

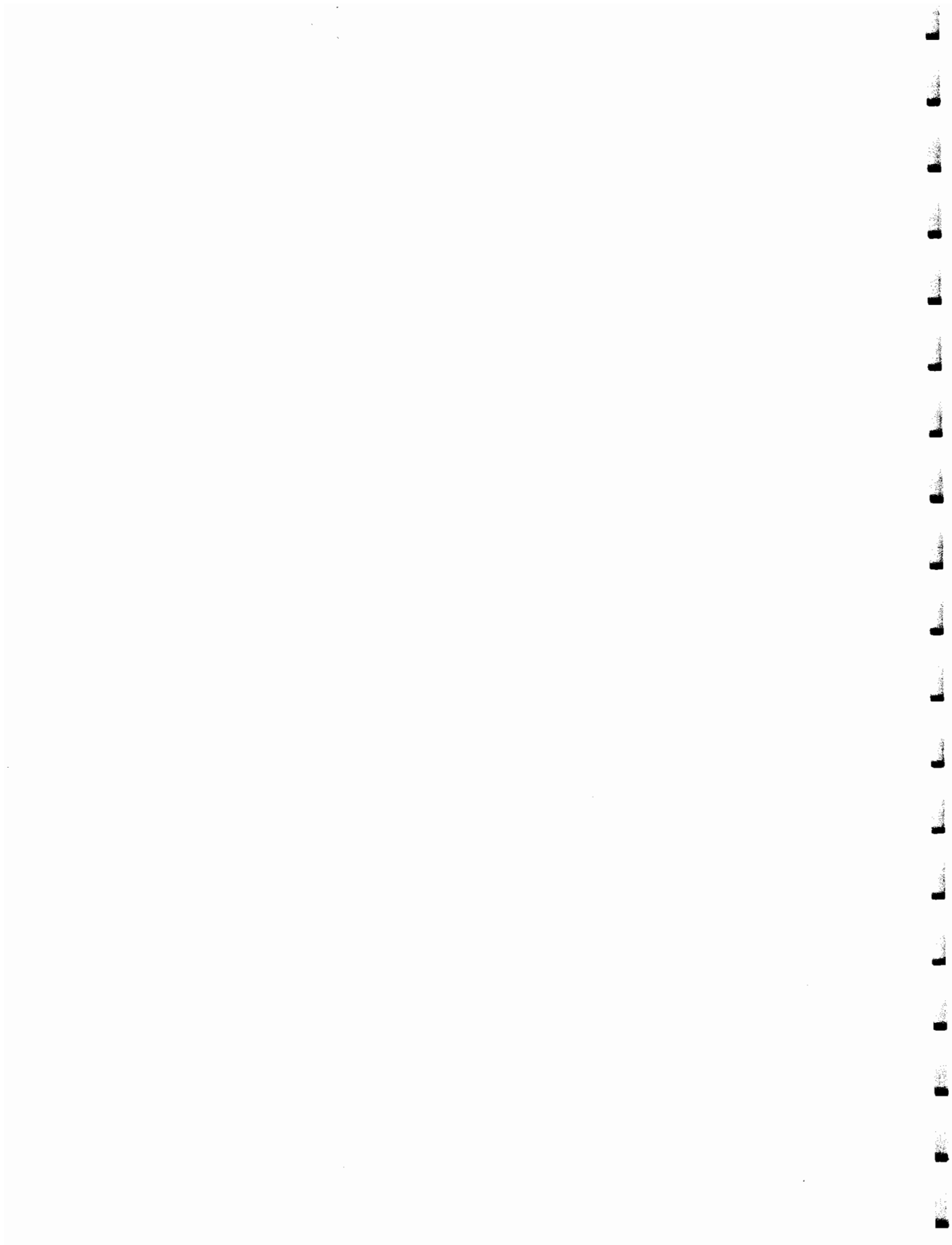


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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008



**NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

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

Dr. Gary Lee Spears, President
and Board of Trustees
Northwest Mississippi Community College
Senatobia, Mississippi

We have audited the accompanying financial statements and the aggregate discretely presented component unit of Northwest Mississippi Community College as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northwest Mississippi Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Northwest Mississippi Community College Foundation as of and for the year ended December 31, 2007, which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Mississippi Community College as of June 30, 2008 and its discretely presented component unit, as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the years 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 our report dated October 28, 2008, on our consideration of Northwest 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 of 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 assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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 opinions on the financial statements that collectively comprise Northwest Mississippi Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented as supplemental information for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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, based on our audit, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

October 28, 2008

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

This section of the Northwest 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 this Report

This annual report consists of a series of financial statements, prepared in accordance with the Government Accounting Standards Board 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 for Public Colleges and Universities*.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net 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 financial reporting model classifies State appropriations and gifts as nonoperating revenues. The College's dependency on State aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Condensed Statement of Net Assets

Condensed Statement of Net Assets			
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$13,962,067	\$12,045,243	\$ 1,916,824
Non Current Assets			
Other	14,059,234	12,488,813	1,570,421
Capital, Net	<u>56,705,567</u>	<u>53,215,858</u>	<u>3,489,709</u>
Total Assets	<u>84,726,868</u>	<u>77,749,914</u>	<u>6,976,954</u>
Liabilities			
Current Liabilities	2,937,135	2,528,713	408,422
Noncurrent Liabilities	<u>5,442,444</u>	<u>6,323,710</u>	<u>(881,266)</u>
Total Liabilities	<u>8,379,579</u>	<u>8,852,423</u>	<u>(472,844)</u>
Net Assets			
Invested in Capital Assets, Net	50,468,692	46,095,858	4,372,834
Restricted			
Expendable	14,345,838	12,523,788	1,822,050
Unrestricted	<u>11,532,759</u>	<u>10,277,845</u>	<u>1,254,914</u>
Total Net Assets	<u>\$76,347,289</u>	<u>\$68,897,491</u>	<u>\$ 7,449,798</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts that is unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$10,266,871 at June 30, 2008, compared to the FY 2007 amount of \$8,691,123.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, accounts receivable arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. Accounts receivable was \$1,995,491 at June 30, 2008, compared to the FY 2007 amount of \$1,970,259.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Inventories

The College maintains inventories of merchandise for resale in the Northwest Bookstore and food and other supplies in the cafeteria. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$845,885 at June 30, 2008, and \$799,063 at June 30, 2007.

Notes Receivable – Current Portion

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the Desoto Center facility in Southaven, Mississippi. The note bears interest at the rate of 3.5% and is to be repaid in twelve annual installments. The outstanding balance reported as current assets at June 30, 2008 was \$81,337, in comparison to \$78,587 at June 30, 2007.

