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**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**



**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE  
TABLE OF CONTENTS**

	Page
Independent Auditor's Report on The Basic Financial Statements and Supplemental Information	1
Management's Discussion and Analysis	3-11
 Financial Statements:	
Northeast Mississippi Community College, Statement Of Net Assets	13
Northeast Mississippi Community College Foundation, Inc., Statement of Net Assets	14
Northeast Mississippi Community College, Statement Of Revenues, Expenses, And Changes In Net Assets	15
Northeast Mississippi Community College Development Foundation, Inc., Statement of Activities	16
Northeast Mississippi Community College Statement of Cash Flows	17-18
Northeast Mississippi Community College Development Foundation, Inc., Statement of Cash Flows	19
 Notes to Financial Statements	
Northeast Mississippi Community College Notes to Financial Statements	20-29
Northeast Mississippi Community College Foundation, Inc. Notes to Financial Statements	30-36
 Supplementary Schedules:	
Northeast Mississippi Community College - Schedule of Expenditures of Federal Awards	37-38
Northeast Mississippi Community College Foundation, Inc. - Schedule of Functional Expenses	39
 Reports:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on An Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	40-41
Independent Auditors' Report on Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	42-43
Independent Auditors' Report on Compliance With State Laws and Regulations	44
Schedule Of Findings and Questioned Costs	45-46
Auditee's Corrective Action Plan	48





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**INDEPENDENT AUDITORS' REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

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. a discretely presented component unit as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Northeast Mississippi Community College's and Northeast Mississippi Community College Development Foundation's management. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The financial statements of Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2009, on our consideration of Northeast Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Community College's and Development Foundation'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*, also the Development Foundation's Statement of Functional Expenses is presented for additional analysis and they are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Parsons, Vanstony & Co. P.A.*

August 24, 2009  
Booneville, Mississippi



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

This section of the Northeast Mississippi Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2008. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

**Using the Annual Report**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion for Public Colleges and Universities*. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets 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 Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The College's dependency on State Aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

Condensed Statement of Net Assets

June 30, 2008 and 2007

	June 30, 2008		June 30, 2007	
	Amount	Percent	Amount	Percent
<b>ASSETS</b>				
Current Assets	\$ 8,513,102	19.40%	7,938,463	19.16%
Non-Current Assets				
Other	153,362	0.35%	153,512	0.37%
Capital Assets	35,220,982	80.25%	33,351,209	80.47%
Total Assets	<u>43,887,446</u>	<u>100.00%</u>	<u>41,443,184</u>	<u>100.00%</u>
<b>LIABILITIES:</b>				
Current Liabilities	1,153,019	25.69%	1,342,729	27.11%
Non-Current Liabilities	3,335,072	74.31%	3,608,855	72.89%
Total Liabilities	<u>4,488,091</u>	<u>100.00%</u>	<u>4,951,584</u>	<u>100.00%</u>
<b>NET ASSETS</b>	<u>\$ 39,399,355</u>	<u>100.00%</u>	<u>36,491,600</u>	<u>100.00%</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents Current**

Cash and cash equivalents are those funds that are held in the bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$6,584,218 at June 30, 2008, compared to the FY 2007 amount of \$6,154,633.

**Accounts Receivable**

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$1,424,689 at June 30, 2008, compared to the FY 2007 amount of \$1,339,568.

**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 \$338,321 at June 30, 2008, and \$284,935 at June 30, 2007.

**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, 2008 totaled \$153,362, in comparison to \$153,512 at June 30, 2007.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2008. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$35,220,982 at June 30, 2008, in comparison to \$33,351,209 at June 30, 2007.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities represent amounts due at June 30, 2008 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$801,485 at June 30, 2008, in comparison to \$752,535 at June 30, 2007.

**Deferred Revenue**

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2008 fiscal year. The deferred revenue totaled \$28,871 at June 30, 2008, and \$36,877 at June 30, 2007.

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of bond and note indebtedness that would be payable with in one year of June 30, 2008. The amount of the long-term liabilities-current at June 30, 2008 was \$322,663, as compared to \$553,317 at June 30, 2007.

**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, 2008 was \$62,500 and June 30, 2007 was \$71,075.

**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 \$483,497 at June 30, 2008, as compared to \$420,099 at June 30, 2007.

**Long-Term Liabilities**

This liability consists of bonds, note 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 \$2,789,075 at June 30, 2008, as compared to \$3,117,681 at June 30, 2007.

**Net Assets**

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2008 were \$39,399,355 and \$36,491,600 at June 30, 2007.

**Analysis of Net Assets**

Unrestricted net assets 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.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

The following is a breakdown of the restricted net assets:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Scholarships	\$ 57,912	\$ 54,308
Unemployment Compensation	56,830	56,146
Capital Projects	197,062	659,077
Debt Service	133,278	89,344
Total Restricted Net Assets	<u>\$ 445,082</u>	<u>\$ 858,875</u>
Auxiliary Funds		
Unrestricted	6,845,030	5,952,514
Total Unrestricted Net Assets	<u>\$ 6,845,030</u>	<u>\$ 5,952,514</u>

