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**FINANCIAL STATEMENTS**  
**ITAWAMBA COMMUNITY COLLEGE**

**For the Year Ended**  
**June 30, 2012**

# ITAWAMBA COMMUNITY COLLEGE

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

Board of Directors  
Itawamba Community College

We have audited the accompanying financial statements of Itawamba Community College and Itawamba Community College Foundation, Inc. as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Itawamba Community College's and Itawamba Community College Foundation, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit. Itawamba Community College Foundation, Inc. is a discretely presented component unit of Itawamba Community College. The financial statements of Itawamba Community College Foundation, Inc. are presented in comparative form and report the financial position of the Foundation for the June 30, 2012 and 2011 fiscal years.

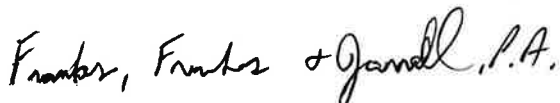
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Itawamba Community College Foundation, Inc. were not audited in accordance with Governmental 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Itawamba Community College and its discretely presented component unit, Itawamba Community College Foundation, Inc., as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Management Discussion and Analysis also contains information from June 30, 2011. We previously audited in accordance with generally accepted auditing standards accepted in the United States of America, the financial statements for the year ended June 30, 2011 (not included herein); and we expressed opinions on those statements. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated, December 4, 2012 on our consideration of Itawamba Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Itawamba Community College's basic financial statements. The accompanying Schedule of Federal Financial Assistance is presented 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 of Itawamba Community College. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Franks, Franks & Jarrell, P.A.".

FRANKS, FRANKS & JARRELL, P.A.  
December 4, 2012

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

This section of the Itawamba Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal years ended June 30, 2012 and 2011. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

### **Using the Annual Report**

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

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net 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.

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Condensed Statement of Net Assets**  
June 30, 2012 and 2011

|                                 | <u>2012</u>          | <u>2011</u>          |
|---------------------------------|----------------------|----------------------|
| <b>Assets</b>                   |                      |                      |
| Current Assets                  | \$ 33,747,013        | \$ 37,515,322        |
| Noncurrent Assets               | <u>76,181,969</u>    | <u>66,969,251</u>    |
| Total Assets                    | <u>109,928,982</u>   | <u>104,484,573</u>   |
| <b>Liabilities</b>              |                      |                      |
| Current Liabilities             | 5,932,889            | 7,019,456            |
| Noncurrent Liabilities          | <u>9,959,466</u>     | <u>11,474,478</u>    |
| Total Liabilities               | <u>15,892,355</u>    | <u>18,493,934</u>    |
| <b>Net Assets</b>               |                      |                      |
| Invested in Capital Assets, Net | 64,280,080           | 53,456,251           |
| Restricted:                     |                      |                      |
| Expendable                      | 6,940,291            | 7,001,696            |
| Unrestricted                    | <u>22,816,256</u>    | <u>25,532,692</u>    |
| Total Net Assets                | <u>\$ 94,036,627</u> | <u>\$ 85,990,639</u> |

**Assets**

**Current Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$23,113,771 and \$5,342,086 at June 30, 2012 and 2011, respectively.

**Short-term Investments**

Short-term investments consist of certificates of deposit with financial institutions. The total amount of short-term investments reported as current assets on the College financial statements were \$714,509 and \$22,207,995 at June 30, 2012 and 2011, respectively.

**Accounts Receivable**

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$8,295,087 and \$8,669,269 at June 30, 2012 and 2011, respectively.



**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Inventories**

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories maintained for internal departmental use include postage, fuel, and office supplies which make up the balance of the recorded inventory. Inventories totaled \$1,623,521 and \$1,289,448 at June 30, 2012 and 2011, respectively.

**Noncurrent assets**

**Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2012 and 2011. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$75,693,080 and \$66,419,251 at June 30, 2012 and 2011, respectively.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities represent amounts due at June 30, 2012 and 2011 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$3,790,730 and \$4,363,784 at June 30, 2012 and 2011, respectively.

**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, 2012 and 2011 fiscal years. The deferred revenue totaled \$621,575 and \$1,101,950 at June 30, 2012 and 2011, respectively.

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2012 and 2011 fiscal years. The amount of the current portion of long-term debt at June 30, 2012 and 2011 was \$1,520,584 and \$1,553,722, respectively.

**Noncurrent Liabilities**

**Deposits**

Deposits represents the deposits paid by students for reservation for and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon checkout at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$67,050 and \$65,200 at June 30, 2012 and 2011, respectively.

**Long-Term Liabilities**

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the noncurrent portion of long-term debt was \$9,892,416 and \$11,409,278 at June 30, 2012 and 2011, respectively.

# ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## **Net Assets**

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2012 and 2011 were \$94,036,627 and \$85,990,639, respectively.

## **Analysis of Net Assets**

Restricted nonexpendable net assets consist of endowment gifts with specific restrictions on spending the principal given.

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

The following is a breakdown of the restricted net assets:

|                             | <u>2012</u>         | <u>2011</u>         |
|-----------------------------|---------------------|---------------------|
| Debt Service                | \$ 48,532           | \$ 402,721          |
| Capital Projects            | 5,964,176           | 5,946,392           |
| Other                       | <u>927,583</u>      | <u>652,583</u>      |
| Total Restricted Net Assets | <u>\$ 6,940,291</u> | <u>\$ 7,001,696</u> |

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

The following is a breakdown of the unrestricted net assets:

|                               | <u>2012</u>          | <u>2011</u>          |
|-------------------------------|----------------------|----------------------|
| Unrestricted General Fund     | \$ 13,526,540        | \$ 14,175,114        |
| Unrestricted Auxiliary Funds  | <u>9,289,716</u>     | <u>11,357,578</u>    |
| Total Unrestricted Net Assets | <u>\$ 22,816,256</u> | <u>\$ 25,532,692</u> |