Prepaid Expenses

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and amounts submitted to the Bureau of Buildings for the College's share of future construction projects. Prepaid expenses totaled \$772,483 at June 30, 2008, in comparison to \$506,211 at June 30, 2007.

Non-current Assets

Restricted Cash and Cash Equivalents

The cash and cash equivalents that are considered non-current include cash in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund, cash in the unexpended plant fund for future capital improvements, and cash held in the retirement of debt funds for the payment of future principal and interest payments. The amount of cash and cash equivalents considered non-current at June 30, 2008 totaled \$13,441,890, in comparison to \$11,856,056 at June 30, 2007. Amounts held for future capital improvements increased significantly during FY 2008 in anticipation of future construction projects.

Unamortized Bond Issue Costs

Bond issue costs associated with the issuance of General Obligation Educational Facilities Refunding Bonds, Series 2007 are reported as an asset and amortized over the life of the bonds. Bond issue cost of \$75,342, less current year amortization of \$9,418, resulted in a balance at June 30, 2008 of \$65,924.

Notes Receivable

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the Desoto Center facility in Southaven, Mississippi. The note bears interest at the rate of 3.5% and is to be repaid in twelve annual installments. The outstanding balance at June 30, 2008 was \$551,420, in comparison to \$632,757 at June 30, 2007.

Capital Assets, Net

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2008. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$56,705,567 at June 30, 2008, in comparison to \$53,215,858 at June 30, 2007.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2008 for employee benefits, interest on capital debt, and goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,960,179 at June 30, 2008, in comparison to \$1,381,527 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 \$0 at June 30, 2008, and \$234,842 at June 30, 2007. The decrease in deferred revenue occurred because registration for the second summer session occurred in July, 2008 as compared to June, 2007. Therefore, no deferred revenue was received during FY2008.

Long-Term Liabilities – Current Portion

Long-term liabilities – current portion represents the portion of bond and note indebtedness that would be payable within one year of June 30, 2008. The amount of the long-term liabilities-current portion at June 30, 2008 was \$945,000, as compared to \$880,000 at June 30, 2007.

Other current Liabilities

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2008 was \$31,956, as compared to \$32,344 at June 30, 2007.

Non-current Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. Deposits refundable at June 30, 2008 consist of 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 \$84,645 and \$83,741 at June 30, 2007.

Deferred Loss on Bond Refunding

The deferred loss on the issuance of the General Obligation Educational Facilities Refunding Bonds, Series 2007 is reported as a contra-liability account. The total deferred loss was \$59,658, less current year amortization of \$7,457 leaving an outstanding balance at June 30, 2008 of \$52,201.

Long-Term Liabilities

This liability consists of bond and note indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of long-term liabilities was \$6,240,000 at June 30, 2008, as compared to \$7,120,000 at June 30, 2007. On July 9, 2007, the College issued General Obligation Educational Facilities Refunding Bonds, Series 2007 in the amount of \$2,855,000. These bonds were used to

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

refund the remaining balance of the General Obligation Educational Facilities Notes, Series 2000 in the amount of \$2,720,000.

Net Assets

Net assets represent the difference between the College's assets and liabilities. During fiscal year 2008, total net assets increased by \$7,449,798 or 10.82%. The College's net assets are presented as unrestricted, restricted – expendable, and invested in capital assets, net of related debt.

Analysis of Net Assets

Unrestricted net assets are net assets available to the College for any lawful purpose. The following is a breakdown of Unrestricted net assets as of June 30, 2008 and June 30, 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Unrestricted General Fund	\$ 6,372,273	\$ 6,162,200	\$ 210,073
Unrestricted Auxiliary Fund	5,160,486	4,115,645	1,044,841
Unrestricted Restricted Fund	-	-	-
Total Unrestricted Net Assets	<u>\$ 11,532,759</u>	<u>\$ 10,277,845</u>	<u>\$ 1,254,914</u>

Restricted - expendable net assets consist of gifts or grants from third-parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted – expendable net assets as of June 30, 2008 and June 30, 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Restricted - expendable for			
Unemployment benefits	\$ 110,744	\$ 107,755	\$ 2,989
Capital improvements	13,536,513	11,890,565	1,645,948
Debt	<u>698,581</u>	<u>525,468</u>	<u>173,113</u>
Total Restricted - Expendable Net Assets	<u>\$ 14,345,838</u>	<u>\$ 12,523,788</u>	<u>\$ 1,822,050</u>

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Invested in capital assets, net of related debt	<u>\$ 50,468,692</u>	<u>\$ 46,095,858</u>	<u>\$ 4,372,834</u>

NORTHWEST 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:

	June 30, 2008	June 30, 2007	Variance Positive (Negative)
Total Operating Revenues	\$ 28,744,793	\$ 27,521,611	\$ 1,223,182
Total Operating Expenses	51,819,898	48,025,167	(3,794,731)
Net Operating Loss	(23,075,105)	(20,503,556)	(2,571,549)
Nonoperating Revenues(Expenses):	25,309,864	21,799,628	3,510,236
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	2,234,759	1,296,072	938,687
Total Other Revenues, Expenses, Gains, or Losses	5,215,039	4,420,547	794,492
Change in Net Assets	7,449,798	5,716,619	1,733,179
Net Assets			
Net Assets Beginning of Year	68,897,491	63,180,872	5,716,619
Net Assets End of Year	<u>\$ 76,347,289</u>	<u>\$ 68,897,491</u>	<u>\$ 7,449,798</u>

Total operating loss for the fiscal year 2008 was \$23,075,105 while the comparable loss for fiscal year 2007 was \$20,235,911. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

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

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

Total operating revenues for fiscal year 2008 were \$28,744,793, compared to \$27,521,611 for FY 2007. Tuition and fees were \$6,503,137, compared to \$6,393,353 for FY 2007, net of the tuition discount which was \$5,747,297 for FY 2008, compared to \$5,327,120 for FY 2007. Operating expenses for FY 2008, including depreciation and amortization of \$2,176,065, totaled \$51,819,898. Operating expenses for FY 2007 totaled \$48,025,167, including depreciation of \$2,067,200.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Instructional expenditures composed 42.12% of the FY 2008 operating expenses and 42.58% of the FY 2007 operating expenses.