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

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

For the year ended June 30, 2008 with comparative information for the year ended June 30, 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating Revenue:		
Tuition and Fees	\$ 3,960,608	\$ 3,593,024
Grants and Contracts	15,022,283	13,172,398
Sales and Services of Educational Activities	768,264	662,584
Auxiliary Enterprises	2,912,947	2,719,319
Other Operating Revenues	-	-
	<u>22,664,102</u>	<u>20,147,325</u>
Total Operating Revenues		
	<u>22,664,102</u>	<u>20,147,325</u>
Total Operating Expenses	<u>35,413,580</u>	<u>32,315,151</u>
Operating Loss	<u>(12,749,478)</u>	<u>(12,167,826)</u>
Non-operating Revenues:		
State Appropriations	11,550,003	9,602,444
Local Appropriations	1,424,076	1,336,521
Investment Income	105,682	116,240
Interest Expense on Capital Related Debt	(180,174)	(176,415)
Sale of Assets	-	237,655
	<u>12,899,587</u>	<u>11,116,445</u>
Total Non-operating Revenues		
	<u>12,899,587</u>	<u>11,116,445</u>
Income (Loss) Before Other Revenues	<u>150,109</u>	<u>(1,051,381)</u>
State Appropriations Restricted for Capital Purposes	1,079,527	1,066,143
Local Appropriations Restricted for Capital Purposes	<u>1,679,909</u>	<u>1,299,104</u>
Change in Net Assets	<u>2,909,545</u>	<u>1,313,866</u>
Net Assets, Beginning of Year	36,491,600	35,145,358
Prior Period Adjustments	<u>(1,790)</u>	<u>33,376</u>
Net Assets, Beginning of Year, Restated	<u>36,489,810</u>	<u>35,178,734</u>
Net Assets, End of Year	<u>\$ 39,399,355</u>	<u>\$ 36,492,600</u>

Total operating loss for the fiscal year 2008 was \$(12,748,478) as compared to \$(12,168,826) in FY 2007. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in 2004 and going forward, the College will show a significant operating loss.

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

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

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

Total operating revenues for fiscal year 2008 were \$22,664,102, compared to \$20,147,325 for FY 2007. Tuition and fees were \$3,960,608 in FY 2008, compared to \$3,593,024 for FY 2007. The tuition discount for FY 2008 was \$2,640,406 compared to \$2,423,250 for FY 2007. Operating expenses for FY 2008, including depreciation expense of \$1,337,127, totaled \$35,413,580. Operating expenses for FY 2007 totaled \$32,316,151, including depreciation of \$1,287,724.

Instructional expenditures composed 45% of the FY 2008 operating expenses and 44% of the FY 2007 operating expenses.

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$3,960,608 for FY 2008, in comparison to \$3,593,024 for FY 2007. The tuition discount for the 2008 fiscal year was \$2,640,406 compared to the FY 2007 tuition discount of \$2,423,250.

**Grants and Contracts**

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2008:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Federal Sources	\$ 10,196,289	\$ 9,062,654
State Sources	4,557,131	3,888,985
Other Sources	268,863	220,759
Total All Sources	<u>\$ 15,022,283</u>	<u>\$ 13,172,398</u>

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$768,264 for the 2008 fiscal year as compared to \$662,584 for the 2007 fiscal year.

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

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

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$2,912,947 for the 2008 fiscal year as compared to \$2,719,319 for the 2007 fiscal year. The discount for scholarship allowance was \$1,675,742 for FY 2008 and \$1,575,880 for FY 2007.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Operating Expenses**

Operating expenses totaling \$35,413,580 include salaries and benefits of \$19,276,704, scholarships of \$5,534,662, utilities of \$1,419,012, commodities of \$5,269,631, contractual services of \$2,095,457, travel of \$408,987 and depreciation of \$1,337,127. Operating expenses for FY 2007 totaled \$32,316,153 include salaries and benefits of \$18,000,077, scholarships of \$4,797,132, utilities of \$1,326,809, commodities of \$4,272,162, contractual services of \$2,249,363, travel of \$382,884, and depreciation of \$1,287,724.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Expenses by Function:		
Instruction	\$ 15,793,968	\$ 14,100,818
Academic Support	489,386	469,842
Student Services	1,937,681	1,623,494
Institutional Support	2,865,366	2,858,494
Operation and Maintenance of Plant	3,623,321	3,597,509
Student Financial Aid	5,534,662	4,797,132
Auxiliary Enterprises	3,832,069	3,581,140
Depreciation	1,337,127	1,287,724
Total Operating Expenses by Function	<u>\$ 35,413,580</u>	<u>\$ 32,316,153</u>

**Nonoperating Revenues (Expenses)**

**State Aid**

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$11,550,003 for the 2007-2008 fiscal year. For comparison, the College received state appropriations of \$9,602,444 for the 2006-2007 fiscal year. In addition, the College received \$1,079,527 state appropriations restricted for capital purposes for FY 2008 as compared to \$1,066,143 for FY 2007.

**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 1<sup>st</sup>. The College received \$3,103,985 in county appropriations for FY 2008, compared to \$2,635,625 for FY 2007. 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 at June 30, 2008 shows an income of \$105,682, as compared to an income of \$116,240 at June 30, 2007.

**Other Nonoperating Expenses**

This consists of the interest expense on capital asset-related debt the College incurred during the 2008 fiscal year. The total expense amounted to \$180,174, compared to \$176,415 for FY 2007.

**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Other Revenues**

**State Appropriations Restricted for Capital Purposes**

The State Appropriations Restricted for Capital Purposes amount consists of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The revenues were provided by the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the 2007-2008 fiscal year was \$1,079,527, as compared to \$1,066,143 for the 2007-2008 fiscal year.