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

For the year ended June 30, 2012 and 2011

|                               | <u>2012</u>         | <u>2011</u>         |
|-------------------------------|---------------------|---------------------|
| <b>Operating Revenues:</b>    |                     |                     |
| Tuition and Fees              | \$ 15,090,619       | \$ 15,979,546       |
| Grants and Contracts          | 29,677,825          | 37,620,899          |
| Auxiliary Enterprises         | 9,350,583           | 10,473,780          |
| Other Operating Revenues      | <u>1,655,337</u>    | <u>1,028,516</u>    |
| Total Operating Revenues      | <u>55,774,364</u>   | <u>65,102,741</u>   |
| Operating Expenses            | <u>84,649,905</u>   | <u>91,328,872</u>   |
| Operating Loss                | <u>(28,875,541)</u> | <u>(26,226,131)</u> |
| <b>Nonoperating Revenues:</b> |                     |                     |
| State Appropriations          | 21,299,000          | 19,099,519          |
| Local Appropriations          | 5,295,657           | 5,184,663           |

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Noncapital Gifts                               | \$ 5,293,007         | \$ 819,632           |
| Investment Income, Net                         | 5,535                | 29,609               |
| Interest expense on capital asset-related debt | (189,507)            | (616,289)            |
| Other Nonoperating Revenues                    | <u>7,435</u>         | <u>23,795</u>        |
| Net Nonoperating Revenues                      | <u>31,711,127</u>    | <u>24,540,929</u>    |
| Income (Loss) Before Other Revenues            | 2,835,586            | (1,685,202)          |
| Appropriations restricted for capital purposes | <u>5,210,402</u>     | <u>8,518,881</u>     |
| Total Other Revenues                           | <u>5,210,402</u>     | <u>8,518,881</u>     |
| Total Increase in Net Assets                   | 8,045,988            | 6,833,679            |
| <b>Net Assets</b>                              |                      |                      |
| Net Assets at Beginning of Year                | <u>85,990,639</u>    | <u>79,156,960</u>    |
| Net Assets at End of Year                      | <u>\$ 94,036,627</u> | <u>\$ 85,990,639</u> |

Total operating loss for the fiscal year 2012 and 2011 was \$28,875,541 and \$26,226,131, respectively. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2012 and 2011 were \$55,774,364 and \$65,102,741, respectively. Tuition and fees were \$15,090,619 and \$15,979,546, respectively. The tuition discount was \$2,946,447 and \$2,669,500, respectively. Operating expenses, including depreciation and amortization of \$2,638,615 and \$2,467,603, totaled \$84,649,905 and \$91,328,872, respectively. Of this total \$30,615,548 and \$31,833,600 or 36% and 35% was for instruction.

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$15,090,619 and \$15,979,546 for June 30, 2012 and 2011. The tuition discount for the 2012 and 2011 fiscal years was \$2,946,447 and \$2,669,500, respectively.

# ITAWAMBA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## **Grants and Contracts**

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2012 and 2011:

|                   | <u>2012</u>          | <u>2011</u>          |
|-------------------|----------------------|----------------------|
| Federal Sources   | \$ 25,436,456        | \$ 33,008,098        |
| State Sources     | <u>4,241,369</u>     | <u>4,612,801</u>     |
| Total All Sources | <u>\$ 29,677,825</u> | <u>\$ 37,620,899</u> |

## **Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$1,071,210 and \$486,836 for the 2012 and 2011 fiscal years.

## **Auxiliary Enterprises**

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

Auxiliary enterprises primarily include the College bookstore, food services and housing.

## **Operating Expenses**

Operating expenses totaling \$84,649,905 and \$91,328,872 include salaries and benefits of \$37,243,281 and \$36,332,759, scholarships and fellowships of \$25,612,363 and \$31,493,076, utilities of \$1,912,597 and \$1,830,326, supplies of \$10,528,312 and \$11,349,894, contractual services of \$6,285,859 and \$6,824,539, and depreciation and amortization of \$2,638,615 and \$2,467,603, respectively for June 30, 2012 and 2011.

|                                      | <u>2012</u>          | <u>2011</u>          |
|--------------------------------------|----------------------|----------------------|
| Expenses by Function:                |                      |                      |
| Instruction                          | \$ 30,615,548        | \$ 31,833,600        |
| Academic Support                     | 831,203              | 851,348              |
| Student Services                     | 4,769,935            | 4,139,419            |
| Institutional Support                | 6,863,777            | 7,130,806            |
| Operations and Maintenance of Plant  | 5,991,860            | 5,389,391            |
| Student Financial Aid                | 25,551,664           | 31,483,776           |
| Auxiliary Enterprises                | 7,448,414            | 8,032,929            |
| Depreciation                         | <u>2,577,504</u>     | <u>2,467,603</u>     |
| Total Operating Expenses by Function | <u>\$ 84,649,905</u> | <u>\$ 91,328,872</u> |

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Nonoperating Revenues (Expenses)**  
**State Appropriations**

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$21,331,250 for 2012 fiscal year and \$19,662,231 for 2011 fiscal year, of which \$21,299,000 and \$19,099,519 was for operations. State capital aid in the amount of \$32,250 and \$562,712 was received for the purchase, construction, renovation, and repair of fixed assets.

**Local Appropriations**

The College also receives revenue from the counties in college's district. The College uses the funding for salaries and benefits and for operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1<sup>st</sup>. The College received \$5,295,657 and \$5,184,663 for the 2012 and 2011 fiscal years from the counties. This appropriation was fully recorded by the College during the fiscal year.

**Noncapital Gifts**

This consists of gifts made to the College from a nongovernmental organization and/or individuals. The cash gifts totaled \$5,293,007 and \$819,632 at June 30, 2012 and 2011, respectively.

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2012 and 2011 shows \$5,535 and \$29,609 in investment income.

**Other Revenues**

**State Appropriations for Capital Purposes**

\$32,250 and \$562,712 are the amounts of revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2012 and 2011 fiscal year, respectively.

**Local Appropriations for Capital Purposes**

This includes revenue received from the counties for capital projects during the fiscal years. The amount of this grant totaled \$4,405,398 and \$4,434,079 for the 2012 and 2011 fiscal years.

