital asset-related debt	(128,479)
Total Net Nonoperating Revenues (Expenses)	<u>12,740,790</u>
Income (Loss) before Other Revenues, Expenses and Liabilities	<u>(2,016,338)</u>
State appropriations restricted for capital purposes	963,658
Local appropriations for capital purposes	1,736,894
Change in Net Position	<u>684,214</u>
Net Position	
Net Position - Beginning of Year	<u>50,152,654</u>
Net Position- End of Year	<u>\$ 50,836,868</u>

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

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Activities
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Contributions	\$ 24,390	482,431	-	506,821
Dividends	9,305	72,466	-	81,771
Interest	489	-	-	489
Administrative fee income	156,246	-	-	156,246
Grants revenue	1,480	-	-	1,480
Gain (loss) sale of assets	15,688	106,009	-	121,697
Unrealized gain(loss) on assets	50,776	-	-	50,776
	<u>258,374</u>	<u>660,906</u>	<u>-</u>	<u>919,280</u>
Expenses and Losses				
Program expense	45,369	618,934	-	664,303
Management & general expense	100,308	-	-	100,308
Fund raising expense	89,445	-	-	89,445
	<u>235,122</u>	<u>618,934</u>	<u>-</u>	<u>854,056</u>
Other revenues and (expense)				
Transfers	9,375	(34,375)	25,000	-
Change in Net Assets	<u>32,627</u>	<u>7,597</u>	<u>25,000</u>	<u>65,224</u>
Net assets beginning of year	<u>465,592</u>	<u>551,933</u>	<u>2,023,157</u>	<u>3,040,682</u>
Net assets end of year	<u>\$ 498,219</u>	<u>559,530</u>	<u>2,048,157</u>	<u>3,105,906</u>

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

Northeast Mississippi Community College
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities:

Tuition and fees	\$ 3,043,003
Grants and contracts	15,110,517
Sales and services of educational departments	695,113
Payments to suppliers	(6,386,958)
Payments to employees for salaries and benefits	(18,810,800)
Payments for utilities	(1,636,849)
Payments for scholarships and fellowships	(5,776,990)
Auxiliary enterprise charges:	
Student housing	435,185
Food service	460,115
Bookstore	27,054
Other auxiliary enterprises	383,738

Net Cash Provided (Used) by Operating Activities (12,456,872)

Cash Flows from Noncapital Financing Activities:

State appropriations	11,321,276
Local appropriations	1,499,214

Net Cash Provided (Used) by Noncapital Financing Activities 12,820,490

Cash Flows from Capital and Related Financing Activities:

Capital appropriations	1,756,486
Cash paid for capital assets	(3,047,281)
Principal paid on capital debt and leases	(396,620)
Interest paid on capital debt and leases	(129,154)

Net Cash Provided (Used) by Capital and Related Financing Activities (1,816,569)

Cash Flows from Investing Activities:

Investment in certificate of deposits	(1,000)
Interest received on investments	25,818

Net Cash Provided (Used) by Investing Activities 24,818

Net Increase (Decrease) in Cash and Cash Equivalents	(1,428,133)
Cash and Cash Equivalents - Beginning of the Year	12,799,484
Cash and Cash Equivalents - End of the Year	<u>\$ 11,371,351</u>

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

Northeast Mississippi Community College
Statement of Cash Flows
For the Year Ended June 30, 2013

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

Operating income (loss)	\$ (14,757,128)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	1,575,655
Bad Debt Expense	161,745
Book value of disposed assets	6,345
Changes in assets and liabilities	
(Increase) decrease in assets:	
Student Receivables	56,450
Other Receivables	50,137
Inventories	348,663
Prepaid expenses	(15,784)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	123,414
Unearned revenues	20,545
Deposits refundable	4,700
Accrued leave liability	(31,614)
Total adjustments	<u>2,300,256</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (12,456,872)</u>

Noncash Investing, Capital, and Financing Activities:

Payments by State on construction	\$ 963,858
Total	<u>\$ 963,858</u>

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

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2013

Operating Activities	
Change in net assets	\$ 65,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,496
Net unconditional promise to give	(47,679)
Accounts payable	4,761
Unrealized gain on investments	(50,776)
Net cash used by operating activities	<u>(25,974)</u>
Investing Activities	
Sale of investments	675,047
Purchase of investments	(815,366)
Net cash provided by investing activities	<u>(140,319)</u>
Net increase(decrease) in cash and cash equivalents	(166,293)
Cash and cash equivalents beginning of year	<u>264,429</u>
Cash and cash equivalents end of year	<u>\$ 98,136</u>

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

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies

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

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

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

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

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

During the year ended June 30, 2013, the Foundation distributed \$598,606 to the College for scholarships, athletics and building programs and reimbursed the College for \$265,032 in Foundation expenses.

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

- B. Basis of Presentation - The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and state and county appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific (such as state and county appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses. The College first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The College follows the GASB 34 "business-type activities" reporting requirements of GASB 34 that provides a comprehensive look at the College's financial activities.

- C. 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.
- D. Short-term Investments – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- E. Accounts Receivable, Net – Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- F. Inventories – Inventories consist of supplies. Inventories are stated at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis. The bookstore no longer is operated by the College.
- G. Prepaid Expenses – Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year and funds deposited with Mississippi State Bureau of Buildings for new construction.
- H. 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.
- I. 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 expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

- J. Deferred Revenues – Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- K. Compensated Absences – The Northeast Mississippi Community College Board of Trustees has adopted an employee medical leave policy. The policy provides for the payment of up to ten accumulated leave days at the time of an employee's termination. To be eligible for this payment, the employee must have been employed for five years and must have accumulated leave time. At termination, a qualified employee may receive pay for their accumulated leave time up to a maximum of ten days. Additionally, any leave certified toward retirement with the Public Employee's Retirement System of Mississippi will not be subject to payment. The total accrued leave for all employees as of June 30, 2013, was \$475,588. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.
- L. Net Position – Net position of the College are classified in three components. Net position, net investment in capital assets and reduced by the outstanding balances of long-term debt used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the College, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.
- M. 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.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state and local appropriations, 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 and investment income.

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

- N. State Appropriations – The Community College receives funds from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high cost programs.
- O. 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.

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

Policies:

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

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

The carrying amount of the College's deposits with financial institutions reported in the statement of net position as cash and cash equivalents was \$11,371,351. Additionally, the College had certificates of deposit with a carrying value of \$29,000 reported as investments in the statement of net position. At June 30, 2013, none of the College's deposits were exposed to custodial credit risk.

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

2. Cash and Cash Equivalents, Short-term Investments and Investments (Continued)

B. Investments

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

The following table summarizes the carrying value of the college's investments reported on the statement of net position:

	<u>June 30, 2013</u>
Investments	\$ 29,000

The following table summarized the categorization of investments at June 30, 2013

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of Deposit	1	\$ 29,000	FDIC Insured

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 Sections 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. The Board of Trustees has adopted a policy that limits investments to the five county area the college serves.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of a financial institution failure, the college will not be able to recover the value of its investment. The college does not have a formal investment policy that addresses custodial credit risk. However, the college's Board of Trustees has a policy that all investments will be made in the five county area the college serves.

Concentration of Credit risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investment is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the college did not have any investments to which this would apply.

**Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013**

3. Accounts receivable

Accounts receivable consist of the following at June 30, 2013:

Student tuition	\$	297,474
Auxiliary enterprises and other operating activities		193,569
Federal, state and private grants and contracts		472,641
State appropriations		511,552
Local appropriations		142,467
		<hr/>
Total Accounts Receivable	\$	1,617,703
Less allowance for doubtful accounts		348,640
		<hr/>
Net Accounts Receivable	\$	<u>1,269,063</u>

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013, is presented as follows:

	Beginning Balance 7/1/2012	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2013
Nondepreciable Capital Assets:					
Land	\$ 1,881,068	700,000	-	-	2,581,068
Construction in progress	5,414,605	5,622,026	-	(10,277,839)	758,792
Total Nondepreciable Capital Assets	7,295,673	6,322,026	-	(10,277,839)	3,339,860
Depreciable Capital Assets:					
Improvements other than Buildings	4,431,157	-	-	939,612	5,370,769
Buildings	51,327,377	-	-	9,338,227	60,665,604
Equipment	5,038,623	648,831	321,389	-	5,366,065
Library Books	1,196,215	10,212	-	-	1,206,427
Total Depreciable Capital Assets	61,993,372	659,043	321,389	10,277,839	72,608,865
Less Accumulated Depreciation for:					
Improvements other than Buildings	2,119,814	213,439	-	-	2,333,253
Buildings	24,294,978	1,018,077	-	-	25,313,055
Equipment	4,238,095	332,075	315,044	-	4,255,126
Library Books	1,123,194	12,064	-	-	1,135,258
Total Accumulated Depreciation	31,776,081	1,575,655	315,044	-	33,036,692
Total Depreciable Capital Assets, Net	30,217,291	(916,612)	6,345	10,277,839	39,572,173
Capital Assets, Net	\$ 37,512,964	5,405,414	6,345	-	42,912,033

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

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

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Tiger Fieldhouse	\$ 511,285	\$639,281
Seth Pounds Auditorium	3,088	None
Stringer Hall	105,782	None
Northeast at Corinth Phase III	3,486	None
Fine Arts Complex	135,151	None
Total Construction in Progress	\$ 758,792	\$ 639,281

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

5. Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013. The various leases cover a period not to exceed ten years. The College has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Description and Purpose	Original Issue	Interest Rate	Maturity	Balance 7/1/2012	Additions	Payments	Balance 6/30/2013	Due Within One Year
Capital Leases:								
State of MS Energy Lease	\$ 2,603,772	4.15%	12/12	\$ 157,470	-	157,470	-	-
Notes Payable:								
Housing Facility Note	2,000,000	4.75%	12/28	1,583,792	-	63,150	1,520,642	66,150
Student Service Building Note Payable	2,000,000	1.5-3.15%	11/20	1,830,000	-	176,000	1,654,000	183,000
Total Notes Payable				3,413,792	-	239,150	3,174,642	249,150
Total Long-Term Debt				3,571,262	-	396,620	3,174,642	249,150
Other Long-Term Liabilities								
Accrued Leave Liability				507,202	-	31,614	475,588	-
Deposits Refundable				81,600	4,700	-	86,300	-
Total Other Liabilities				588,802	4,700	31,614	561,888	-
Total				\$ 4,160,064	\$ 4,700	428,234	3,736,530	249,150
Due Within One Year							249,150	
Total Long-term Liabilities							\$ 3,487,380	

	Notes Payable	Interest	Total
2014	\$ 249,150	112,771	361,921
2015	258,292	106,701	364,993
2016	268,583	99,913	368,496
2017	278,031	92,349	370,380
2018	289,642	83,789	373,431
2019-2023	1,132,680	274,170	1,406,850
2024-2028	578,469	113,431	691,900
2029	119,795	5,690	125,485
Totals	\$ 3,174,642	888,814	4,063,456

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

6.. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2013:

Functional Classifications	Salaries &		Fringe		Travel	Contractual		Utilities	Scholarships & Fellowships	Commodities	Depreciation		Total
	Wages		Benefits			Services					Expense		
Instruction	\$ 9,627,546		2,668,863		137,189	428,012		89,253	-	611,491	-	-	13,562,354
Academic support	332,263		102,657		7,529	4,404		233	-	32,384	-	-	479,470
Student services	1,559,000		466,041		133,763	270,548		22,515	-	199,617	-	-	2,651,484
Institutional support	1,940,238		509,830		112,463	888,246		73,889	-	232,342	-	-	3,757,008
Operation of plant	996,722		346,072		2,840	865,630		1,094,008	-	1,330,564	-	-	4,635,836
Student aid	-		-		-	-		-	5,776,990	-	-	-	5,776,990
Auxiliary enterprises	156,633		59,899		-	1,301,248		403,667	-	437,757	-	-	2,359,204
Depreciation	-		-		-	-		-	-	-	1,575,655	-	1,575,655
Total Operating Expenses	\$ 14,612,402		4,153,362		393,784	3,758,088		1,683,565	5,776,990	2,844,155		1,575,655	34,798,001