**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.

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

For the Fiscal Years Ended June 30, 2008 and June 30, 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (11,377,017)	\$ (10,928,749)
Noncapital Financial Activities	12,933,957	10,912,710
Capital and Related Financing Activities	(1,228,502)	(136,710)
Investing Activities	<u>100,997</u>	<u>104,005</u>
Net Increase in Cash and Cash Equivalents	429,435	(48,744)
Cash and Cash Equivalents - Beginning of the Year	<u>6,308,145</u>	<u>6,356,889</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 6,737,580</u></u>	<u><u>\$ 6,308,145</u></u>

The major sources of funds in operating activities include student tuition and fees \$3,960,608 auxiliary enterprises \$2,912,947 and grants and contracts \$15,022,283. The major uses of funds were payments made to employees, \$19,276,704, suppliers \$7,774,075 and scholarships \$5,534,662.

**Significant Capital Asset Transactions**

Capital improvements consisted of the construction of the Northeast at New Albany off-campus site and renovation of Patterson Hall.



**Northeast Mississippi Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008**

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2008 financial situation. The continuing reductions in the level of State appropriations, increase costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately thirty percent of general operation's revenue. 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 need to continue to address priority need and requirements for deferred maintenance, replacement equipment, 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 Assets**  
**June 30, 2008**

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 6,584,218
Accounts receivable, net (Note 4)	1,424,689
Inventories	338,321
Prepaid expenses	165,874
<b>Total Current Assets</b>	<u>8,513,102</u>

Noncurrent assets:

Restricted cash and cash equivalents	143,362
Restricted short-term investments	10,000
Capital assets, net of accumulated depreciation (Note 5)	35,220,982
<b>Total Noncurrent Assets</b>	<u>35,374,344</u>

<b>Total Assets</b>	<u>43,887,446</u>
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**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities	801,485
Deferred revenues	28,871
Long-term liabilities - current portion (Note 6)	322,663
<b>Total Current Liabilities</b>	<u>1,153,019</u>

Noncurrent liabilities:

Deposits refundable	62,500
Accrued leave liabilities	483,497
Long-term liabilities (Note 6)	2,789,075
<b>Total Noncurrent Liabilities</b>	<u>3,335,072</u>

<b>Total Liabilities</b>	<u>4,488,091</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	32,109,243
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Restricted for:

Scholarships and deferred revenue	57,912
Unemployment compensation	56,830
Capital projects and repairs	197,062
Debt service	133,278

Unrestricted	<u>6,845,030</u>
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<b>Total Net Assets</b>	<u>\$ 39,399,355</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, 2008**

**Assets**

**Current Assets:**

Cash and cash equivalents	\$ 467,697
Investments (Note 5)	409,161
Unconditional Promises to give (net) (Note 4)	<u>176,758</u>
Total Current Assets	<u>1,053,616</u>

**Endowment Investments**

Investments (Note 5)	<u>1,936,171</u>
Total Endowment Investments	<u>1,936,171</u>

Property and Equipment (Net)	<u>179,202</u>
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Loans Receivable (Note 3)	10,153
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Long-Term Unconditional Promises to Give (Note 4)	<u>522,885</u>
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Total Assets	<u>3,702,027</u>
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**Liabilities**

**Current Liabilities:**

Accounts Payable	<u>9,537</u>
Total Current Liabilities	<u>9,537</u>

**Net Assets**

Unrestricted net assets	363,685
Temporarily restricted net assets	1,373,345
Permanently restricted assets	<u>1,955,460</u>
Total Net Assets	<u>\$ 3,692,490</u>

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

**Northeast Mississippi Community College**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2008**

<b>Operating Revenues</b>	
Tuition and fees (Net of Scholarship Allowance of \$2,640,406)	\$ 3,960,608
Federal grants and contracts	10,196,289
State grants and contracts	4,557,131
Nongovernmental grants and contracts	268,863
Sales and services of educational departments	768,264
Auxiliary enterprises:	
Student Housing (Net of Scholarship Allowances of \$375,780)	563,669
Food Services (Net of Scholarship Allowances of \$354,824)	560,773
Bookstore (Net of Scholarship Allowances of \$945,138)	1,417,706
Other auxiliary revenues	370,799
<b>Total Operating Revenues</b>	<u>22,664,102</u>
<b>Operating Expenses</b>	
Salaries and wages	15,288,657
Fringe benefits	3,988,047
Travel	408,987
Contractual services	2,095,457
Scholarships and fellowships	1,491,012
Commodities	5,534,662
Depreciation	5,269,631
<b>Total Operating Expenses</b>	<u>1,337,127</u>
<b>Operating Income (Loss)</b>	<u>(12,749,478)</u>
<b>Nonoperating Revenues (Expenses)</b>	
State appropriations	11,550,003
Local appropriations	1,424,076
Investment income	105,682
Interest expense on capital asset-related debt	(180,174)
<b>Total Net Nonoperating Revenues (Expenses)</b>	<u>12,899,587</u>
<b>Income (Loss) before Other Revenues, Expenses and Liabilities</b>	<u>150,109</u>
State appropriations restricted for capital purposes	1,079,527
Local appropriations for capital purposes	1,679,909
<b>Change in Net Assets</b>	<u>2,909,545</u>
<b>Net Assets</b>	
Net Assets - Beginning of Year, as Originally Reported	36,491,600
Prior period adjustments (Note 3)	(1,790)
Net Assets - Beginning of Year, as Restated	<u>36,489,810</u>
Net Assets - End of Year	<u><u>\$ 39,399,355</u></u>