Revenues

Operating Revenues

Tuition and Fees

Tuition and fees includes all tuition and related fees assessed for educational purposes totaling \$12,250,434 for FY 2008, in comparison to \$11,720,473 for FY 2007. The tuition discount for the 2008 fiscal year was \$5,747,297 compared to the FY 2007 tuition discount of \$5,327,120.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2008 and June 30, 2007:

	June 30, 2008	June 30, 2007	Increase (Decrease)
Federal Sources	\$ 14,101,009	\$ 12,321,167	\$ 1,779,842
State Sources	3,500,804	4,027,762	(526,958)
Other Sources	392,787	416,157	(23,370)
Total All Sources	<u>\$ 17,994,600</u>	<u>\$ 16,765,086</u>	<u>\$ 1,229,514</u>

Sales and Services from Educational Activities

Sales and services from educational activities that totaled \$246,229 for the 2008 fiscal year as compared to \$231,191 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 Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,751,919 for the 2008 fiscal year as compared to \$3,902,834 for the 2007 fiscal year. The discount for scholarship allowance was \$3,154,123 for FY 2008 and \$2,631,352 for FY 2007.

Other operating revenues

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$248,908 for the 2008 fiscal year as compared to \$229,147 for the 2007 fiscal year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Operating Expenses

Operating expenses for FY 2008 totaled \$51,819,898 including salaries and benefits of \$32,652,734, scholarships of \$4,489,662, utilities of \$1,746,876, commodities/supplies of \$6,415,678, contractual services of \$3,676,059, travel of \$438,203, depreciation and amortization of \$2,176,065, and other operating expense of \$224,621. Operating expenses for FY 2007 totaled \$48,025,167 including salaries and benefits of \$29,766,490, scholarships of \$3,873,661, utilities of \$1,726,519, supplies of \$6,125,429, contractual services of \$3,803,480, travel of \$392,104, depreciation of \$2,067,200, and other operating expense of \$270,284.

Expenses by Function:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Instruction	\$ 21,893,249	\$ 20,448,788	\$ 1,444,461
Academic Support	1,027,979	955,615	72,364
Student Services	4,039,196	3,791,680	247,516
Institutional Support	4,815,552	4,478,688	336,864
Operations and Maintenance of Plant	7,379,861	6,492,875	886,986
Student Financial Aid	4,489,662	3,873,661	616,001
Auxiliary Enterprises	5,998,334	5,916,660	81,674
Depreciation and amortization	<u>2,176,065</u>	<u>2,067,200</u>	<u>108,865</u>
Total Operating Expenses by Function	<u>\$ 51,819,898</u>	<u>\$ 48,025,167</u>	<u>\$ 3,794,731</u>

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriation. This appropriation was for educational and general operations of the College. The College received \$19,527,864 for FY 2008 compared to \$16,448,669 for FY 2007. In addition, the College received \$1,381,532 in state appropriation restricted for capital purposes for FY 2008 as compared to \$94,161 for FY 2007. Both of these amounts increased significantly due to increases in state funding for all community colleges across the state.

Local Appropriations

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes; and the debt service portion of the appropriations for the payment of debt principal and interest. The College receives the appropriation in monthly payments, beginning in July of each year. The College received \$5,043,341 in county appropriations for FY 2008, compared to \$4,872,208 for FY 2007.

Investment Income, Net

Investment income includes the interest income earned on cash in the bank accounts and from certificates of deposit. The investment income for FY2008 was \$963,036, as compared to \$794,473 for FY2007.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Interest Expense on Capital Related Debt

Interest expense on capital asset related debt consists of the amount the College incurred during the 2008 fiscal year. The total expense was \$224,377 for FY 2008, compared to \$315,722 for FY 2007.

Other Revenues, Expenses, Gains, and Losses

State Appropriations Restricted for Capital Purposes

State Appropriations Restricted for Capital Purposes consists of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the FY 2008 was \$1,381,532, as compared to \$94,161 for FY 2007. This amount increased significantly due to state funding for the construction of an addition to the physical science building on the Senatobia campus.

Local Appropriations for Capital Purposes

The College receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities. The College received \$3,844,870 in local appropriations for capital purposes for FY 2008, compared to \$4,205,876 for FY 2007.

Capital Grants

Capital grants include revenue received from outside agencies restricted for capital projects during the fiscal year. The amount of this grant totaled \$142,099 for FY 2008 as compared to \$123,689 for FY 2007.

Other Additions (Deletions), net

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for FY 2008 was \$(153,462) compared to \$(3,179) for FY 2007.

Statement of Cash Flows

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

The Statement of Cash Flows also helps the user to assess the College's:

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year ended June 30, 2008 and June 30, 2007:

	June 30, 2008	June 30, 2007	Variance Positive (Negative)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (20,864,737)	\$ (18,848,384)	\$ (2,016,353)
Noncapital Financing Activities	24,539,503	21,269,093	3,270,410
Capital and Related Financing Activities	(1,554,807)	1,991,527	(3,546,334)
Investing Activities	1,041,623	870,402	171,221
Net Increase in Cash and Cash Equivalents	3,161,582	5,282,638	(2,121,056)
Cash and Cash Equivalents - Beginning of Year	20,547,179	15,264,541	5,282,638
Cash and Cash Equivalents - End of Year	<u>\$ 23,708,761</u>	<u>\$ 20,547,179</u>	<u>\$ 3,161,582</u>

The major sources of funds included in operating activities for FY 2008 include student tuition and fees, \$6,403,048; auxiliary enterprises, \$3,752,854; and grants and contracts, \$17,928,198. The major uses of funds for FY 2008 were payments made to employees, \$32,149,926; to suppliers, \$10,922,997; and for scholarships, \$4,489,662.

In comparison, the major sources of funds included in operating activities for FY 2007 include student tuition and fees, \$6,243,873; auxiliary enterprises, \$3,848,531; and grants and contracts, \$16,417,203. The major uses of funds for FY 2007 were payments made to employees, \$29,604,787; to suppliers, \$10,477,217; and for scholarships, \$3,873,661.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$19,481,019 in FY 2008, as compared to \$16,390,233 in FY 2007.

Significant Capital Asset Transactions

During FY 2008, there were no significant capital asset transactions.

Significant Subsequent Events

On August 21, 2008, Northwest Mississippi Community College awarded bids for the renovation of the James P. McCormick Administration Building in the amount of \$1,630,200.

Factors Impacting Future Periods

There are a number of issues that are directly impacting the community college system as a whole. The uncertainty in the level of State appropriations, the pressure to provide increases in employee compensation in order to retain and attract quality faculty and staff, 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 while minimizing increase in student tuition and fees. State appropriations continue to be the single largest source of revenue for the College and, therefore, one of the key factors influencing the College's financial condition.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2008

In addition to these operational challenges, deferred maintenance and repairs, new technology, and new construction projects to meet the continued increases in enrollment are large challenges 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.