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2013

7. Pension Plan

Plan description – The Community College participates in 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. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees’ Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy- PERS members are required to contribute 9.00% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 14.26% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The College’s contributions to PERS for the years ended June 30, 2013, 2012, and 2011, were \$1,962,707, \$1,738,794 and \$1,688,840, respectively, equal to the required contributions for each year.

8. Risk Management.

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

9. Contingencies:

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

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

10. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the entity through March 12, 2014, and determined there were no events for disclosure.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

Note 1: Summary of Significant Accounting Policies

A. Description of Business Activities

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

B. Reporting Entity

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

C. Basis of Accounting

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

D. Use of Estimates

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

G. Pledges Receivable

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

H. Contributions Receivable

The Foundation has recorded contributions receivable of \$158,032 and \$185,809 as of June 30, 2013 and 2012, respectively. The Foundation expects to receive payment on these contributions during 2014.

I. Property and Equipment

Property and equipment are stated at cost, except for donated assets, which are recorded at their fair market value at the date of the gift. The Foundation does not imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are restricted as to their use by the donor. Accordingly, those donations are recorded as support, increasing unrestricted net assets.

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

Depreciation is computed on a straight-line basis using the estimated useful lives (2 to 10 years) of the various assets.

J. Long-Lived Assets

The Foundation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amounts as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2013 or 2012.

K. Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

L. Financial Reporting

The Foundation reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are not restricted by donors or other outside agencies. The Board of Directors can authorize use of these assets, as it desires, to carry on the purposes of the Foundation according to its bylaws. The Board of Directors has also designated that a portion of these monies be used to supplement program expenses.

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

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

M. Statement of Functional Expenses

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

N. Financial Instruments Measured at Fair Value

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

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

O. Income Taxes

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

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

Note 2: Economic Dependence and Concentration

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

Note 3: Promises to give

Unconditional promises to give			Reported As
Temporarily restricted	\$ 158,032	Current	\$ 28,750
Permanently restricted	-	Long-term	129,282
Total	<u>\$ 158,032</u>		<u>\$ 158,032</u>

These pledges are due as follows:

Due in less than one year	\$ 28,750
Due in one to five years	83,100
Due in six to ten years	<u>112,000</u>
Total	<u>223,850</u>
Less discounts to present value	(38,559)
Less allowances for bad debts	<u>(27,259)</u>
Net unconditional promises to give at June 30, 2013	<u>\$ 158,032</u>

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

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended. June 30, 2013

Note 4: Investments

Investments as of June 30 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Dodge & Cox Income	\$ 279,452	\$ 281,017
Federated Intercontinental Inst	47,361	57,169
Fidelity Advisor New Insight	203,839	272,945
Fidelity Total Bond	363,041	350,353
Franklin Mutual Discovery Z Fund	164,718	184,956
G/S Financial Square Government Mmkt #465	32,558	32,558
John Hancock Discip Value	132,044	131,644
John Hancock Discip Value Mid Cap	50,859	65,513
John Hancock Strategic Income Opportunities I	69,280	69,290
Pioneer Multi-Asset Ultra Short	230,315	230,507
Pioneer Strategic Income	205,926	208,259
RS Global Natural Resources	27,477	25,478
Royce Pennsylvania Mutual	15,650	21,715
T Rowe Price Growth Stock	62,489	112,571
T Rowe Price Mid Cap Growth Fund	43,133	65,473
T Rowe Price Equity Income	216,211	290,424
T Rowe Price Small Cap Value	35,638	34,628
Vanguard Bond Index #222	268,050	267,804
	<u>\$ 2,448,041</u>	<u>\$ 2,702,304</u>
Unrestricted & Temporarily Restricted		\$ 654,147
Permanently Restricted		2,048,157
Total		<u>\$ 2,702,304</u>

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

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

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividend and Interest Income	\$ 82,260	9,794	\$ 72,466
Realized Gain (Loss) on Assets	121,697	15,688	106,009
Total	<u>\$ 203,957</u>	<u>25,482</u>	<u>\$ 178,475</u>

Note 5: Property and equipment

The following is a summary of property and equipment:

Land	\$ 147,500
Office Equipment	39,512
Less: Accumulated Depreciation	(33,647)
	<u>\$ 153,365</u>

Depreciation expense totaled \$2,643 for the year.

