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Northwest Mississippi Community College
Financial Statements
June 30, 2005

Ellis & Hirsberg, CPA, LLC
Certified Public Accountants
Clarksdale, Mississippi

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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

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

We have audited the financial statements and the discretely presented component unit of the Northwest Mississippi Community College as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the Northwest Mississippi Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the audit of Northwest Mississippi Community College was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position and the discretely presented component unit of the Northwest Mississippi Community College, as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the Northwest Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Management's Discussion and Analysis also contains information from June 30, 2004. 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, 2004 (not included herein); and we expressed an unqualified opinion 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Northwest Mississippi Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented as supplemental information for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ellis Husberg

November 18, 2005

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Overview

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. The community college adopted these new standards in fiscal year 2003. There are three statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the College as of June 30, 2005. The components of the statement include assets, liabilities and net assets. Assets and Liabilities are presented as current or non-current, giving the reader a sense of the availability of assets on a short-term and long-term basis as well as their ability to meet immediate and future obligations. The net assets (assets minus liabilities) section presents a snapshot of the College's overall net worth. Net assets are categorized to communicate to readers the degree of availability of these net assets to meet institutional obligations.

Statement of Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets		
Current assets	15,957,706	15,831,912
Capital assets, net	53,256,431	46,250,979
Other assets	<u>1,142,967</u>	<u>3,375,203</u>
Total Assets	<u>70,357,104</u>	<u>65,458,094</u>
Liabilities		
Current liabilities	1,460,916	298,850
Noncurrent liabilities	<u>8,203,904</u>	<u>10,048,428</u>
Total Liabilities	<u>9,664,820</u>	<u>10,347,278</u>
Net Assets		
Invested in capital assets, net of related debt	44,216,431	36,310,979
Restricted - expendable	7,828,060	10,599,705
Unrestricted	<u>8,647,793</u>	<u>8,200,132</u>
Total Net Assets	<u>60,692,284</u>	<u>55,110,816</u>

Assets

- Cash and cash equivalents are 19% of total assets for the year ended June 30, 2005 and 24% for the year ended June 30, 2004. Cash equivalents consist of bank accounts and investments in cash equivalents of operating funds held by investment managers.
- Receivables are 4% of total assets for the current year and 3% for the previous year. Fifty-six percent and fifty-seven percent, respectively, of these receivables are attributed to federal, state and private grants and gifts. Student receivables account for 2% of the total in fiscal year ended 2005 and 3% in fiscal year ended 2004.
- Notes receivable other represents a note from the University of Mississippi for \$787,273. This note represents the University's share of the cost to expand the DeSoto Center.

Liabilities

- Accounts payable and accrued liabilities represent amounts due at June 30, 2005 and June 30, 2004, for goods and services received prior to year-end and account for 5% and 3%, respectively, of total liabilities. The difference for the change is believed to be more construction retainage payable at June 30, 2005 and timing differences.
- Long-term liabilities represent long-term debt of the College in the form of bonds payable and notes payable. The current portion of long-term liabilities, 10% at June 30, 2005 and 9% at June 30, 2004 of the total liabilities, is the portion of long-term debt payable within the next fiscal year. The remaining balance of \$8.095 million is the long-term portion of debt in which principal payments are due more than one year from the balance sheet date and represent 84% of total liabilities.

Net assets are divided into three major categories. The first category, "Invested in Capital Assets, Net of Related Debt", presents the College's equity in property, plant and equipment. The next asset category is "Restricted Net Assets". Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed purpose restrictions on the use of the assets. The final category is "Unrestricted Net Assets". Unrestricted assets are available to the College for any lawful purpose of the College. Many of the College's unrestricted net assets have been reserved for specific purposes, such as capital projects and debt service, or designated for certain functional expenditures.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the College, as well as the non-operating revenues and expenses. In general terms, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues, as well as supporting the missions of the College. Non-operating revenues are those received for which goods and services are not provided. For example, state appropriation revenues are classified as non-operating because they are provided by the State Legislature to the College without the Legislature directly receiving commensurate goods or services in return. Due to this classification of state appropriations, college financial statements typically depict an overall operating loss. This situation will continue until the College's other operating revenue sources increase to a level greatly exceeding current levels. Other revenues include gifts, grants and appropriations restricted for capital purposes.