**Statement of Cash Flows**

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

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

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

For the Fiscal Years Ended June 30, 2012 and 2011

|  | <u>2012</u>          | <u>2011</u>         |
|--|----------------------|---------------------|
| Cash and Cash Equivalents Provided (Used) by:        |                      |                     |
| Operating Activities                                 | \$ (27,002,456)      | \$ (25,847,257)     |
| Noncapital Financing Activities                      | 31,667,377           | 25,131,361          |
| Capital and Related Financing Activities             | (8,398,656)          | (2,047,887)         |
| Investing Activities                                 | <u>21,505,420</u>    | <u>6,023,363</u>    |
| Net Increase (Decrease) in Cash and Cash Equivalents | 17,771,685           | 3,259,580           |
| Cash and Cash Equivalents – Beginning of the Year    | <u>5,342,086</u>     | <u>2,082,506</u>    |
| Cash and Cash Equivalents – End of the Year          | <u>\$ 23,113,771</u> | <u>\$ 5,342,086</u> |

The major sources of funds included in operating activities include student tuition and fees, \$14,505,849 and \$14,919,332, auxiliary enterprises, \$9,428,201 and \$10,539,203, and grants and contracts, \$34,011,384 and \$37,719,032. The major uses of funds were payments made to employees, \$37,222,297 and \$36,199,795 and to suppliers, \$11,445,155 and \$12,481,891 for fiscal year end June 30, 2012 and 2011.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$21,105,262 and \$19,091,628 for June 30, 2012 and 2011, respectively.

**ITAWAMBA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2012 financial situation. The decrease in the level of State support, compensation increases, student tuition and fee increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

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

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

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

## FINANCIAL STATEMENTS



**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

|   | June 30,<br>2012     |
|---|----------------------|
| <b>ASSETS</b>                                   |                      |
| Current assets:                                 |                      |
| Cash and cash equivalents                       | \$ 23,113,771        |
| Short-term investments                          | 714,509              |
| Accounts receivables, net                       | 8,295,087            |
| Accrued interest receivable                     | 125                  |
| Inventories                                     | <u>1,623,521</u>     |
| Total Current Assets                            | <u>33,747,013</u>    |
| Noncurrent assets:                              |                      |
| Bond Issuance Costs                             | 488,889              |
| Capital assets, net of accumulated depreciation | <u>75,693,080</u>    |
| Total Noncurrent Assets                         | <u>76,181,969</u>    |
| Total Assets                                    | <u>109,928,982</u>   |
| <b>LIABILITIES</b>                              |                      |
| Current liabilities:                            |                      |
| Accounts payable and accrued liabilities        | 3,790,730            |
| Deferred revenues                               | 621,575              |
| Long-term debt - current portion                | <u>1,520,584</u>     |
| Total Current Liabilities                       | <u>5,932,889</u>     |
| Noncurrent liabilities:                         |                      |
| Deposits refundable                             | 67,050               |
| Long-term debt                                  | <u>9,892,416</u>     |
| Total Noncurrent Liabilities                    | <u>9,959,466</u>     |
| Total Liabilities                               | <u>15,892,355</u>    |
| <b>NET ASSETS</b>                               |                      |
| Invested in capital assets, net of related debt | 64,280,080           |
| Restricted for:                                 |                      |
| Expendable:                                     |                      |
| Capital projects                                | 5,964,176            |
| Debt service                                    | 48,532               |
| Other purposes                                  | 927,583              |
| Unrestricted                                    | <u>22,816,256</u>    |
| Total Net Assets                                | <u>\$ 94,036,627</u> |

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2012**  
**(With comparative information as of June, 2011)**

|                                   | <u>2012</u>          | <u>2011</u>          |
|-----------------------------------|----------------------|----------------------|
| <b>Assets</b>                     |                      |                      |
| Cash                              | \$ 1,588,748         | \$ 1,067,975         |
| Investments, at fair value        | 9,440,505            | 9,342,872            |
| Pledges receivable, net           | 1,808,383            | -                    |
| Interest receivable               | 317                  | 372                  |
| Gift annuities                    | <u>212,743</u>       | <u>221,944</u>       |
| Total assets                      | <u>\$ 13,050,696</u> | <u>\$ 10,633,163</u> |
| <b>Liabilities and Net Assets</b> |                      |                      |
| Liabilities:                      |                      |                      |
| Accounts payable                  | \$ 3,953,153         | \$ 67,456            |
| Gift annuities payable            | 35,523               | 43,411               |
| Deferred compensation payable     | <u>208,943</u>       | <u>206,670</u>       |
| Total liabilities                 | <u>4,197,619</u>     | <u>317,537</u>       |
| Net assets:                       |                      |                      |
| Unrestricted                      | 5,280,652            | 9,085,159            |
| Temporarily restricted            | <u>3,572,425</u>     | <u>1,230,467</u>     |
| Total net assets                  | <u>8,853,077</u>     | <u>10,315,626</u>    |
| Total liabilities and net assets  | <u>\$ 13,050,696</u> | <u>\$ 10,633,163</u> |

See accompanying notes to financial statements.

**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2012**

|   |                      |
|---|----------------------|
| <b>Operating Revenues:</b>                                      |                      |
| Tuition and fees (net of scholarship allowances of \$2,946,447) | \$ 15,090,619        |
| Federal grants and contracts                                    | 25,436,456           |
| State grants and contracts                                      | 4,241,369            |
| Sales and services of educational departments                   | 1,071,210            |
| <b>Auxiliary enterprises:</b>                                   |                      |
| Student housing (net of scholarship allowances of \$296,438)    | 1,316,162            |
| Food services (net of scholarship allowances of \$363,780)      | 1,353,359            |
| Bookstore   | 6,534,937            |
| Other auxiliary revenues  | 146,125              |
| Other operating revenues  | <u>584,127</u>       |
| Total Operating Revenues  | <u>55,774,364</u>    |
| <b>Operating Expenses:</b>                                      |                      |
| Salaries and wages  | 29,668,317           |
| Fringe benefits   | 7,574,964            |
| Travel  | 428,878              |
| Contractual services  | 6,285,859            |
| Utilities   | 1,912,597            |
| Scholarships and fellowships                                    | 25,612,363           |
| Commodities   | 10,528,312           |
| Depreciation and amortization expense                           | 2,638,615            |
| Other operating expense   | <u>0</u>             |
| Total Operating Expenses  | <u>84,649,905</u>    |
| Operating Income (Loss)   | <u>(28,875,541)</u>  |
| <b>Nonoperating Revenues (Expenses):</b>                        |                      |
| State appropriations  | 21,299,000           |
| Local appropriations  | 5,295,657            |
| Gifts   | 5,293,007            |
| Investment income   | 5,535                |
| Interest expense on capital asset-related debt                  | (189,507)            |
| Other nonoperating revenues (expenses)                          | <u>7,435</u>         |
| Total Net Nonoperating Revenues (Expenses)                      | <u>31,711,127</u>    |
| Income (Loss) before Other Revenues, Expenses, Gains and Losses | <u>2,835,586</u>     |
| Federal appropriations restricted for capital purposes          | 772,754              |
| State appropriations restricted for capital purposes            | 32,250               |
| Local appropriations restricted for capital purposes            | <u>4,405,398</u>     |
| Total Net Nonoperating Revenues (Expenses)                      | <u>5,210,402</u>     |
| Change in Net Assets  | <u>8,045,988</u>     |
| <b>Net Assets:</b>  |                      |
| Net Assets - Beginning of Year                                  | <u>85,990,639</u>    |
| Net Assets - End of Year  | <u>\$ 94,036,627</u> |