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

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
FINANCIAL STATEMENTS

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Statement of Net Assets For the year ended June 30, 2008

Assets

Current assets

Cash and cash equivalents	\$ 10,266,871
Accounts receivable, net (note 3)	1,995,491
Inventories	845,885
Notes receivable - current portion (note 4)	81,337
Prepaid expenses	772,483

Total current assets 13,962,067

Noncurrent assets

Cash and cash equivalents	13,441,890
Notes receivable (note 4)	551,420
Unamortized bond issue costs	65,924
Capital assets, net of accumulated depreciation (note 5)	56,705,567

Total noncurrent assets 70,764,801

Total Assets 84,726,868

Liabilities

Current liabilities

Accounts payable and accrued liabilities	1,960,179
Long-term liabilities - current portion (note 8)	945,000
Other current liabilities	31,956

Total current liabilities 2,937,135

Noncurrent liabilities

Deposits refundable (note 8)	84,645
Deferred loss on bond refunding (note 8)	(52,201)
Long-term liabilities, non-current portion (note 8)	5,410,000

Total noncurrent liabilities 5,442,444

Total Liabilities 8,379,579

Net Assets

Invested in capital assets, net of related debt	50,468,692
Restricted expendable	
Unemployment compensation fund	110,744
Capital projects	13,536,513
Debt service	698,581
Unrestricted	11,532,759

Total Net Assets \$ 76,347,289

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position For the year ended December 31, 2007

Assets

Current assets:

Cash	\$ 2,189
Investments	<u>1,123,048</u>
Total current assets	<u>1,125,237</u>

Noncurrent assets:

Cash	108,032
Investments	<u>3,751,794</u>
Total noncurrent assets	<u>3,859,826</u>

Total Assets	<u>\$ 4,985,063</u>
---------------------	----------------------------

Liabilities

Current liabilities:

Accounts payable	<u>\$ 18,642</u>
Total current liabilities	<u>18,642</u>

Net assets

Unrestricted	2,002
Temporarily restricted	1,104,592
Permanently restricted	<u>3,859,827</u>
Total net assets	<u>4,966,421</u>
Total Liabilities & Net Assets	<u>\$ 4,985,063</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Statement of Revenues, Expenses, and Changes in Net Assets For the year ended June 30, 2008

Operating Revenues

Tuition and fees (net of scholarship allowances of \$5,747,297)	\$	6,503,137
Federal grants and contracts		14,101,009
State grants and contracts		3,500,804
Nongovernmental grants and contracts		392,787
Sales and services of educational departments		246,229
Auxiliary enterprises:		
Student housing (net of scholarship allowance of \$526,298)		595,512
Food services (net of scholarship allowances of \$737,244)		834,201
Bookstore (net of scholarship allowances of \$1,890,581)		2,139,215
Other auxiliary revenues		182,991
Other operating revenues		248,908
Total Operating Revenues		28,744,793

Operating Expenses

Salaries and wages	25,418,219
Fringe benefits	7,234,515
Travel	438,203
Contractual services	3,676,059
Utilities	1,746,876
Scholarships and fellowships	4,489,662
Commodities	6,415,678
Depreciation	2,176,065
Other operating expense	224,621
Total Operating Expenses	51,819,898
Operating Income (Loss)	(23,075,105)

Nonoperating Revenues (Expenses)

State appropriations	19,527,864
Local appropriations	5,043,341
Investment income	963,036
Interest expense on capital asset-related debt	(224,377)
Total Net Nonoperating Revenues (Expenses)	25,309,864

Income (Loss) Before Other Revenues, Expenses, Gains, and Losses

	2,234,759
State appropriations restricted for capital purposes	1,381,532
Local appropriations for capital purposes	3,844,870
Capital grants and contracts	142,099
Other additions (deletions) net	(153,462)
Change in Net Assets	7,449,798

Net Assets

Net Assets - Beginning of Year	68,897,491
Net Assets - End of Year	\$ 76,347,289

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Activities For the year ended December 31, 2007

Changes in unrestricted net assets	
Donations	\$ 4,695
In-kind donations	267,162
	<hr/>
Total unrestricted support	271,857
Net assets released from restrictions	3,547
	<hr/>
Total unrestricted revenue gains and other support	275,404
	<hr/>
Expenses and Losses	
Like-kind payroll expense	173,476
Like-kind education related expense	93,686
Scholarships	2,338
Other related expenses	9,261
	<hr/>
Total expenses	278,761
	<hr/>
Decrease in unrestricted net assets	(3,357)
	<hr/>
Changes in temporarily restricted assets	
Contributions	235,222
Interest and dividends (net of management fees)	160,745
Fundraisers (net)	47,500
Net unrealized gain on investment	138,868
Education related activities	(88,556)
Scholarships	(195,159)
Net assets released from restrictions	(125,738)
	<hr/>
Increase in temporarily restricted assets	172,882
	<hr/>
Changes in permanently restricted assets	
Contributions	207,088
Transfers from temporarily restricted assets (net)	122,191
	<hr/>
Increase in permanently restricted assets	329,279
	<hr/>
Increase in total net assets	498,804
Net Assets - Beginning of Year	4,467,617
	<hr/>
Net Assets - End of Year	\$ 4,966,421
	<hr/> <hr/>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Statement of Cash Flows For the year ended June 30, 2008

Cash Flows from Operating Activities

Tuition and fees	\$ 6,403,048
Grants and contracts	17,928,198
Sales and services of educational departments	246,229
Payments to suppliers	(10,922,997)
Payments to employees for salaries and benefits	(32,149,926)
Payments to utilities	(1,746,876)
Payments for scholarships and fellowships	(4,489,662)
Auxiliary enterprise charges:	
Residence halls	596,447
Food services	834,201
Bookstore	2,139,215
Other	182,991
Other receipts (payments)	114,395
Net Cash Provided (Used) by Operating Activities	<u>(20,864,737)</u>

Cash Flows from Noncapital Financing Activities

State appropriations	19,481,019
Local appropriations	5,058,872
Agency transfers-in	70,234
Agency transfers-out	(70,622)
Federal loan receipts	3,916,929
Federal loan disbursements	<u>(3,916,929)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>24,539,503</u>

Cash Flows from Capital and Related Financing Activities

Capital appropriations received	3,859,636
Capital grants and contracts received	142,099
Cash paid for capital assets	(4,420,829)
Proceeds from capital debt	2,855,000
Principal paid on capital debt and leases	(3,620,000)
Capital debt interest paid	(295,371)
Bond issue costs	<u>(75,342)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,554,807)</u>