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

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Activities  
For the year ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenues</b>				
Contributions	\$ 64,767	287,846	43,589	396,202
Dividends	23,616	84,982	-	108,598
Interest	13,406	36,325	-	49,731
Administrative fee income	71,016	-	-	71,016
Grants revenue	5,000	-	-	5,000
Gain (loss) sale of assets	1,840	9,808	-	11,648
Unrealized gain(loss) on assets	(228,205)	-	-	(228,205)
Total Public Support and Revenues	(48,560)	418,961	43,589	413,990
<b>Expenses and Losses</b>				
Program Expense	77,628	413,624	-	491,252
Management & General Expense	116,272	-	-	116,272
Fund Raising Expense	79,999	-	-	79,999
Total expenses and losses	273,899	413,624	-	687,523
<b>Other Revenues and (Expense)</b>				
Transfers	(23,062)	10,141	12,921	-
Change in Net Assets	(345,521)	15,478	56,510	(273,533)
Net assets Beginning of year	675,874	1,391,199	1,898,950	3,966,023
Prior Period Adjustment	33,332	(33,332)	-	-
Net assets end of year	363,685	1,373,345	1,955,460	3,692,490

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, 2008**

**Cash Flows from Operating Activities:**

Tuition and fees	\$ 3,851,137
Grants and contracts	15,176,892
Sales and services of educational departments	709,131
Payments to suppliers	(7,925,039)
Payments to employees for salaries and benefits	(19,101,930)
Payments for utilities	(1,465,492)
Payments for scholarships and fellowships	(5,534,662)
Auxiliary enterprise charges:	
Student housing	563,669
Food service	560,773
Bookstore	1,417,706
Other auxiliary enterprises	370,798
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(11,377,017)</u>

**Cash Flows from Noncapital Financing Activities:**

State appropriations	11,509,881
Local appropriations	1,424,076
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>12,933,957</u>

**Cash Flows from Capital and Related Financing Activities:**

Capital appropriations	1,638,526
Cash paid for capital assets	(2,150,855)
Principal paid on capital debt and leases	(559,260)
Interest paid on capital debt and leases	(156,913)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,228,502)</u>

**Cash Flows from Investing Activities:**

Interest received on investments	100,997
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>100,997</u>
Net Increase (Decrease) in Cash and Cash Equivalents	429,435
Cash and Cash Equivalents - Beginning of the Year	6,308,145
Cash and Cash Equivalents - End of the Year	<u>\$ 6,737,580</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, 2008**

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

Operating income (loss)	\$ (12,749,478)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	1,337,127
Bad Debt Expense	84,621
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables	(85,121)
Inventories	(53,386)
Prepaid expenses	(6,547)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	48,950
Deferred revenues	(8,006)
Deposits refundable	(8,575)
Accrued leave liability	63,398
Total adjustments	<u>1,372,461</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (11,377,017)</u></u>

**Noncash Investing, Capital, and Financing Activities:**

Payments by State on construction	<u>\$ 1,079,527</u>
Total	<u><u>\$ 1,079,527</u></u>
Cash and cash equivalents classified as current assets	\$ 6,584,218
Cash and cash equivalents classified as noncurrent assets	<u>153,362</u>
Total cash and cash equivalents	<u><u>\$ 6,737,580</u></u>



**Northeast Mississippi Community College  
Development Foundation, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2008**

**Operating Activities**

Change in Net Assets	\$ (273,533)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non Cash Contributions	(32,699)
Depreciation	6,818
Other Receivables	2,139
Net Unconditional promise to give	169,085
Accounts Payable	3,059
Loans receivable	262
Unrealized gains on Investments	228,205
Net cash used by operating activities	<u>103,336</u>

**Investing Activities**

Sale of Investments	3,081,967
Purchase of investments	(2,994,229)
Purchase of capital assets	<u>(8,558)</u>
Net cash provided by investing activities	<u>79,180</u>
Net Increase(decrease) in cash and cash equivalents	182,516
Cash and cash equivalents Beginning of year	<u>285,181</u>
Cash and cash equivalents End of year	<u>\$ 467,697</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, 2008**

**1. Summary of Significant Accounting Policies**

A. Reporting Entity – Community College was founded in 1948 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of 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 five Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case, the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

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, 2008, the Foundation distributed \$267,768 to the College and reimbursed the College for \$158,984 in Foundation expenses.

B. Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued June and November, 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

1. Summary of Significant Accounting Policies (continued)

- D. Cash Equivalents – For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net – Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories – Inventories consist of bookstore supplies and supplies of Crows Neck Educational Center.. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- H. Prepaid Expenses – Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year.
- I. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation- Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 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, 2008**

1. Summary of Significant Accounting Policies (continued)
- K.. 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- L.. Compensated Absences – The Northeast Community College Board of Trustees 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, 2008, was \$483,497. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.
- 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 gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting and GASB Statement No. 34*, such as state appropriations and investment income.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

1. Summary of Significant Accounting Policies (continued)

- N. State Appropriations – The Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighed by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to 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.
- P. Net Assets-GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net assets balance of \$6,845,030 at June 30, 2008, includes \$1,391,217 reserved for auxiliaries, and a remaining amount of \$5,453,813.

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

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

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

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 pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**B. Investments**

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

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

	<u>June 30, 2008</u>
Investments	<u>\$ 10,000</u>

The following table summarized the categorization of investments at June 30-, 2008

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of Deposit	1	<u>\$ 10,000</u>	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.

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

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

*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, 2008, the college did not have any investments to which this would apply.