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2012**  
**(With summarized information for the year ended June 30, 2011)**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total<br/>2012</u> | <u>Total<br/>2011</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Revenue:   |                     |                                   |                       |                       |
| Contributions  | \$ 51,967           | \$ 2,390,255                      | \$ 2,442,222          | \$ 150,067            |
| Investment income  | 208,334             | -                                 | 208,334               | 202,584               |
| Net realized and unrealized<br>(losses) gains on investments | (74,897)            | -                                 | (74,897)              | 1,204,315             |
| Miscellaneous revenue  | -                   | -                                 | -                     | 4,495                 |
| Net assets released from restrictions                        | 48,297              | (48,297)                          | -                     | -                     |
|  | <u>233,701</u>      | <u>2,341,958</u>                  | <u>2,575,659</u>      | <u>1,561,461</u>      |
| Total revenue  |                     |                                   |                       |                       |
| Expenses:  |                     |                                   |                       |                       |
| Program services:  |                     |                                   |                       |                       |
| Contributions and support for ICC                            |                     |                                   |                       |                       |
| Capital projects   | 3,874,867           | -                                 | 3,874,867             | -                     |
| Distributions for educational purposes                       | 80,537              | -                                 | 80,537                | 87,680                |
| Bad debt expense   | -                   | -                                 | -                     | -                     |
| Support services:  |                     |                                   |                       |                       |
| Management and general:                                      |                     |                                   |                       |                       |
| Operational expenses   | 11,586              | -                                 | 11,586                | 56,295                |
| Investment management fees                                   | 35,178              | -                                 | 35,178                | 34,325                |
| Professional development                                     | 19,400              | -                                 | 19,400                | 19,800                |
| Other expenses   | 16,640              | -                                 | 16,640                | 5,577                 |
|  | <u>4,038,208</u>    | <u>-</u>                          | <u>4,038,208</u>      | <u>203,677</u>        |
| Total expenses   |                     |                                   |                       |                       |
| Change in net assets   | (3,804,507)         | 2,341,958                         | (1,462,549)           | 1,357,784             |
| Net assets at beginning of year                              | <u>9,085,159</u>    | <u>1,230,467</u>                  | <u>10,315,626</u>     | <u>8,957,842</u>      |
| Net assets at end of year                                    | <u>\$ 5,280,652</u> | <u>\$ 3,572,425</u>               | <u>\$ 8,853,077</u>   | <u>\$ 10,315,626</u>  |

See accompanying notes to financial statements.

**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2012**

|  |                             |
|--|-----------------------------|
| <b>Cash Flows from Operating Activities:</b>                         |                             |
| Tuition and fees   | \$ 14,505,849               |
| Grants and contracts   | 34,011,384                  |
| Sales and services of educational departments                        | 1,071,210                   |
| Payments to suppliers  | (11,445,155)                |
| Payments to employees for salaries and benefits                      | (37,222,297)                |
| Payments for utilities   | (1,905,647)                 |
| Payments for scholarships and fellowships                            | (25,612,363)                |
| <b>Auxiliary enterprise charges:</b>                                 |                             |
| Student housing  | 1,318,012                   |
| Food services  | 1,353,359                   |
| Bookstore  | 6,616,519                   |
| Other auxiliary enterprises  | 140,311                     |
| Other receipts (payments)  | <u>(9,833,638)</u>          |
| Net Cash Provided (Used) by Operating Activities                     | <u>(27,002,456)</u>         |
| <b>Cash Flows from Noncapital Financing Activities:</b>              |                             |
| State appropriations   | 21,105,262                  |
| Local appropriations   | 5,269,108                   |
| Gifts and grants for other than capital purposes                     | <u>5,293,007</u>            |
| Net Cash Provided (Used) by Noncapital Financing Activities          | <u>31,667,377</u>           |
| <b>Cash Flows from Capital and Related Financing Activities:</b>     |                             |
| Cash paid for capital assets   | (11,872,731)                |
| Loss on disposal of equipment  | 21,398                      |
| Capital appropriations received                                      | 5,210,402                   |
| Principal paid on capital debt and leases                            | (1,550,000)                 |
| Interest paid on capital debt and leases                             | <u>(207,725)</u>            |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(8,398,656)</u>          |
| <b>Cash Flows from Investing Activities:</b>                         |                             |
| Short-term Investments   | 21,493,486                  |
| Interest received on investments                                     | <u>11,934</u>               |
| Net Cash Provided (Used) by Investing Activities                     | <u>21,505,420</u>           |
| Net Increase (Decrease) in Cash and Cash Equivalents                 | 17,771,685                  |
| Cash and Cash Equivalents - Beginning of the Year                    | <u>5,342,086</u>            |
| Cash and Cash Equivalents - End of Year                              | <u><u>\$ 23,113,771</u></u> |