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	16,000,000
Purchases of investments	(16,000,000)
Interest received on investments	963,036
Collection on note receivable	<u>78,587</u>
Net Cash Provided (Used) by Investing Activities	<u>1,041,623</u>

Net Increase (Decrease) in Cash and Cash Equivalents

3,161,582

Cash and Cash Equivalents - Beginning of Year

20,547,179

Cash and Cash Equivalents - End of Year

\$ 23,708,761

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

NORTHWEST 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)	<u>\$ (23,075,105)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	2,176,065
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables, net	(8,684)
Inventories	(46,822)
Prepaid expenses	(266,272)
Increase (decrease) in liabilities:	
Accounts payable	589,988
Deferred revenues	(234,842)
Deposits refundable	935
Total adjustments	<u>2,210,368</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (20,864,737)</u>
Noncash Investing, Capital, and Financing Activities	
Payments by state on construction	<u>\$ 1,381,532</u>
Total	<u><u>\$ 1,381,532</u></u>
Cash and cash equivalents classified as current assets	\$ 10,266,871
Cash and cash equivalents classified as noncurrent assets	<u>13,441,890</u>
Total Cash and Cash Equivalents	<u>\$ 23,708,761</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Cash Flows
For the year ended December 31, 2007

Cash Flows from Operating Activities

Changes in total net assets \$ 498,804

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Contributions restricted for endowments	(234,980)
Noncash in-kind donations	267,162
Noncash in-kind expenses	(267,162)
Unrealized gains on investments	138,868
(Increase) decrease in accounts receivable	10,300
Increase (decrease) in accounts payable	(2,037)

Net Cash Used by Operating Activities 410,955

Cash Flows from Investing Activities

Investments purchased	(621,668)
Investments sold	<u>215,911</u>

Net Cash Provided by Investing Activities (405,757)

Net Increase (Decrease) in Cash and Cash Equivalents 5,198

Cash and Cash Equivalents - Beginning of Year 105,023

Cash and Cash Equivalents - End of Year \$ 110,221

The Foundation paid no income tax or interest during 2007

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements For the year ended June 30, 2008

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

Northwest Mississippi Community College Foundation (Foundation) -- The Northwest Mississippi Community College Foundation is a nonprofit organization founded in 1975 and is located on the Northwest Mississippi Community College's campus. Its purpose is to raise funds to assist the college in performing its mission and to provide scholarships for qualifying students of Northwest Mississippi Community College. The Foundation has in the past raised funds by seeking donations and sponsoring fund-raising events.

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

During the year ended June 30, 2008, the Foundation distributed \$197,497 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation financial statements are presented at the end of Northwest Mississippi Community College's Notes to Financial Statements. Complete financial statements for the Foundation can be obtained at: 4975 Hwy 51 North; Senatobia, Mississippi.

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 Colleges and*

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to Financial Statements
For the year ended June 30, 2008**

Universities, issued in June and November, 1999, respectively. The College 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. All significant intra-agency transactions have been eliminated.

D. Cash and Cash Equivalents.

For the purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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 receivable are recorded net of allowances for doubtful accounts.

G. Inventories.

Inventories consist of bookstore, agriculture, and food service supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.

H. Prepaid Expenses.

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

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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to Financial Statements
For the year ended June 30, 2008**

J. Notes Receivable.

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the DeSoto Center facility in Southaven, Mississippi. The note bears interest at the rate of 3.5% and is to be repaid in twelve annual installments.

K. 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.

L. 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.

M. Compensated Absences.

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

N. 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, local appropriations, and investment income.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2008

O. State Appropriations.

The 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, weighted 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.

P. 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.

Q. 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 asset balance of \$11,532,759 at June 30, 2008, includes \$845,885 reserved for inventories and a remaining amount of \$10,686,874.

Restricted resources are used first to fund an expense for the purposes for which both restricted and unrestricted net assets are available.

2. Cash and Cash Equivalents.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements For the year ended June 30, 2008

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 of the Miss. Code Ann. (1972). Under this program, the College's funds are protected through a collateral pool administered by the State Treasurer. Financial Institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2008, none of the College's bank balance of \$24,832,876 was exposed to custodial credit risk.

3. Accounts Receivable.

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

Student tuition	\$ 2,342,224
Federal, state, and private grants and contracts	1,350,943
State appropriations	330,244
Local appropriations	217,599
Other	<u>35,481</u>
Total Accounts Receivable	4,276,491
Less allowance for doubtful accounts	<u>2,281,000</u>
Net Accounts Receivable	<u><u>\$ 1,995,491</u></u>

4. Notes Receivable.

Notes receivable represent the University of Mississippi's share of the cost of expansion of the DeSoto Center facility in Southaven, Mississippi. The original amount of the note was \$1,000,000, bears interest at the rate of 3.5%, and is to be received in twelve annual payments of \$103,484. The total principal to be received as of June 30, 2008, was:

Current portion	\$ 81,337
Noncurrent portion	<u>551,420</u>
Total Notes Receivable	<u><u>\$ 632,757</u></u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to 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	Deletions	Completed Construction/ Adjustments	Ending Balance 6/30/2008
Nondepreciable Capital Assets:					
Land	\$ 5,061,790	\$ 248,243	\$ 14,520	\$ -	\$ 5,295,513
Construction in progress	842,020	4,177,327	-	(1,887,243)	3,132,104
Livestock	69,425	5,852	10,927	-	64,350
Total Nondepreciable Capital Assets	5,973,235	4,431,422	25,447	(1,887,243)	8,491,967
Depreciable Capital Assets					
Improvements other than buildings	5,630,111	3,335	-	751,176	6,384,622
Buildings	59,628,947	506,977	206,755	1,136,067	61,065,236
Equipment	7,389,190	674,325	124,420	-	7,939,095
Library books	2,360,746	192,154	74,616	-	2,478,284
Total Depreciable Capital Assets	75,008,994	1,376,791	405,791	1,887,243	77,867,237
Less: Accumulated Depreciation for:					
Improvements other than buildings	1,954,546	231,451	-	-	2,185,997
Buildings	18,146,044	1,274,822	77,364	-	19,343,502
Equipment	5,917,814	513,464	119,944	-	6,311,334
Library books	1,747,967	139,453	74,616	-	1,812,804
Total Accumulated Depreciation	27,766,371	2,159,190	271,924	-	29,653,637
Total Depreciable Capital Assets, Net	47,242,623	(782,399)	133,867	1,887,243	48,213,600
Capital Assets, Net	\$ 53,215,858	\$ 3,649,023	\$ 159,314	\$ -	\$ 56,705,567

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE**Notes to Financial Statements
For the year ended June 30, 2008****6. 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>Total Costs To Complete</u>	<u>Funded by</u>	
		<u>State Sources</u>	<u>Institutional Funds</u>
Physical science building	\$ 4,775,649	\$ 4,775,649	\$ -
Oxford center expansion	1,039,111	-	1,039,111
Child care facility	1,472,474		1,472,474
South alumni drive	233,484		233,484
	<u>\$ 7,520,718</u>	<u>\$ 4,775,649</u>	<u>\$ 2,745,069</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2008:

Employee salary and benefits	\$ 1,519,446
Payments to suppliers and contractors	235,196
Interest on capital-related debt	38,394
Amounts due to students	<u>167,143</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 1,960,179</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2008

8. Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2008. Bond premiums and discounts, as well as issuance costs are amortized over the life of the bonds using the straight-line method.