3. Prior Period Adjustments

For the year ended June 30, 2008, the College recorded prior period adjustments of \$1,790 which included:

Adjustments for:	
Correction of prior year accounts payable	\$ 7,687
Write off stale dated checks	7,278
Correction of prior year receivables	(16,755)
	<u>\$ (1,790)</u>

4. Accounts receivable

Accounts receivable consist of the following at June 30, 2008:

Student tuition	\$ 490,464
Auxiliary enterprises and other operating activities	124,021
Federal, state, and private grants and contracts	809,780
State appropriations	201,183
Local appropriations	93,596
Accrued interest	13,292
Other	<u>60,814</u>
Total Accounts Receivable	1,793,150
Less allowance for doubtful accounts	<u>368,461</u>
Net Accounts Receivable	<u>\$ 1,424,689</u>

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

**5. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2008, is presented as follows:

	Beginning Balance 7/1/2007	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2008
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 1,841,068	-	-	-	1,841,068
Construction in progress	1,426,313	2,241,326	-	(3,599,191)	68,448
<b>Total Nondepreciable Capital Assets</b>	<b>3,267,381</b>	<b>2,241,326</b>	<b>-</b>	<b>(3,599,191)</b>	<b>1,909,516</b>
<b>Depreciable Capital Assets:</b>					
Improvements other than Buildings	4,390,942	-	-	-	4,390,942
Buildings	46,363,048	-	-	3,599,191	49,962,239
Equipment	4,621,485	956,242	210,782	-	5,366,945
Library Books	1,105,748	18,101	-	-	1,123,849
<b>Total Depreciable Capital Assets</b>	<b>56,481,223</b>	<b>974,343</b>	<b>210,782</b>	<b>3,599,191</b>	<b>60,843,975</b>
<b>Less Accumulated Depreciation for:</b>					
Improvements other than Buildings	2,048,739	162,272	-	-	2,211,011
Buildings	19,240,134	858,489	-	-	20,098,623
Equipment	4,055,369	293,889	202,013	-	4,147,245
Library Books	1,053,153	22,477	-	-	1,075,630
<b>Total Accumulated Depreciation</b>	<b>26,397,395</b>	<b>1,337,127</b>	<b>202,013</b>	<b>-</b>	<b>27,532,509</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>30,083,828</b>	<b>(362,784)</b>	<b>8,769</b>	<b>3,599,191</b>	<b>33,311,466</b>
<b>Capital Assets, Net</b>	<b>\$ 33,351,209</b>	<b>1,878,542</b>	<b>8,769</b>	<b>-</b>	<b>35,220,982</b>

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	40 years	20%	25,000
Equipment	3-15 years	1-10%	5,000
Library books	10 years	0%	-



**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

**6. 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, 2008. 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	Issue	Rate	Maturity	7/1/2007	Additions	Payments	6/30/2008	One Year
<b>Capital Leases:</b>								
State of MS Energy Lease	\$ 2,603,772	4.15%	12/12	\$ 1,566,420	-	259,129	1,307,291	269,994
<b>Notes Payable:</b>								
Housing Facility Note	2,000,000	4.75%	12/28	1,859,578		55,131	1,804,447	52,669
Dormitory Note	2,000,000	4.62%	4/8	245,000	-	245,000	-	-
Total Notes Payable				2,104,578		300,131	1,804,447	52,669
Total Long-Term Debt				3,670,998		559,260	3,111,738	322,663
<b>Other Long-Term Liabilities</b>								
Accrued Leave Liability				420,099	63,398	-	483,497	-
Deposits Refundable				71,075	-	8,575	62,500	-
Total Other Liabilities				491,174	63,398	8,575	545,997	-
Total				\$ 4,162,172	63,398	567,835		322,663
<b>Due Within One Year</b>							322,663	
<b>Total Long-term Liabilities</b>							\$ 3,335,072	

	Capital Leases	Notes Payable	Interest	Total
2009	\$ 269,994	52,669	137,191	459,854
2010	281,315	55,171	123,369	459,855
2011	293,111	57,791	108,952	459,854
2012	305,401	60,536	93,917	459,854
2013	157,470	63,412	78,236	299,118
2014-2018	-	365,205	326,695	691,900
2019-2023	-	460,582	231,319	691,901
2024-2028	-	580,867	111,033	691,900
2029	-	108,214	5,140	113,354
Totals	\$ 1,307,291	1,804,447	1,215,852	4,327,590

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

7. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2008:

Functional Classifications	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,901,251	2,608,860	180,020	430,451	57,317	-	1,616,069	-	15,793,968
Academic support	317,175	89,995	10,524	11,330	-	-	60,362	-	489,386
Student services	1,149,602	337,762	98,282	182,588	-	-	169,447	-	1,937,681
Institutional support	1,531,486	495,037	106,917	179,481	-	-	552,445	-	2,865,366
Operation of plant	926,808	306,611	120	236,989	1,327,137	-	825,656	-	3,623,321
Student aid	-	-	-	-	-	5,534,662	-	-	5,534,662
Auxiliary enterprises	462,335	149,782	13,124	1,054,618	106,558	-	2,045,652	-	3,832,069
Depreciation	-	-	-	-	-	-	-	1,337,127	1,337,127
<b>Total Operating Expenses</b>	<b>\$ 15,288,657</b>	<b>3,988,047</b>	<b>408,987</b>	<b>2,095,457</b>	<b>1,491,012</b>	<b>5,534,662</b>	<b>5,269,631</b>	<b>1,337,127</b>	<b>35,413,580</b>

**Northeast Mississippi Community College**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

8. Construction Commitments and Financing

The College has contracted for various construction projects as of June 30, 2008. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

<u>Project Title:</u>	<u>Funded by</u>	<u>Plant Fund</u>
Northeast at New Albany	Local Funds	

The College has engaged an architect firm for Phase II of Northeast at Corinth. The construction contract was not awarded at June 30, 2008. See Note 11.