**ITAWAMBA COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2012**

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

|  |                               |
|--|-------------------------------|
| Operating income (loss)  | \$ <u>(28,875,541)</u>        |
| Adjustments to reconcile net income (loss) to net cash<br>provided (used) by operating activities: |                               |
| Depreciation and amortization expense  | 2,638,615                     |
| Changes in assets and liabilities:   |                               |
| (Increase) decrease in assets:   |                               |
| Receivables, net   | 601,904                       |
| Inventories  | (334,073)                     |
| Increase (decrease) in liabilities:  |                               |
| Accounts payables and accrued liabilities  | (554,836)                     |
| Deferred revenues  | (480,375)                     |
| Deposits refundable  | <u>1,850</u>                  |
| Total adjustments  | <u>1,873,085</u>              |
| Net Cash Provided (Used) by Operating Activities   | \$ <u><u>(27,002,456)</u></u> |

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2012**  
**(With comparative information for the year ended June, 30, 2011)**

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities:  |                     |                     |
| Change in net assets   | \$ (1,462,549)      | \$ 1,357,784        |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                     |                     |
| Net realized and unrealized losses (gains) on investments                                  | 74,897              | (1,204,315)         |
| Changes in assets and liabilities:   |                     |                     |
| Pledges receivable   | (1,808,383)         | -                   |
| Interest Receivable  | 55                  | 700                 |
| Accounts Payable   | 3,885,697           | 5,984               |
| Gift Annuity Payable   | (7,888)             | (7,888)             |
| Deferred compensation payable  | <u>2,273</u>        | <u>45,180</u>       |
| Net cash used in operating activities  | <u>684,102</u>      | <u>197,445</u>      |
| Cash flows from investing activities:  |                     |                     |
| Purchase of Investments  | <u>(163,329)</u>    | <u>(164,742)</u>    |
| Net cash used in investing activities  | <u>(163,329)</u>    | <u>(164,742)</u>    |
| Net change in cash   | 520,773             | 32,703              |
| Cash at beginning of year  | <u>1,067,975</u>    | <u>1,035,272</u>    |
| Cash at end of year  | <u>\$ 1,588,748</u> | <u>\$ 1,067,975</u> |

See accompanying notes to financial statements.

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Itawamba Community College reports the following discretely presented component unit:

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

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

During the year ended June 30, 2012, the Foundation distributed \$78,286 to the College.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.
- 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.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.



**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Short-Term Investments – The College considers all highly liquid investments with an original maturity of more than three months but less than twelve months to be short-term investments.

- E. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- F. Inventories - Inventories consist of bookstore, printing and food service supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- G. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- H. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- I. Compensated Absences - The College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- J. 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*

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.*

- K. State Appropriations – Itawamba Community College receives funds from the State of Mississippi through the State Board of Community and Junior Colleges. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by all students with special consideration given to those programs that are considered high costs programs.
- L. 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.
- M. 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.
- N. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by the management of the Institution. Those estimates and assumptions affect the reported amounts of assets and liabilities and reported revenues and expenses. It is at least reasonably possible that the estimates and assumptions used could change within the next year.

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2 – CASH AND INVESTMENTS**

Policies:

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the institution will not be able to recover deposits or collateral securities that are in the possession of an outside party. The institution does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the college. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the institution. As of June 30, 2012, \$0 of the institution's bank balance was exposed to custodial credit risk.

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

The following table summarizes the carrying values of the college's investments reported on the statement of net assets at June 30, 2012:

|                        |                   |
|------------------------|-------------------|
| Short-term investments | \$ <u>714,509</u> |
|------------------------|-------------------|

The following table summarizes the categorization of investments at June 30, 2012:

| <u>Investment Type</u>  | <u>Matures (in Years)</u> | <u>Fair Value</u> | <u>Rating</u> |
|-------------------------|---------------------------|-------------------|---------------|
| Certificates of deposit | Less than 1               | \$ <u>714,509</u> | Not Rated     |

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

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2 – CASH AND INVESTMENTS - continued**

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

Custodial Credit Risk - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, the college did not have any investments to which this would apply.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2012:

|  |                     |
|--|---------------------|
| Student tuition                                      | \$ 1,671,019        |
| Auxiliary enterprises and other operating activities | 6,116               |
| Federal, state, and private grants and contracts     | 2,419,746           |
| State appropriations                                 | 547,011             |
| Local appropriations                                 | 318,475             |
| Other  | <u>3,954,553</u>    |
| Total Accounts Receivable                            | 8,916,920           |
| Less allowance for doubtful accounts                 | <u>621,833</u>      |
| Net Accounts Receivable                              | <u>\$ 8,295,087</u> |

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2012, is presented as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>      | <u>Deletions</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|-----------------------|---------------------|---------------------------|
| Nondepreciable<br>Capital Assets:        |                              |                       |                     |                           |
| Land                                     | \$ 989,137                   | \$ 15,000             | \$ 0                | \$ 1,004,137              |
| Construction<br>in progress              | <u>8,860,380</u>             | <u>10,849,113</u>     | <u>(407,000)</u>    | <u>19,302,493</u>         |
| Total Nondepreciable<br>Capital Assets   | <u>\$ 9,849,517</u>          | <u>\$ 10,864,113</u>  | <u>\$ (407,000)</u> | <u>\$ 20,306,630</u>      |
| Depreciable<br>Capital Assets:           |                              |                       |                     |                           |
| Improvements<br>other than<br>buildings  | \$ 10,325,980                | \$ 0                  | \$ 0                | \$ 10,325,980             |
| Buildings                                | 65,223,574                   | 659,250               | 0                   | 65,882,824                |
| Equipment                                | 7,604,933                    | 663,158               | (411,157)           | 7,856,934                 |
| Library books                            | <u>1,741,667</u>             | <u>93,210</u>         | <u>(36,664)</u>     | <u>1,798,213</u>          |
| Total Depreciable<br>Capital Assets      | <u>\$ 84,896,154</u>         | <u>\$ 1,415,618</u>   | <u>\$ (447,821)</u> | <u>\$ 85,863,951</u>      |
| Less Accumulated<br>Depreciation for:    |                              |                       |                     |                           |
| Improvements other<br>than buildings     | \$ 3,747,781                 | \$ 347,355            | \$ 0                | \$ 4,095,136              |
| Buildings                                | 18,682,231                   | 1,262,813             | 0                   | 19,945,044                |
| Equipment                                | 4,445,800                    | 890,862               | (389,761)           | 4,946,901                 |
| Library books                            | <u>1,450,608</u>             | <u>76,474</u>         | <u>(36,662)</u>     | <u>1,490,420</u>          |
| Total Accumulated<br>Depreciation        | <u>\$ 28,326,420</u>         | <u>\$ 2,577,504</u>   | <u>\$ (426,423)</u> | <u>\$ 30,477,501</u>      |
| Total Depreciable<br>Capital Assets, Net | <u>\$ 56,569,734</u>         | <u>\$ (1,161,886)</u> | <u>\$ (21,398)</u>  | <u>\$ 55,386,450</u>      |
| Capital Assets, Net                      | <u>\$ 66,419,251</u>         | <u>\$ 9,702,227</u>   | <u>\$ (428,398)</u> | <u>\$ 75,693,080</u>      |