Information regarding original issue amounts, interest rates, and maturity dates for bonds and notes included in long-term liabilities balance at June 30, 2008, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance July 1, 2007	Additions	Payments & Deletions	Balance June 30, 2008	Due Within One Year
Bonded Debt								
Educational Facilities Bonds, Series 2003	\$ 2,580,000	1.15% to 2.40%	2008	\$ 865,000	\$ -	\$ 430,000	\$ 435,000	\$ 435,000
Educational Facilities Bonds, Series 2007	2,855,000	3.75% to 3.95%	2015	-	2,855,000	20,000	2,835,000	285,000
Total Bonded Debt				<u>865,000</u>	<u>2,855,000</u>	<u>450,000</u>	<u>3,270,000</u>	<u>720,000</u>
Notes Payable								
Educational Facilities Notes, Series 2000	4,000,000	4.80% to 6.5%	2015	2,965,000	-	2,965,000	-	-
Educational Facilities Notes, Series 2002	4,000,000	3.25% to 4.45%	2018	3,290,000	-	205,000	3,085,000	225,000
Total Notes Payable				<u>6,255,000</u>	<u>-</u>	<u>3,170,000</u>	<u>3,085,000</u>	<u>225,000</u>
Other Long-Term Liabilities								
Student deposits refundable				83,710	87,325	86,390	84,645	-
Deferred loss on bond refunding				-	(59,658)	(7,457)	(52,201)	-
Totals				<u>\$ 7,203,710</u>	<u>\$ 2,882,667</u>	<u>\$ 3,698,933</u>	<u>\$ 6,387,444</u>	<u>\$ 945,000</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2008

Long-term Liabilities (continued)

Year Ending June 30	Bonded Debt	Notes	Interest	Total
2009	\$ 720,000	\$ 225,000	\$ 236,584	\$ 1,181,584
2010	300,000	245,000	211,759	756,759
2011	400,000	265,000	191,224	856,224
2012	420,000	290,000	165,805	875,805
2013	455,000	320,000	138,689	913,689
2014-2018	975,000	1,740,000	253,900	2,968,900
Totals	<u>\$ 3,270,000</u>	<u>\$ 3,085,000</u>	<u>\$ 1,197,961</u>	<u>\$ 7,552,961</u>

General Obligation Educational Facilities Refunding Bonds, Series 2007.

On July 9, 2007, the College issued General Obligation Educational Facilities Refunding Bonds, Series 2007, in the amount of \$2,855,000. The purpose of these bonds is to provide funds for the advance refunding of \$2,720,000 of the College's General Obligation Education Facilities Notes, Series 2000.

The debt service requirements of the new debt is \$3,671,567 and the debt service requirements of the refunded debt was \$3,724,025. This represents an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$55,475 or 2.04%.

Bond issue costs/bond discounts are reported as assets and are being amortized over the remaining life of the bonds using the straight-line method. These costs are being amortized at the rate of \$9,418 per year with a balance remaining at June 30, 2008 of \$65,924.

Deferred loss on bond refunding is reported as a contra-liability account. The deferred loss represents the difference between the reacquisition price and the net carrying amount of the debt. This amount is being amortized over the remaining life of the bonds using the straight-line method at a rate of \$7,457 per year with a balance remaining at June 30, 2008 of \$52,201.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2008

9. Natural Classifications with Functional Classifications

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

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 15,674,092	\$ 3,985,688	\$ 197,981	\$ 1,313,900	\$ 31,496	\$ -	\$ 690,092	\$ -	\$ -	\$ 21,893,249
Academic support	701,453	196,289	3,219	34,353	-	-	92,665	-	-	1,027,979
Student services	2,522,999	678,228	169,906	353,969	-	-	280,587	-	33,507	4,039,196
Institutional support	2,761,590	837,617	64,735	804,475	-	-	196,163	-	150,972	4,815,552
Operation of plant	2,543,868	1,003,639	1,147	1,014,707	1,366,228	-	1,450,026	-	246	7,379,861
Student aid	-	-	-	-	-	4,489,662	-	-	-	4,489,662
Auxiliary enterprises	1,214,217	533,054	1,215	154,655	349,152	-	3,706,145	-	39,896	5,998,334
Depreciation	-	-	-	-	-	-	-	2,176,065	-	2,176,065
Total Operating Expenses	\$ 25,418,219	\$ 7,234,515	\$ 438,203	\$ 3,676,059	\$ 1,746,876	\$ 4,489,662	\$ 6,415,678	\$ 2,176,065	\$ 224,621	\$ 51,819,898

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements For the year ended June 30, 2008

10. Pension Plan.

Plan description – The Northwest Mississippi Community College participates in the Public Employee's 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 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 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirement of PERS members is 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 \$2,822,457, \$2,452,402, and \$2,186,925, respectively, equal to the required contributions for each year.

11. Risk Management.

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

12. Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2008, the fund was adequately funded with a balance of \$110,744

13. Concentrations.

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

14. Contingencies.

The College is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the College with respect to the various proceedings.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2008

However, the College's legal counsel believes that the ultimate liability resulting from these lawsuits will not have a material adverse effect of the financial position of the College.

15. Consistency Between Years.

There may be inconsistencies in classifications between years in the grouping of assets, liabilities, revenues, and expenses.

16. Subsequent Events.

On August 21, 2008, the College awarded bids for the renovation of the James P. McCormick Administration Building in the amount of \$1,630,200.

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2007

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

Organization

The Northwest Mississippi Community College Foundation (the Foundation) is a nonprofit organization located on the Northwest Mississippi Community College's (NWCC) campus. Its purpose is to raise funds to assist the College to perform its mission and to provide scholarships for qualifying students of Northwest Mississippi Community College. The Foundation is a component unit of the college. The Foundation has in the past raised funds by seeking donations and sponsoring fund-raising events.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily unrestricted, or permanently restricted support depending on the existence and nature of any donor restrictions. When a stipulated time restriction ends or when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as "net assets released from restrictions."