9. 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 11.85% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.3% 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 ending June 30, 2008, 2007, and 2006 were \$1,641,856, \$1,424,402, and \$1,312,854 respectively, equal to the required contributions for each year.

10. Risk Management.

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

11. Subsequent Events.

On July 11, 2008 a contract was issued to Worsham Brothers, Inc in the amount of \$1,120,000 for Phase II of Northeast at Corinth. The construction will be paid from College funds.

**Northeast Mississippi Community College Development Foundation Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

**A. Organization and Nature of 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. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**C. Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**D. Investments**

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

**E. Property and Equipment**

Office equipment is being depreciated over an estimated useful life of ten years using the straight line method of depreciation. The Foundation capitalizes all assets with a life in excess of one year and a cost of \$100 or more. Fixed assets are recorded at cost or estimated market value at the date of the gift, if donated.

**F. Public Support and Revenue**

Monthly and annual contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and 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.

**Northeast Mississippi Community College Development Foundation Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

**F      Public Support and Revenue - Continued**

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of property, equipment, marketable securities and other non-cash donations are recorded as contributions at their estimated fair values in the period received. Such contributions are reported as restricted support unless the donor has restricted the donated assets to a specific purpose.

**G.      Investment Earnings Allocation**

Restricted and unrestricted funds are co-mingled in the investment fund. Allocations of earnings are made to each restricted and unrestricted fund based on the pro-rata share of earnings to the funds invested.

**H.      Donated Services**

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

**I.      Income Taxes**

The Foundation is a nonprofit organization exempt from federal income taxes under Section 501 (c) 3 of the Internal Revenue Code, and classified by the Internal Revenue Service as other than a private foundation.

**J.      Estimates**

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

**K.      Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Northeast Mississippi Community College Development Foundation Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

**L. Net Assets**

Net assets of the Foundation consist of the following:

Unrestricted- These amounts are available for general obligations of the Foundation and for operating activities such as general scholarships, awards, projects, administration, etc.

Temporarily restricted- These amounts are restricted by donors to be used for a specific purpose or scholarship as specified.

Permanently restricted- (Scholarship endowments)—These amounts are permanently restricted by donors and cannot be used by the Foundation. Income and capital gain are recorded as temporarily restricted revenues and be used as directed by the endowment.

**Note 2: Economic Dependence and Concentration**

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

**Note 3: Loans Receivable**

A donor has made a contribution to the foundation to be used as a loan pool to provide loans to students that meet the criteria. A loss for uncollectible loans has been established at 50% due to the loans being uncollateralized.

Loans Receivable	\$ 20,568
Allowance for Bad Debts	10,415
Net Loans Receivable	<u>\$ 10,153</u>

No loans receivable are considered current.

**Note 4. Promises to give**

Unconditional promises to give			Reported As
Temporarily restricted	\$ 680,354	Current	<u>\$ 176,758</u>
Permanently restricted	19,289	Long-term	<u>522,885</u>
Total	<u>\$ 699,643</u>		<u>\$ 699,643</u>

These pledges are due as follows:

Due in less than one year	\$ 176,758
Due in one to five years	472,730
Due in six to ten years	184,000
Total	<u>833,488</u>
Less discounts to present value	(102,586)
Less allowances	(31,259)
Net unconditional promises to give at June 30, 2008	<u>\$ 699,643</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, 2008**

**Note 5: Investments**

Investments as of June 30 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash	647	647
3210 Shares HSBC Holdings	6,370	49,916
Federal Home Loans Bank	850,015	853,486
DWS Dreman Small Cap	26,100	23,164
Fidelity Low Price Stock Fund	43,346	56,651
Federated Intercontinental Inst	94,999	92,812
Franklin Mutual Discovery Z Fund	185,196	171,482
T Rowe Price Mid Cap Growth Fund	80,641	118,876
Goldman Sachs Money Market	319,396	319,396
T Rowe Price Growth Stock	269,725	291,951
Dodge & Cox Stock Fund	70,567	59,511
Royce Pennsylvania Mutual	39,296	35,507
Fidelity Advisor Diversified International	129,719	115,495
Fidelity Advisor New Insight	95,002	95,704
T. Rowe Price Equity Income	67,050	60,734
	<u>\$ 2,278,068</u>	<u>\$ 2,345,332</u>
Unrestricted & Temporarily Restricted		\$ 409,161
Permanently Restricted		1,936,171
Total		<u>\$ 2,345,332</u>

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	\$ 158,329	37,022	121,307
Realized Gain (Loss) on Assets	11,648	1,840	9,808
Total	<u>\$ 169,977</u>	<u>\$ 38,862</u>	<u>\$ 131,115</u>

**Note 6. Property and equipment**

The following is a summary of property and equipment:

Land	\$ 147,500
Office Equipment	60,260
Less: Accumulated Depreciation	(28,558)
	<u>\$ 179,202</u>

Depreciation expense totaled \$6,818 for the year.