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

Note 6: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Athletics	\$ 24,180
College Employee Enhancement	20,554
College Programs	14,613
Northeast at Corinth	83,065
Northeast at New Albany	164,291
Scholarships	252,827
	<u>\$ 559,530</u>

Note 7: Permanently Restricted Net Assets

Net Assets were permanently restricted for the following purposes at June 30:

Scholarships - Haney Endowment	\$ 1,037,833
Scholarships - Miller, Taylor	278,547
Scholarships - Rotary Endowment	22,966
Scholarships - Stockton	25,015
Scholarships - Street	25,000
Scholarships - Various	658,796
	<u>\$ 2,048,157</u>

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

Note 8: Financial Instruments with off Balance Sheet Risk

The carrying amounts of the Foundation's deposits with financial institutions at June 30 were as follows:

Cash and Cash Equivalents	\$ 98,136
	<u>\$ 98,136</u>

The bank balances at June 30 were:

Cash in Bank	\$ 98,136
FDIC Insurance	98,136
	<u> </u>
Uninsured	<u>\$ -</u>

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

Note 9: Fair Value of Financial Instruments

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

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

Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

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

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 98,136	\$ 98,136
Investments	654,147	654,147
Unconditional promises to give	158,032	158,032
Endowment Investments:		
Investments	2,048,156	2,048,156

Note 10: Related Party Transactions

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

Salary & fringe benefits	\$ 261,228
Supplies	174
Postage	1,818
Printing	1,812
	<u>\$ 265,032</u>

The members of the Foundation Board of Directors contributed \$17,349 to the Foundation during this fiscal year.

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

Northeast Mississippi Community College Development Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2013

Note 11: Compensated Absences

The Foundation does not have a policy for compensated absences.

Note 12: Donated Services

The Foundation received \$20,000 of food coupons and \$728 in football tickets to distribute to the students. Additionally the foundation received \$13,023 in equipment from Northwest Community College, which was passed on to Northeast Mississippi Community College. Toyota Manufacturing donated \$97,254 in automotive equipment, which was passed on to Northeast Mississippi Community College for use in the vocational programs.

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

Note 13: In connection with the preparation of the financial statements and in accordance with the recently issued SFAS No. 165, Subsequent Events, the Foundation evaluated subsequent events after the balance sheet date of June 30, 2013 through March 5, 2014 and there were no reportable events.

Northeast Mississippi Community College
 Development Foundation, Inc.
 Schedule of Functional Expenses
 For the Year Ending June 30, 2013

	Program Expenses			Support Services		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Management	Fund Raising	Total Support Services
Awards	\$ 7,848	\$ -	\$ -	\$ 1,533	\$ 558	\$ 2,091
College Support	8,440	3,121	-	-	-	-
Professional Development	-	-	-	3,145	-	3,145
Scholarships	-	324,816	-	-	-	-
Program Expense:						
College Employee Enhancement	17,561	-	-	-	-	-
College Sports	104,220	-	-	-	-	-
Fine Art	273	-	-	-	-	-
Administrative:						
Administrative Fee	2,100	156,246	-	1,260	5,040	5,040
Car Allowance	-	-	-	2,496	-	2,496
Depreciation	1,557	-	-	3,458	1,000	4,458
Dues & Subscriptions	-	-	-	6,156	-	6,156
Grants	744	-	-	-	-	-
Insurance	-	-	-	-	-	-
Investment Management Fees	-	12,697	-	-	-	-
Legal & Accounting	-	-	-	26,296	-	26,296
Meals & Entertainment	-	-	-	1,646	5,095	6,741
Miscellaneous	75	-	-	422	-	422
Office Supplies	1,276	-	-	3,470	-	3,470
Payroll Taxes	-	-	-	2,550	4,251	6,801
Postage	-	-	-	506	3,381	3,887
Printing & Advertising	1,329	-	-	1,194	5,608	6,802
Retirement	2,378	-	-	4,753	7,925	12,678
Salaries	18,608	-	-	33,330	55,573	88,903
Telephone	1,014	-	-	2,028	1,014	3,042
Travel	-	-	-	6,065	-	6,065
	<u>\$ 45,369</u>	<u>\$ 618,934</u>	<u>\$ -</u>	<u>\$ 100,308</u>	<u>\$ 89,445</u>	<u>\$ 189,753</u>