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 4 – CAPITAL ASSETS – continued**

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:

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

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – 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, 2012.

| Description and Purpose                   | Original<br>Issue | Annual<br>Int. Rate | Maturity | Beginning<br>Balance | Additions        | Deletions           | Balance<br>June 30,<br>2012 | Due Within<br>One Year |
|---|-------------------|---------------------|----------|----------------------|------------------|---------------------|-----------------------------|------------------------|
| <b><u>Bonded Debt</u></b>                 |                   |                     |          |                      |                  |                     |                             |                        |
| 1989 Dorm Revenue Bonds                   | 3,000,000         | 5.50%               | 05/2014  | \$ 540,000           | \$               | \$ 175,000          | \$ 365,000                  | \$ 180,000             |
| 1981 Dorm Revenue Bonds                   | 2,008,000         | 3.00%               | 10/2021  | 628,000              |                  | 60,000              | 568,000                     | 60,000                 |
| 2005 Educational Facility Bonds           | 15,000,000        | 4.10%-5.00%         | 02/2020  | 945,000              |                  | 945,000             | 0                           | 0                      |
| 2011 Refunding Bonds                      | 9,720,000         | 2.00%-3.00%         | 02/2020  | 9,720,000            |                  | 200,000             | 9,520,000                   | 1,100,000              |
| Total Bonded Debt                         |                   |                     |          | <u>11,833,000</u>    |                  | <u>1,380,000</u>    | <u>10,453,000</u>           | <u>1,340,000</u>       |
| <b><u>Other Long-term Liabilities</u></b> |                   |                     |          |                      |                  |                     |                             |                        |
| Capital Lease Payable                     |                   |                     |          | 1,130,000            |                  | 170,000             | 960,000                     | 180,584                |
| Deposits Refundable                       |                   |                     |          | 65,200               | 69,075           | 67,225              | 67,050                      |                        |
| Total Other Long-term Liabilities         |                   |                     |          | <u>1,195,200</u>     | <u>69,075</u>    | <u>237,225</u>      | <u>1,027,050</u>            | <u>180,584</u>         |
| Total                                     |                   |                     |          | <u>\$ 13,028,200</u> | <u>\$ 69,075</u> | <u>\$ 1,617,225</u> | <u>\$ 11,480,050</u>        | <u>\$ 1,520,584</u>    |
| Due within one year                       |                   |                     |          |                      |                  |                     | <u>1,520,584</u>            |                        |
| Total Long-term Liabilities               |                   |                     |          |                      |                  |                     | <u>\$ 9,959,466</u>         |                        |

**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – LONG-TERM LIABILITIES – continued**

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2012, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

|           | <b><u>Bonded<br/>Debt</u></b> | <b><u>Capital<br/>Lease</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b>  |
|-----------|-------------------------------|---------------------------------|------------------------|----------------------|
| 2013      | \$ 1,340,000                  | \$ 180,584                      | \$ 323,137             | \$ 1,843,721         |
| 2014      | 1,370,000                     | 187,717                         | 282,304                | 1,840,021            |
| 2015      | 1,205,000                     | 195,132                         | 240,414                | 1,640,546            |
| 2016      | 1,225,000                     | 202,840                         | 208,006                | 1,635,846            |
| 2017      | 1,255,000                     | 193,727                         | 169,069                | 1,617,796            |
| 2018-2022 | 4,058,000                     | 0                               | 258,720                | 4,316,720            |
| 2023-2027 | 0                             | 0                               | 0                      | 0                    |
| 2028-2032 | <u>0</u>                      | <u>0</u>                        | <u>0</u>               | <u>0</u>             |
| Totals    | <u>\$ 10,453,000</u>          | <u>\$ 960,000</u>               | <u>\$ 1,481,650</u>    | <u>\$ 12,894,650</u> |



**ITAWAMBA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 – FUNCTIONAL EXPENSE CLASSIFICATIONS**

(10) Natural Classifications with Functional Classifications.

The college's operating expenses by functional classification were as follows for the year ended June 30, 2012:

| Functional Classification | Salaries & Wages | Fringe Benefits | Travel     | Contractual Services | Utilities    | Scholarships & Fellowships | Commodities   | Depreciation & Amortization Expense |              | Other | Total         |
|---------------------------|------------------|-----------------|------------|----------------------|--------------|----------------------------|---------------|-------------------------------------|--------------|-------|---------------|
|                           |                  |                 |            |                      |              |                            |               | Amortization Expense                | Depreciation |       |               |
| Instruction               | \$ 20,137,799    | \$ 4,845,135    | \$ 224,272 | \$ 2,979,649         | \$ 9,721     | \$ 60,699                  | \$ 2,358,273  | \$ 0                                | \$ 0         | \$ 0  | \$ 30,615,548 |
| Academic support          | 491,582          | 147,323         | 7,214      | 31,423               | 0            | 0                          | 153,661       | 0                                   | 0            | 0     | 831,203       |
| Student services          | 3,146,413        | 861,156         | 125,616    | 388,052              | 0            | 0                          | 248,698       | 0                                   | 0            | 0     | 4,769,935     |
| Institutional support     | 3,252,684        | 937,033         | 61,870     | 977,011              | 0            | 0                          | 1,574,068     | 61,111                              | 0            | 0     | 6,863,777     |
| Operation of plant        | 2,016,484        | 608,502         | 8,927      | 631,757              | 1,434,923    | 0                          | 1,291,267     | 0                                   | 0            | 0     | 5,991,860     |
| Student aid               | 0                | 0               | 0          | 0                    | 0            | 25,551,664                 | 0             | 0                                   | 0            | 0     | 25,551,664    |
| Auxiliary enterprises     | 623,355          | 175,815         | 979        | 1,277,967            | 467,953      | 0                          | 4,902,345     | 0                                   | 0            | 0     | 7,448,414     |
| Depreciation              | 0                | 0               | 0          | 0                    | 0            | 0                          | 0             | 2,577,504                           | 0            | 0     | 2,577,504     |
| Total Operating Expenses  | \$ 29,668,317    | \$ 7,574,964    | \$ 428,878 | \$ 6,285,859         | \$ 1,912,597 | \$ 25,612,363              | \$ 10,528,312 | \$ 2,638,615                        | \$ 0         | \$ 0  | \$ 84,649,905 |