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2007

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) of the 1986 Internal Revenue Code and from state income taxes by the Mississippi State Tax Commission. The Foundation is not classified by the Internal Revenue Service as a private foundation.

Investments

The surplus funds are invested in Merrill Lynch managed holding accounts and bank certificates.

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 or 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.

Volunteer Labor

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

Method of Accounting

The accrual method of accounting is used in recording all transactions. This concept attempts to match current expenses against current revenues in determining financial position at any given point in time.

2. Office Space

The Foundation receives free use of office space in the Northwest Mississippi Community College's administrative building. No amount has been included in the financial statement for this use of facilities.

3. Investments

Investments made by the Foundation that are included on the balance sheet are summarized below at fair market values:

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2007

	Fair Value
Bank certificate of deposit	\$ 84,814
Security capital corporation	2,485
 Merrill Lynch Managed Holdings:	
EMA	312
EMA / Lord Abbett Taxable	1,496,946
EMA / Neuberger Berman Taxable Int.	1,229,300
EMA / NFS Inst. LCTV	692,964
EMA / Nuveen Rittenhouse, LCG	696,938
EMA / Blackrock, LCC	439,941
EMA / Invesco Inc. Intl. Value	231,142
 <u>Total Mutual Funds</u>	 <u>4,787,543</u>
 <u>Total Investments</u>	 <u>\$ 4,874,842</u>

The following schedule summarizes the investment return and its classification in the statement of activities.

Type	Total	Temporarily Restricted
Dividend and Interest Income	\$ 160,746	\$ 160,746

Merrill Lynch nets its fees out of income and did not report them separately.

4. Educational Related Activities

The following expenses that were paid for Northwest Mississippi Community College were grouped as educational related activity.

	2007
Supplies for NWCC programs	\$ 55,165
Student account related expenses	46,245
NWCC program travel related expenses	6,754
 Total Educational Related Expenses	 <u>\$ 108,164</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2007

5. Fund Raising Revenue and Expense

The following revenue and expenses are a result of fundraising activities:

	2007		
	Revenue	Expenses	Net
Campaign golf tournament	\$ 42,045	\$ 30,013	\$ 12,032
Football	33,919	12,325	21,594
Golf	11,575	4,585	6,990
Rodeo	28,259	23,973	4,286
Alumni golf	6,010	3,412	2,598
Total	<u>\$ 121,808</u>	<u>\$ 74,308</u>	<u>\$ 47,500</u>

6. Other Concentrations

- A. The Foundation is dependent on receiving donations in order to grow and increase its mission. It could possibly maintain its current level of operation without receiving the current level donations.
- B. Many of the donations come from former students, faculty and their families, and friends of Northwest Mississippi Community College. Other donations come from civic-minded citizens and businesses in the community college's service area.

7. Related Party Transactions

One board member's family owns and operates two golfing facilities in the area, Plantation Golf Club and Cherokee Valley Golf Club. During the year, the Foundation paid Cherokee \$7,310 in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative. (See Note 8)

8. 2+2 Scholarship Initiative

In 2003, the Foundation's board approved a partnership arrangement with the University of Mississippi Foundation (UM). The goal of this arrangement is to raise \$1,125,000 to use for scholarships to benefit residents of DeSoto County attending the DeSoto Center campus. Northwest Mississippi Community College provides for the first two years of education and the UM provides the next two years. This partnership is known as the 2+2 Scholarship Initiative. The UM will receive 75% of these funds and the Foundation will receive 25%.

During the current year, the Foundation sent the UM \$7,715 of funds from the 2+2 Golf Tournament and other 2+2 donations. A payable in the amount of \$18,642 has been set up for amounts the Foundation is holding for the UM.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

For the Year Ended December 31, 2007

The NWCC Foundation receives funds and pays all expenses related to the 2+2 Scholarship Initiative Golf Tournament. The UM Foundation receives other contributions related to the 2+2 Scholarship Initiative. Funds are being divided on a timely basis.

9. Royalty Agreement

In May 2005, the Foundation entered an agreement with Pearson Education Publishing, allowing Northwest Mississippi Community College to customize mathematics textbooks. Over the next three years, Northwest Mississippi Community College will attempt to sell 7,500 of these books. During the current year, Northwest Mississippi Community college sold 2,049 books. The Foundation receives \$10 per book royalty. The royalty income is designated for use by the mathematics department. The receivable has not been recorded on the Foundation's general ledger because the condition of future book sales has not been met.

10. In-Kind Donations

Northwest Mississippi Community College provides staffing for the Foundation. The amount attributable to this expense totaled \$267,162.

11. Revised Auditor Report

The 2006 report was originally issued on February 13, 2007. It has been reissued at the request of management to reformat the financial statements and reclassify certain individual items to provide more detail.

The 2006 statement of cash flows was reformatted to include all funds.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 415,235
Federal Family Education Loans (FFEL)	(2) 84.032		2,048,069
Federal Work-Study Program (FWS)	84.033		272,912
Federal Pell Grant Program	84.063		10,600,634
Academic Competitiveness Grant	84.375		203,568
Total U.S. Department of Education Student Financial Aid Cluster			13,540,418
Pass-through programs from:			
Mississippi State Board for Community and Junior Colleges			
Adult Education - Basic Grants to States	84.002	6903	543,232
Mississippi Department of Education			
Career and Technical - Basic Grants to States	84.048	6903	424,803
Tech-Prep Education	84.243	6903	43,171
Board of Trustees of Institutions of Higher Learning			
Leveraging Educational Assistance Partnership	84.069	002427	5,701
TRIO - Student Support Services	84.042		266,352
Total U.S. Department of Education			14,823,677
<u>U.S. Department of Labor</u>			
WIA - Cluster:			
Pass-through Programs from:			
South Delta Planning and Development District			
WIA - Adult Program	17.258	05-213-200	72,440
WIA - Dislocated Workers	17.260	05-213-200	31,840
Three Rivers Planning and Development District			
WIA - Adult Program	17.258	05-09-10	705,400
WIA - Youth Activities	17.259	05-09-10	49,239
WIA - Dislocated Workers	17.260	05-09-10	546,570
Total U.S. Department of Labor WIA Cluster			1,405,489
Pass-through Programs from:			
Mississippi Department of Employment Security			
Employment Service/Wagner-Peyser Funded Activities	17.207		18,565
Total U.S. Department of Labor			1,424,054

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Veterans Administration</u>			
Veterans Administration Reporting Fee	64.XXX		1,452
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs from:			
Mississippi Development Authority- The Montgomery Institute Community Development Block Grants	14.228		11,797
Total Expenditures of Federal Awards			\$ 16,260,980

Notes to the Schedule of Expenditures of Federal Awards:

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:

1. Expenditures include applicable amounts of transfers out;
2. For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



WILLIAMS • PITTS • BEARD, PLLC
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Dr. Gary Lee Spears, President
and Board of Trustees
Northwest Mississippi Community College
Senatobia, Mississippi

We have audited the financial statements of the Northwest Mississippi Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. We did not audit the financial statements of the discretely presented component unit, Northwest Mississippi Community College Foundation, Inc. (the Foundation), which represents 100% of the assets and revenues of the discretely presented component units. 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 Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Mississippi Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control 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 College'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 College's financial statements that is more than inconsequential will not be prevented or detected by the College'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.