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ending June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Federal Expenditures</u>
U. S. Department of Education		
Student Financial Assistance Cluster		
Direct:		
Federal Supplemental Education Opportunity Grant	84.007	\$ 73,237
Federal Family Education Loans	84.032	4,335,808
Federal Work Study Programs	84.033	165,369
Federal Pell Grant Program	84.063	9,927,390
Total Student Financial Assistance Cluster		<u>14,501,804</u>
Direct:		
TRIO Student Support Services	84.042	271,459
Total Direct Funding		<u>14,773,263</u>
Passed Through MS Department of Education		
Adult Basic Education Grants to States	84.002	359,578
Career and Technical Basic Grants to States	84.048	152,904
		<u>512,482</u>
Total U. S. Department of Education		<u>15,285,745</u>
U. S. Department of Labor		
Passed Through Three Rivers Planning & Development District		
Workforce Investment Act Cluster		
WIA Adult Program	17.258	301,000
WIA Youth Activities	17.259	359,237
WIA Dislocated Worker	17.278	211,414
Total Three Rivers Planning and Development District		<u>871,651</u>
Passed Through Itawamba Community College		
Trade Adjustment Assistance Community College & Career Training	17.282	275,266
Passed Through Bossier Parrish Community College		
Trade Adjustment Assistance Community College & Career Training	17.282	37,023
Total Trade Adjustment Assistance Community College & Career Training		<u>312,289</u>
Total U. S. Department of Labor		<u>1,183,940</u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U. S. Department of Agriculture		
Passed Through Mississippi Department of Education		
Supplemental Nutrition Assistance Program	10.561	2,312
Total U. S. Department of Agriculture		2,312
Appalachian Regional Commission		
Appalachian Area Development	23.002	198,231
Total Appalachian Regional Commission		198,231
National Aeronautics and Space Administration		
Passed through the University of Mississippi		
Aerospace Education Services Program	43.001	5,000
Total Expenditures of Federal Awards		\$ 16,675,228

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

Pass-through entity numbers are not assigned;

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



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

Dr. Johnny Allen, President
And Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Northeast Mississippi Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated March 12, 2014. We have audited the financial statements of Northeast Mississippi Community College Foundation in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Parawna Venstary & Co. P.A

March 12, 2014
Booneville, Mississippi



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Dr. Johnny Allen, President
And Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Northeast Mississippi Community College's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northeast Mississippi Community College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeast Mississippi Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northeast Mississippi Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Northeast Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brewer, Vansterg & Co. P.A.

March 12, 2014
Booneville, Mississippi



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Dr. Johnny Allen, President
And Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

We have audited the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2013, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated March 12, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

The results of these procedures and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

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

Brawner, Vanstory & Co. P.A.

March 12, 2014
Booneville, Mississippi

**Northeast Mississippi Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified: None Reported
5. Type of auditors' report issued on compliance for major federal programs: Unqualified
6. Any audit findings disclosed that are required to be in accordance with Section .510(a) of OMB Circular A-133? No
7. Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Program on Cluster</u>
84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
17.282	Trade Adjustment Assistance Community College & Career Training
17.258	Workforce Investment Act Cluster:
17.259	Adult Program
17.278	Youth Activities
	Dislocated Worker

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No

Section II: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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