**ITAWAMBA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 7 – CONSTRUCTION COMMITMENTS AND FINANCING**

The college has contracted for various construction projects as of June 30, 2012. Estimated costs 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>Federal Sources</u> | <u>Funded by</u>     |                            |  | <u>Other</u>        |
|-------------------------|--------------------------------|------------------------|----------------------|----------------------------|--|---------------------|
|                         |                                |                        | <u>State Sources</u> | <u>Institutional Funds</u> |  |                     |
| Health Science Building | \$ <u>12,687,000</u>           | \$ <u>0</u>            | \$ <u>0</u>          | \$ <u>9,687,000</u>        |  | \$ <u>3,000,000</u> |
| Total                   | \$ <u>12,687,000</u>           | \$ <u>0</u>            | \$ <u>0</u>          | \$ <u>9,687,000</u>        |  | \$ <u>3,000,000</u> |

**NOTE 8 – PENSION PLAN**

Plan description - The Community College participates in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy - PERS members are required to contribute 9% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 12.93% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2012, 2011 and 2010 were \$5,673,829, \$5,359,816 and \$4,698,381, respectively, equal to the required contributions for each year.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

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

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

**NOTE 10 – SUBSEQUENT EVENTS**

The Institution has evaluated subsequent events through December 4, 2012, which is the date the financial statements were available to be issued.

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

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

**B. Basis of Accounting**

The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting. The statements have been prepared on an accrual basis.

**C. Basis of Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Foundation and changes therein are classified in to the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Foundation.
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted.
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Foundation to use or expand part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**D. Income Taxes**

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been made. As of June 30, 2012, there were no material uncertain tax positions.

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Contributions**

Contributions are recorded in accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributed goods and services are recorded as revenues and expenses in the consolidated statements of activities at estimated fair value.

**F. Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. The fair values of investments are based on quoted market prices. Donated investments including donated property are recorded as contributions at fair value on the date received. Realized gains (losses) on investments are the difference between the proceeds received and the average cost of investments sold. Net appreciation in the fair value of investments (including realized gains (losses) and unrealized gains (losses)) and dividends and interest is included in revenues, gains, and other income of unrestricted net assets.

**G. Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents, receivables, accounts payable and other liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. Investments, pledges receivable and annuity payment liability are reported at fair value.

**H. Cash and Cash Equivalents**

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

**I. Pledges Receivable**

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Gift Annuity Agreements**

The Foundation has entered into gift annuity agreements that provide that the Foundation shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The foundation records the assets received at fair value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual amount recorded as contribution revenue. Upon the death of the beneficiaries, the assets of the gift annuity are held by the Foundation in accordance with the agreements.

**K. Prior Year Information**

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS**

Temporary restricted net assets at the end of June 30, 2012, are restricted for the following purposes:

|   |                     |
|---|---------------------|
| Student financial support               | \$ 1,194,482        |
| Health Science Center building          | <u>2,377,943</u>    |
| Total temporarily restricted net assets | <u>\$ 3,572,425</u> |

**NOTE 3 - PREMISES**

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

**NOTE 4 - DEFERRED COMPENSATION PAYABLE**

The Foundation has entered into a deferred compensation agreement with the current president of Itawamba Community College. Under this plan, the receipt of compensation may be deferred. IRC 457(b) limits the amount of annual compensation that may be elected for deferral and the manner in which the deferred compensation may be distributed. A liability of \$208,943 for this plan is reflected on the statement of financial position as of June 30, 2012.

**NOTE 5 - ESTIMATES**

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

**ITAWAMBA COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 6 - INVESTMENTS AND GIFT ANNUITIES**

Investments and gift annuities consisted of the following at June 30, 2012:

| Investments:            | Cost                | Market value        |
|-------------------------|---------------------|---------------------|
| Common stocks           | \$ 4,315            | \$ 2,904            |
| Bond funds              | 2,699,489           | 3,415,705           |
| Stock funds             | 1,572,016           | 5,168,653           |
| Certificates of deposit | 853,243             | 853,243             |
| Total investments       | <u>\$ 5,129,063</u> | <u>\$ 9,440,505</u> |

| Gift annuities:        | Cost              | Market value      |
|------------------------|-------------------|-------------------|
| Bond funds             | \$ 80,660         | \$ 83,692         |
| Stock funds            | 114,696           | 126,679           |
| Short-term investments | 2,372             | 2,372             |
| Total gift annuities   | <u>\$ 197,728</u> | <u>\$ 212,743</u> |

**NOTE 7 - PLEDGES RECEIVABLE**

Pledges receivable, net, are summarized as follows at June 30, 2012:

|   |                     |
|---|---------------------|
| Unconditional promises expected to be collected in:       |                     |
| Less than one year  | \$ 399,199          |
| One to five years   | <u>1,432,052</u>    |
|   | 1,831,251           |
| Less unamortized discount (rates range from .25% to .75%) | <u>(10,247)</u>     |
|   | 1,821,004           |
| Less allowance for uncollectible pledges                  | <u>(12,621)</u>     |
|   | <u>\$ 1,808,383</u> |

**NOTE 8 - CONCENTRATIONS OF CREDIT RISK**

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

**NOTE 9 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through November 2, 2012, the date on which the financial statements were available to be issued.