Statement of Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating Revenues & Expenses		
Operating revenues	29,222,098	24,866,869
Operating expenses	<u>47,679,614</u>	<u>42,640,724</u>
Net Operating Loss	(18,457,516)	(17,773,855)
Nonoperating revenues and expenses	<u>16,908,464</u>	<u>17,418,556</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(1,549,052)	(355,299)
Other revenues, expenses, gains or losses	<u>7,161,586</u>	<u>7,039,805</u>
Increase in Net Assets	<u>5,612,534</u>	<u>6,684,506</u>

Net Assets

Net Assets at Beginning of Year, as Originally Reported	55,110,816	48,123,750
Cumulative Effect of Changes in Accounting Principles and Prior Period Adjustments	<u>(31,066)</u>	<u>302,560</u>
Net Assets at Beginning of Year - Restated	<u>55,079,750</u>	<u>48,426,310</u>
Net Assets at End of Year	<u>60,692,284</u>	<u>55,110,816</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year for the College. Net Assets at the Beginning of the Year were restated by \$31,066 as a result of an error in recording a building in prior years.

A broad range of revenue sources is necessary to support the College. Operating and non-operating revenue sources are shown in the following. During the past several years there have been significant shifts among these sources. Tuition revenues have become an increasing percentage of total revenues, while state appropriations have decreased in both actual dollars and percentage of total. State appropriations have traditionally been a college's largest revenue source, but recent economic downturns in the State of Mississippi's revenue collections have resulted in appropriation cutbacks. This has forced the college to rely more heavily on tuition and sponsored funding (grants, gifts and contracts) to meet daily operations. Auxiliary activities are considered self-supporting enterprises.

Operating Revenues

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Tuition, net	4,397,133	15	3,423,742	14
Grants and contracts	19,508,035	67	16,689,820	67
Auxiliary operations, net	4,624,806	16	4,294,601	17
Sales and services	256,712	1	224,413	1
Other operating revenues	<u>435,412</u>	<u>1</u>	<u>234,293</u>	<u>1</u>
	<u>29,222,098</u>	<u>100</u>	<u>24,866,869</u>	<u>100</u>

Operating and Non-operating Revenues

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Tuition, net	4,397,133	8	3,423,742	7
Grants and contracts	19,508,035	36	16,689,820	33
Auxiliary operations, net	4,624,806	9	4,294,601	9
Sales and services	256,712		224,413	
Other operating revenues	435,412	1	234,293	
Local appropriations	4,002,343	7	4,245,964	9
State appropriations	12,931,683	24	13,521,693	27
Investment income	361,681	1	238,361	1
Local and state appropriations restricted for capital improvements	<u>7,161,586</u>	<u>14</u>	<u>7,039,805</u>	<u>14</u>
	<u>53,679,391</u>	<u>100</u>	<u>49,912,692</u>	<u>100</u>

Revenues

- Tuition and fees assessed for educational purposes totaled \$4.397 million and \$3.424 million and account for 8% and 7%, respectively, of total revenues. The tuition discount was \$4.620 million and \$5.471 million, respectively, and represents that portion of financial aid provided to students in the form of reduced tuition.
- Federal, state and nongovernmental grants, represent 36% and 33%, respectively, for 2005 and 2004. This includes all restricted revenues made available from government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions.
- Auxiliary enterprises consist of various entities that exist predominantly to furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. These entities are intended to be self-supporting. Examples of Auxiliary enterprises primarily consist of food services, residence life, college bookstores, and other minor enterprises. These revenues totaled \$4.625 million and \$4.294 million, or 9% each of total revenues each period. Discounts of approximately \$1.01 million have been deducted from these totals for portions that were provided to students in the form of reduced auxiliary fees.

Local and state appropriations are equal to \$24.1 million and \$24.8 million, or 45% and 50% of total revenues. These revenues are considered to be of a more permanent nature. The College has seen a slight decrease in this particular appropriation item.

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the missions of the College. Two methods of presenting these expenses are included. First, expenses are displayed by major object, or by the type of goods or services that were purchased (natural classifications). This is the format that is depicted in the Statement of Revenues, Expenses and Changes in Net Assets. A summary of these expenses is shown below.