**Northeast Mississippi Community College Development Foundation Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**Note 7: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Scholarships	\$ 491,843
Athletics	11,146
College Employee Enhancement	57,206
College Programs	22,528
Operations	3,250
Northeast at Corinth	564,675
Northeast at New Albany	222,697
	<u>\$ 1,373,345</u>

**Note 8: Permanently Restricted Net Assets**

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

Scholarships - Stockton	\$ 25,015
Scholarships - Street	25,000
Scholarships - Miller, Shannon, Taylor	279,183
Scholarships - Haney Endowment	1,037,833
Scholarships - Rotary Endowment	19,466
Scholarships - Various	568,963
	<u>\$ 1,955,460</u>

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

**Note 9: 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	<u>\$ 467,697</u>
	<u>\$ 467,697</u>

The bank balances at June 30 were:

Cash in Bank	\$ 484,982
FDIC Insurance	<u>213,273</u>
Uninsured	<u>\$ 271,709</u>

The excess funds are not collateralized. At June 30, 2008, the Foundation had a credit risk of \$271,709, if the banks could not pay for deposits in excess of FDIC limits. Management does not expect the banks to be unable to pay deposits in excess of FDIC limits.



**Northeast Mississippi Community College Development Foundation Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**Note 10: 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:

Financial Assets	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 467,697	\$ 467,697
Investments	409,161	409,161
Unconditional promises to give	699,643	699,643
Endowment Investments:		
Investments	1,936,171	1,936,171

**Note 11: Related Party Transactions**

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

Salary & fringe benefits	\$154,000
Supplies	784
Postage	2,224
Printing	1,217
Miscellaneous	759
	<u>\$ 158,984</u>

The members of the Foundation Board of Directors contributed \$9,168 to the Foundation during this fiscal year.

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

**Note 12: Compensated Absences**

The Foundation does not have a policy for compensated absences.

**Northeast Mississippi Community College Development Foundation Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**Note 13: Prior Period Adjustments**

A summary of significant net asset adjustments is as follows:

**Statement of Activities**

<u>Explanations</u>	<u>Amount</u>
1. To allocate administrative fees from prior years to unrestricted net assets.	<u>\$ 33,332</u>

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Education</b>		
Student Financial Assistance Cluster		
Direct:		
Federal Supplemental Education Opportunity Grant	84.007	\$ 89,690
Federal Family Education Loans	84.032	2,268,479
Federal Work Study Programs	84.033	162,577
Federal Pell Grant Program	84.063	4,753,997
Academic Competitiveness Loans	84.375	177,113
Total Student Financial Assistance Cluster		<u>7,451,856</u>
Direct:		
TRIO Student Support Services	84.042	220,797
Higher Education Institutional Aid	84.031	16,003
		<u>236,800</u>
Passed Through MS Department of Education		
Tech Prep Education	84.243	91,796
Vocational Education Basic Grants to States	84.048	147,122
Leveraging Educational Assistance Partnership	84.069	13,565
		<u>252,483</u>
Passed Through MS State Board for Community and Junior Colleges		
Adult Basic Education - State Grants Programs	84.002	212,229
		<u>212,229</u>
Total U. S. Department of Education		<u>8,153,368</u>
<b>U. S. Department of Labor</b>		
Passed Through Three Rivers Planning & Development District		
Workforce Investment Act Cluster		
WIA Adult Program	17.258	454,758
WIA Dislocated Workers	17.260	525,536
Total Three Rivers Planning and Development District		<u>980,294</u>
Passed Through Mississippi State Board for Community and Junior Colleges		
Workforce Investment Act Cluster	17.260	19,910
Passed Through Mississippi Department of Rehab		
Workforce Investment Act Cluster	17.260	20,057
Total Workforce Investment Act Cluster		<u>1,020,261</u>
Workforce Investment Act, Pilots Demonstration and Research Project	17.261	<u>482,316</u>

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards - Continued**  
**Year Ended June 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Labor (continued)</b>		
Passed Through Mississippi Employment Security Commission		
Employment Service/ Wagner Peyser Funded Activities	17.207	32,366
Trade Adjustment Assistance	17.245	289,349
Total Passed Through Mississippi Employment Security Commission		<u>321,715</u>
Passed Through Mississippi Consortium of Colleges		
Community Based Job Training Grant (NEON)	17.269	325,334
Total U. S. Department of Labor		<u>2,149,626</u>
<b>U.S. Department of Agriculture</b>		
Passed Through MS Department of Education		
Child and Adult Food Care Program	10.558	2,282
Total U.S. Department of Agriculture		<u>2,282</u>
<b>Department of Housing and Urban Development</b>		
CDBG Technical Assistance Program	14.227	5598
<b>Federal Highway Administration</b>		
Passed Through MS Department Wildlife & Parks		
Recreational Trails Program	20.219	54,544
<b>National Aeronautics and Space Administration</b>		
Aerospace Education Services Program	43.001	4,498
<b>National Endowment for the Humanities</b>		
Federal/State Partnerships	45.129	2,112
<b>Environmental Protection Agency</b>		
Environmental Education Grant Program	66.951	18,405
<b>U. S. Department of Health and Human Services</b>		
Passed Through the University of Mississippi Medical Center		
Ryan White HIV/AIDS Dental Reimbursement Community Based Dental Partnership	93.924	12,402
<b>Total Expenditures of Federal Awards</b>		<u>\$ 10,402,835</u>

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. In the current year the loans have been remitted to the College by the private lending institutions and then disbursed to the students

**Northeast Mississippi Community College  
Development Foundation, Inc.  
Schedule of Functional Expenses  
For the Year Ending June 30, 2008**