## SUPPLEMENTAL INFORMATION

**ITAWAMBA COMMUNITY COLLEGE**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2012**

|   | CFDA<br>NUMBER | TOTAL<br>EXPENDITURES |
|---|----------------|-----------------------|
| <b>Major Programs</b>   |                |                       |
| Student Financial Aid Cluster   |                |                       |
| U.S. Department of Education:   |                |                       |
| Federal Pell Grant Program  | 84.063         | \$ 21,222,733         |
| Federal Work-Study Program  | 84.033         | 281,393               |
| Federal Supplemental Educational Opportunity Grant                    | 84.007         | 159,893               |
| Academic Competitiveness Grant Program                                | 84.375         | 12,595                |
| Private lending institutions:   |                |                       |
| Federal Family Education Loans  | 84.032         | 15,795,726            |
| Total Student Financial Aid Cluster                                   |                | <u>37,472,340</u>     |
| U.S. Department of Labor:   |                |                       |
| Workforce Investment Act  | 17.258         | <u>2,105,182</u>      |
| Total Major Programs  |                | <u>39,577,522</u>     |
| <b>Other Federal Assistance</b>                                       |                |                       |
| U.S. Department of Education:   |                |                       |
| Adult Education-State Administered Basic Grant Programs               | 84.002         | 450,456               |
| Vocational Education-Basic Grants to States                           | 84.048         | 488,187               |
| Teach Grant Programs  | 84.379         | 1,000                 |
| Fund for the Improvement of Postsecondary Education - Health Services | 84.116Z        | 416,252               |
| Total U.S. Department of Education                                    |                | <u>1,355,895</u>      |
| U.S. Department of Commerce   |                |                       |
| ARRA Economic Adjustment Program                                      | 11.307         | 356,502               |
| Manufacturing Extension Partnership                                   | 11.611         | 137,738               |
| Total U.S. Department of Commerce                                     |                | <u>494,240</u>        |
| U.S. Department of Health and Human Services                          |                |                       |
| ARRA - Health Information Technology Professionals in Health Care     | 93.721         | 195,854               |
| Total U.S. Department of Health and Human Services                    |                | <u>195,854</u>        |
| U.S. Department of Labor  |                |                       |
| TAA Community College Career and Training Grant Programs              | 17.245         | <u>156,648</u>        |
| U.S. Department of Homeland Security                                  |                |                       |
| Pre-Disaster Mitigation Competitive Grant Program                     | 97.047         | <u>83,837</u>         |
| National Aeronautics and Space Administration:                        |                |                       |
| Technology Transfer - Aerospace Education Services Program            | 43.002         | <u>5,000</u>          |
| National Science Foundation   |                |                       |
| Mathematical and Physical Science                                     | 47.076         | <u>52,965</u>         |
| U.S. Department of Treasury   |                |                       |
| Financial Education and Counseling Pilot Program                      | 21.010         | <u>62,831</u>         |
| Appalachian Regional Commission                                       |                |                       |
| ARC Area Development - Learning Resource Center                       | 23.002         | <u>20,144</u>         |
| Total Other Federal Assistance  |                | <u>2,427,414</u>      |
| Total Federal Financial Assistance                                    |                | <u>\$ 42,004,936</u>  |

**Notes to Schedule of Federal Financial Assistance**

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) 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 to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government



## OTHER REPORTS



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

Board of Directors  
Itawamba Community College

We have audited the financial statements of Itawamba Community College and Itawamba Community College Foundation, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Itawamba Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

Management of Itawamba Community College is responsible for establishing and maintain effective internal control over financial reporting. In planning and performing our audit, we considered Itawamba 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 Itawamba Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Itawamba Community College's internal control over financial reporting.

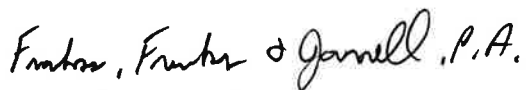
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Itawamba Community 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 for the use of Itawamba Community College, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



FRANKS, FRANKS & JARRELL, P.A.  
December 4, 2012



**FRANKS,  
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JARRELL, P.A.**

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LANE POLAND

OFFICES LOCATED IN

TUPELO & FULTON

MEMBERS OF THE

AICPA, MSCPA & PCPS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
AFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Itawamba Community College

Compliance

We have audited Itawamba Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Itawamba Community College's major federal programs for the year ended June 30, 2012. Itawamba Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Itawamba Community College's management. Our responsibility is to express an opinion on Itawamba Community 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 Itawamba Community 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 of Itawamba Community College's compliance with those requirements.

In our opinion, Itawamba Community College complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Itawamba Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Itawamba Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Itawamba Community College's internal control over compliance.

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

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

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

*Franks, Franks & Jarrell, P.A.*

FRANKS, FRANKS & JARRELL, P.A.  
December 4, 2012



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Itawamba Community College

We have audited the financial statements of Itawamba Community College as of and for the year ended June 30, 2012, and have issued our report dated December 4, 2012.

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 laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of 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.

*Franks, Franks & Jarrell, P.A.*

FRANKS, FRANKS & JARRELL, P.A.  
December 4, 2012

**ITAWAMBA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified?        Yes   X   No  
Significant deficiency(s) identified  
not considered to be material weaknesses?        Yes   X   None reported  
Type of auditor's report issued on compliance  
for major programs: unqualified  
Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?        Yes   X   No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
|-----------------------|---|

|               |                                 |
|---------------|---------------------------------|
| <u>17.258</u> | <u>Workforce Investment Act</u> |
|---------------|---------------------------------|

Cluster of Programs - Student Financial Aid:

|               |   |
|---------------|---|
| <u>84.063</u> | <u>Federal Pell Grant Program</u>                                 |
| <u>84.033</u> | <u>Federal Work-Study Program</u>                                 |
| <u>84.007</u> | <u>Federal Supplemental Educational Opportunity Grant Program</u> |
| <u>84.375</u> | <u>Academic Competitiveness Grant Program</u>                     |
| <u>84.032</u> | <u>Stafford, SLS and Plus Loan Programs</u>                       |

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 786,276

Auditee qualified as low-risk auditee?        Yes   X   No

**ITAWAMBA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012**

**SECTION 2 - FINANCIAL STATEMENT FINDINGS:**

There were no findings related to the financial statements.

**SECTION 3 - FEDERAL AWARD FINDINGS:**

There were no findings related to federal award programs.