Operating Expenses (Natural Classifications)

	June 30, 2005		June 30, 2004	
	Amount	Percent	Amount	Percent
Salaries, wages & fringes	26,629,124	56	25,833,133	61
Travel	409,128	1	383,932	1
Contractual service	3,240,189	7	3,551,750	8
Utilities	1,531,173	3	1,170,642	3
Scholarships & fellowships	7,732,520	16	4,789,877	11
Commodities	6,347,267	13	5,148,121	12
Depreciation	<u>1,790,213</u>	<u>4</u>	<u>1,763,269</u>	<u>4</u>
	<u>47,679,614</u>	<u>100</u>	<u>42,640,724</u>	<u>100</u>

A second method of display (functional classifications) depicts the functional area of campus activity in which the funds were utilized. For example, funds utilized to pay a classroom professor or provide classroom materials would be classified as instruction. A summary of these expenses is shown below.

Operating Expenses (Functional Classifications)

	June 30, 2005		June 30, 2004	
	Amount	Percent	Amount	Percent
Instruction	18,137,885	38	17,516,723	41
Academic support	888,473	2	819,944	2
Student services	3,815,724	8	3,683,326	9
Institutional support	3,704,140	8	3,673,363	9

Operation & maintenance	6,951,331	15	5,923,967	14
Student aid	7,429,520	15	4,549,022	10
Auxiliary enterprises	4,962,328	10	4,711,110	11
Depreciation	<u>1,790,213</u>	<u>4</u>	<u>1,763,269</u>	<u>4</u>
Totals	<u>47,679,614</u>	<u>100</u>	<u>42,640,724</u>	<u>100</u>

Expenses

- Salary and fringe benefit costs represent the largest percentage of operating expenses by natural classification. These expenses were equal to \$27 million in fiscal year 2005 and \$26 million in fiscal year 2004, or 56% and 61% of total operating expenses, respectively.
- Core Service costs (Instruction) represented 38% and 41% of total operating expenses. These functional classifications totaled \$18 million and \$17 million in fiscal year 2005 and 2004, respectively.
- Due to the adoption of GASB 34, depreciation was recognized for the first time in fiscal year 2003. These costs totaled \$1.8 million in fiscal 2005 and \$1.7 million in fiscal 2004, or 4% of all operating expenses in both years.

Statement of Cash Flows

The Statement of Cash Flows provides another perspective on the results of operations. This statement presents detailed information about the cash activity of the College during the year and is divided into five areas. "Cash Flows from Operating Activities" is the first area. This section summarizes the cash generated and utilized through operating activities. The primary cash receipts consist of tuition and grants and contracts. Cash outlays include payments to employees for salaries and benefits, payments to suppliers, utility payments and payments for student scholarships and fellowships.

The second area is defined as "Cash Flows from Noncapital Financing Activities". This area essentially consists of cash transactions that do not involve operations, investment activities or capital financing activities. State appropriations are the primary source of noncapital financing. Other noncapital financing activities include receipts and disbursements related to student loan activities.

The third area is defined as "Cash Flows from Capital and Related Financing Activities". This section displays the cash utilized for the acquisition, construction, renovation and improvement of capital and related assets. The main source of cash for capital and related financing activities comes in the form of state appropriations restricted for capital activities and proceeds from capital debt.

The fourth area is defined as "Cash Flows from Investing Activities". This area displays the amount of cash used to purchase investments, the cash returns on these investments and the proceeds from the sale or maturity of these investments.

Another area of the Cash Flow Statement contains a reconciliation of net cash provided (used) to the operating income (loss) reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Statement of Cash Flows

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cash provided (used) by:		
Operating Activities	(16,520,914)	(17,315,178)
Noncapital Financing Activities	16,796,778	19,039,148
Capital and Related Financing Activities	(2,876,905)	(6,217,095)
Investing Activities	<u>361,681</u>	<u>238,361</u>
Net Change in Cash	(2,239,360)	(4,254,764)

Cash and Cash Equivalents, Beginning of Year	<u>15,758,229</u>	<u>20,012,993</u>
Cash and Cash Equivalents, End of Year	<u>13,518,869</u>	<u>15,758,229</u>

Management Outlook

The overall financial position of Northwest Mississippi Community College is strong. While state appropriations have generally decreased over the last few years, tuition and fees and local county support have steadily grown. The College will continue to provide a quality education to its students and maintain its sound financial position.