	Program Expenses			Support Services			
	Unrestricted	Temporarily Restricted	Total Program Services	Management & General	Fund Raising	Total Support Services	Total Expenses
Awards	\$ 9,678	\$ 34,531	\$ 44,209	\$ 525	\$ -	\$ 525	\$ 44,734
Professional Development	-	-	-	8,109	-	8,109	8,109
College Support	-	38,880	38,880	-	-	-	38,880
Scholarships	-	110,452	110,452	-	-	-	110,452
Program Expense:							
Fine Art	-	7,673	7,673	-	-	-	7,673
College Employee Enhancement	-	11,300	11,300	-	-	-	11,300
College Sports	-	31,752	31,752	-	-	-	31,752
Grants and Training	7,841	-	7,841	-	-	-	7,841
NE at New Albany	-	55,000	55,000	-	-	-	55,000
Nursing	-	43,750	43,750	-	-	-	43,750
Administrative:							
Salaries	26,309	-	26,309	41,026	62,928	103,954	130,263
Payroll Taxes	1,872	-	1,872	2,981	4,457	7,438	9,310
Retirement	2,108	-	2,108	4,862	7,457	12,319	14,427
Printing & Advertising	7,643	-	7,643	3,467	57	3,524	11,167
Meals & Entertainment	4,299	-	4,299	3,814	-	3,814	8,113
Office Supplies	3,637	-	3,637	4,482	754	5,236	8,873
Postage	2,710	-	2,710	889	1,334	2,223	4,933
Travel	333	-	333	7,949	-	7,949	8,282
Car Allowance	1,100	-	1,100	773	2,640	3,413	4,513
Dues & Subscriptions	816	-	816	946	-	946	1,762
Administrative Fee	-	73,442	73,442	-	-	-	73,442
Investment Management Fees	-	6,844	6,844	2,117	-	2,117	8,961
Telephone	372	-	372	744	372	1,116	1,488
Legal & Accounting	261	-	261	25,052	-	25,052	25,313
Miscellaneous	7,905	-	7,905	1,222	-	1,222	9,127
Depreciation	-	-	-	6,818	-	6,818	6,818
Insurance	744	-	744	496	-	496	1,240
	<u>\$ 77,628</u>	<u>\$ 413,624</u>	<u>\$ 491,252</u>	<u>\$ 116,272</u>	<u>\$ 79,999</u>	<u>\$ 196,271</u>	<u>\$ 687,523</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.



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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 the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2008, as listed in the table of contents and have issued our report thereon dated August 24, 2009. 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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*.

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

*Parawer, Venable & Co. P.A.*

August 24, 2009  
Booneville, Mississippi



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL  
PROGRAM AND 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

Compliance

We have audited the compliance of the Northeast Mississippi Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Northeast Mississippi Community College, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. .



### Internal Control Over Compliance

The management of the Northeast Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in an entity's control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider that deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-1 to be a material weakness.

Northeast Mississippi Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Northeast Mississippi Community College's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the College, Members of the Legislature, 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.

*Brewer, Vintery & Co. P.A.*

August 24, 2009  
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, 2008, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated August 24, 2009. We conducted our audit in accordance with 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 those 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 College, Members of the Legislature, 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.*

August 24, 2009  
Booneville, Mississippi

**Northeast Mississippi Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |   |               |
|---|---------------|
| 1. Type of auditors' report issued on the general purpose financial statements:           | Unqualified   |
| 2. Material noncompliance relating to the basic financial statements?                     | No            |
| 3. Internal control over financial reporting:   |               |
| a. Material weakness identified?  | No            |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |

**Federal Awards:**

- |   |               |
|---|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs:              | Unqualified   |
| 5. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | Yes           |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit findings reported as required by Section _____.510(a) of OMB Circular A-133? | Yes           |
| 7. Federal programs identified as major programs:   |               |
| a. <u>Student Financial Assistance Cluster</u>  |               |
| CFDA #84.007  |               |
| 84.032  |               |
| 84.033  |               |
| 84.063  |               |
| 84.375  |               |
| b. <u>TRIO Student Support Services</u>   |               |
| CFDA #84.042  |               |
| c. <u>Pilots Demonstration and Research Projects</u>                                      |               |
| CFDA #17.261  |               |

**Northeast Mississippi Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Section 1: Summary of Auditors' Results (continued)**

7. Federal programs identified as major programs: (continued)
- d. Community Based Job Training Grant (NEON)  
CFDA #17.269
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 2: Financial Statement Findings**

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

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

**TRIO Student Support Services CFDA# 84.042**

**Internal Controls Over Compliance Requirement – Eligibility**

**FINDING 2008-1**

**Eligibility**

Sufficient internal controls were not in place to insure that the correct student population was served. The eligibility requirement states that 2/3's of the students being served should come from (a) low income families and be first generation college students or (b) disabled.

The college did not meet the criteria of this student population. Only 64.27% of this population was met. The targeted population was underserved by 2.4%.

**RECOMMENDATION**

We recommend additional controls be put in place to verify that the 2/3's population requirement is met.

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101 Cunningham Boulevard  
Booneville, MS 38829

### **Corrective Action Plan**

As required by U. S. Office of Management and Budget A-133, Northeast Mississippi Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008:

- A. Contact Person: Cheryl Ragan  
Vice President of Finance and Operations  
101 Cunningham Boulevard  
Booneville, MS 38829  
662-720-7280
  
- B. All students served in the Special Services grant program were low income, first generation, or disabled. However, of the 473 students served, the College inadvertently served 64.27% (a) low income and first generation students, or (b) disabled students with the remaining students served being either low income, first generation or disabled.  
  
The College will ensure that students served within the Special Services program meet the criteria set forth by the grant agreement. Departmental staff have been trained in the requirements of the grant and will ensure the student population served meets the requirements of the program. Future reports will reflect compliance with this requirement.
  
- C. Additional controls were implemented when the existing internal control problem was discovered.