Continued...

Continued...

Our consideration of 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 internal control that might be significant deficiencies or 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 or other matters that are required to be reported under *Government Auditing Standards*.

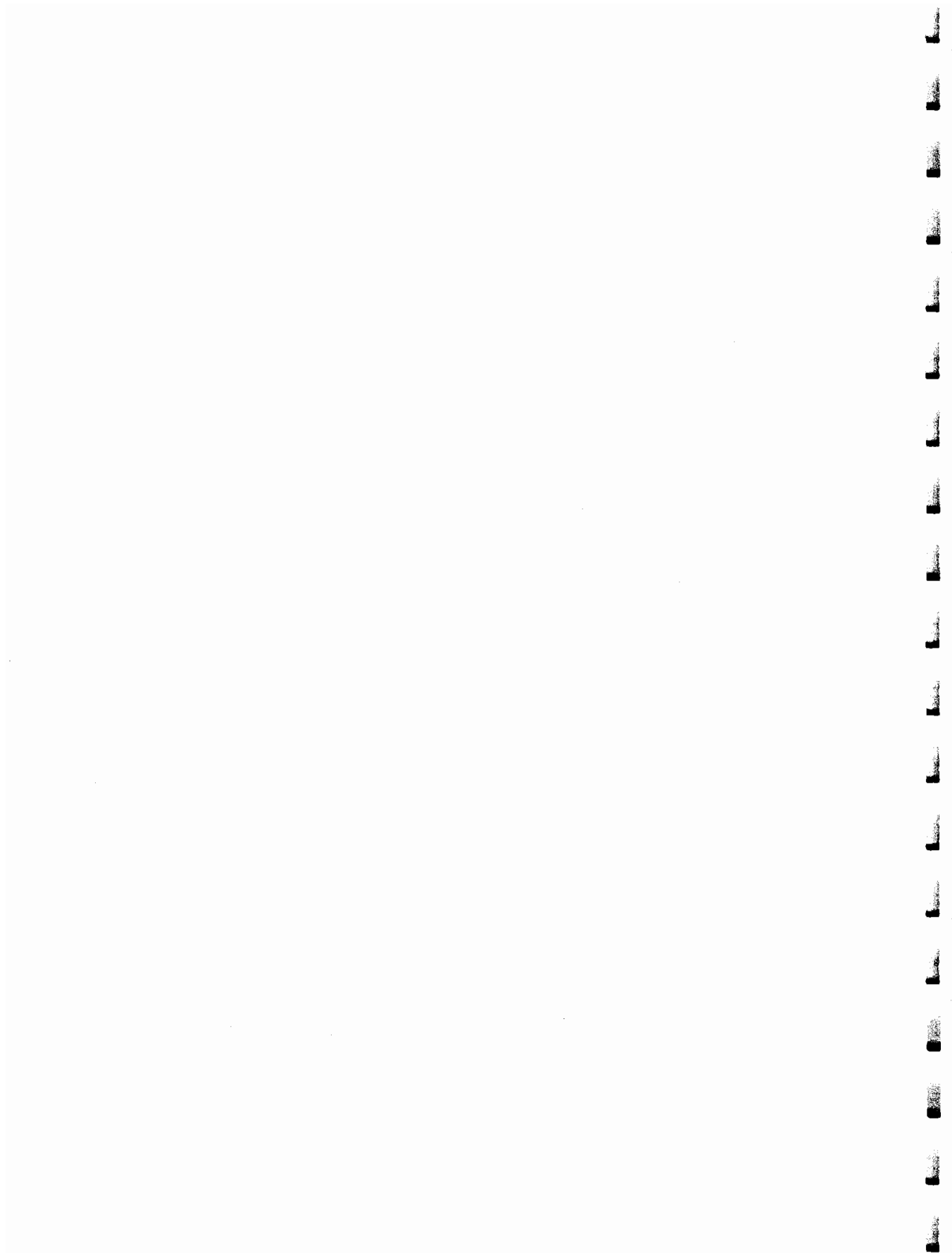
This report is intended solely for the information and use of the Board of Trustees and management, entities with accreditation oversight, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this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

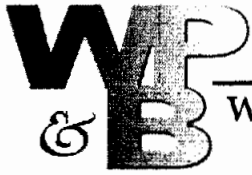
Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

October 28, 2008





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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Dr. Gary Lee Spears, President
and Board of Trustees
Northwest Mississippi Community College
Senatobia, Mississippi

Compliance

We have audited the compliance of Northwest 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 auditor's 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, Northwest 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.

Continued...

Continued...

Internal Control Over Compliance

The management of the Northwest 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.

A control deficiency in an entity's internal 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 College'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.

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.

Our consideration of the internal control 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses as defined above.

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

October 28, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Dr. Gary Lee Spears, President
and Board of Trustees
Northwest Mississippi Community College
Senatobia, Mississippi

We have audited the financial statements of the Northwest Mississippi Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. 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.

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

The results of 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 Board of Trustees and management, 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
October 28, 2008

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for
major federal programs: Unqualified
5. Internal control over major programs:
 - a. Material weakness (es) identified? No
 - b. Significant deficiencies identified that are
not considered to be material weaknesses? None Reported
6. Any audit finding(s) reported as required by
section ____ .510(a) of OMB Circular A-133? No
7. Federal programs identified as major programs:
 - a. Student Financial Aid Cluster
CFDA #84.007
CFDA #84.032
CFDA #84.033
CFDA #84.063
CFDA #84.375
 - b. Vocational Education – State Grant Program

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2008

CFDA #84.048

8. The dollar threshold used to distinguish between Type A and Type B programs: \$426,387
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit prior finding(s) and questioned cost 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: Findings Related to the Financial Statements

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

Section 3: Findings Related to Federal Awards

The results of our tests did not disclose any findings and questioned costs related to the federal awards.