On June 30, 2005 Dr. David M. Haraway retired and Dr. Gary Lee Spears has been appointed president of Northwest Mississippi Community College.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

FINANCIAL STATEMENTS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets	
Current assets:	
Cash and cash equivalents	13,163,175
Accounts Receivable, Net (Note 4)	1,608,327
Notes Receivable - Other (Note 5)	73,362
Inventories	693,900
Prepaid Expenses	<u>418,942</u>
Total Current Assets	<u>15,957,706</u>
Non-Current Assets	
Restricted cash and cash equivalents	355,694
Note receivable - other (Note 5)	787,273
Capital assets, net of accumulated depreciation (Note 6)	<u>53,256,431</u>
Total Non-current assets	<u>54,399,398</u>
Total assets	<u><u>70,357,104</u></u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	515,916
Long-term liabilities - current portion (Note 7)	<u>945,000</u>
Total current liabilities	<u>1,460,916</u>
Non-Current Liabilities:	
Deposits refundable	108,904
Long-term liabilities (Note 7)	<u>8,095,000</u>
Total Non-current liabilities	<u>8,203,904</u>
Total liabilities	<u>9,664,820</u>
Net assets:	
Investment in net assets, net of related debt	44,216,431
Restricted for:	
Expendable	
Capital projects	7,518,414
Debt services	309,646
Unrestricted	<u>8,647,793</u>
Total net assets	<u>60,692,284</u>
Total liabilities and net assets	<u><u>70,357,104</u></u>

The accompanying notes are an integral part of this financial statement.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

Current Assets

Investments 6,175

Total Current Assets 6,175

Assets Whose Use is Limited

By Donors for Specific Purposes 144,649

By Board for Specific Purposes 486,269

By Donors for Scholarship Endowments 2,736,404

Total Limited Use Assets 3,367,322

Total Assets 3,373,497

Net Assets

Unrestricted 6,175

Temporarily Restricted 630,918

Restricted Endowments 2,736,404

Total Net Assets 3,373,497

See accompanying notes to financial statement.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 JUNE 30, 2005

Operating Revenues	
Tuition and fees (net of scholarship allowances of \$4,620,253)	4,397,133
Federal grants and contracts	15,785,874
State grants and contracts	3,212,199
Nongovernmental grants and contracts	509,962
Sales and services of educational departments	256,712
Auxiliary enterprises:	
Student housing (net of scholarship allowance of \$538,787)	505,510
Food services (net of scholarship allowances of \$560,779)	540,956
Bookstore	3,397,864
Other auxiliary revenues	180,476
Other operating revenues	<u>435,412</u>
Total Operating Revenues	<u>29,222,098</u>
Operating Expenses	
Salaries and wages	21,337,640
Fringe benefits	5,291,484
Travel	409,128
Contractual services	3,240,189
Utilities	1,531,173
Scholarships and fellowships	7,732,520
Commodities	6,347,267
Depreciation expense	<u>1,790,213</u>
Total Operating Expenses	<u>47,679,614</u>
Operating Income (Loss)	<u>(18,457,516)</u>
Nonoperating Revenues (Expenses)	
Local appropriations	4,002,343
State appropriations	12,931,683
Investment income	361,681
Interest expense on capital asset - related debt	(366,830)
Loss on disposal of equipment	<u>(20,413)</u>
Total Other Non-operating Revenues	16,908,464
Local appropriations restricted for capital purposes	3,792,291
State appropriations restricted for capital purposes	<u>3,369,295</u>
Net Increase in Net Assets	<u>5,612,534</u>
Net Assets	
Net Assets - Beginning Of Year	55,110,816
Prior period adjustments (Note 2)	<u>(31,066)</u>
Net assets - beginning of year as restated	<u>55,079,750</u>
Net assets - end of year	<u><u>60,692,284</u></u>

The accompanying notes are an integral part of this financial statement.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Unrestricted Revenue Gains & Other Support</u>	
Donations	3,435
In Kind Donations	163,275
	166,710
<u>Total Unrestricted Revenue & Gains</u>	166,710
<u>Net Assets Released From Restrictions</u>	300,636
	467,346
<u>Expenses & Losses</u>	
Like Kind Payroll Expense	163,275
Education Related Activities	191,702
Scholarships	122,017
	476,994
<u>Total Expenses & Losses</u>	476,994
<u>Decrease in Net Unrestricted Assets</u>	(9,648)
<u>Changes in Temporarily Restricted Assets</u>	
Contributions	336,902
Interest & Dividends (Net of Management Fees)	104,462
Fund raisers (Net)	3,319
Net Unrealized Gain on Investment	101,012
Net Assets Released From Restrictions	(506,945)
	38,750
<u>Increase in Temporarily Restricted Assets</u>	38,750
<u>Changes in Permanently Restricted Assets</u>	
Contributions	81,688
Transfers from Temporarily Restricted Assets (Net)	206,309
	287,997
<u>Increase in Endowment Assets</u>	287,997
<u>Change in Net Assets</u>	317,099
<u>Net Assets - Beginning of Year</u>	3,056,398
<u>Net Assets - End of Year</u>	3,373,497

See accompanying notes to the financial statement.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Cash Flows from Operating Activities:	
Tuition and fees	4,283,279
Grants and contracts	19,336,046
Sales and services of educational departments	256,712
Payments to suppliers	(9,559,836)
Payments to employees for salaries and benefits	(26,629,124)
Payments to utilities	(1,531,173)
Payments for scholarships and fellowships	(7,732,520)
Auxiliary enterprise charges:	
Student housing	505,510
Food services	540,956
Bookstore	3,397,864
Other auxiliary enterprise	180,476
Other receipts (payments)	<u>430,896</u>
Net Cash Provided (used) by Operating Activities	<u>(16,520,914)</u>
Cash Flows from Noncapital Financing Activities:	
Local appropriations	4,006,510
State appropriations	<u>12,790,268</u>
Net Cash Provided (used) by Noncapital Financing Activities	<u>16,796,778</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital debt	
Cash paid for capital assets	(8,822,129)
Capital appropriations received	7,232,467
Principal paid on capital debt and leases	(900,000)
Interest paid on capital debt and leases	(366,830)
Loss on Disposal of Equipment	<u>(20,413)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(2,876,905)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>361,681</u>
Net Cash Provided (used) by Investing Activities	<u>361,681</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,239,360)
Cash and Cash Equivalents - Beginning of Year	<u>15,758,229</u>
Cash and Cash Equivalents - End of Year	<u><u>13,518,869</u></u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2005

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

Operating income (loss)	<u>(18,457,516)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,790,213
Bad debt expense	103,000
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(294,486)
Inventories	(21,720)
Prepaid expenses	142,529
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	<u>217,066</u>
Total adjustments	<u>1,936,602</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(16,520,914)</u></u>

Reconciliation of Cash and Cash Equivalents to the
 Statement of Net Assets

Cash and Cash Equivalents Classified as Current Assets	13,163,175
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>355,694</u>
Cash and Cash Equivalents - End of Year	<u><u>13,518,869</u></u>

See accompanying notes to the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	325,690
<u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</u>	
Non-Cash in Kind Donations	(163,275)
Non-Cash in Kind Expenses	163,275
Gain on Investments	101,012
	101,012
<u>Net Cash (Used In) Operating Activities</u>	426,702

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Purchased	(538,285)
Investment Sold	100,000
	100,000
<u>Net Cash Used in Investing Activities</u>	(438,285)
<u>Decrease in Cash & Equivalents</u>	(11,583)
<u>Cash & Equivalents - Beginning of Year</u>	11,583
<u>Cash & Equivalents - End of Year</u>	0

The Foundation paid no income tax or interest during 2004.

See accompanying notes to the financial statement.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

Reporting Entity - Northwest Mississippi Community College is the outgrowth of the Tate County Agricultural High School that began in 1915. In the fall of 1926 it began offering college level courses. In 1928 the school became fully sanctioned by the Mississippi Junior College Commission and became known as Northwest Mississippi Junior College. In 1988, the name of the College was changed to Northwest Mississippi Community College. The District is presently composed of Benton County, Calhoun County, DeSoto County, Lafayette County, Marshall County, Panola County, Quitman County, Tallahatchie County, Tate County, Tunica County, and Yalobusha County. The College maintains three campuses. Senatobia, Southaven, and Oxford. Classes are also taught at other locations.

The College is governed by the Board of Trustees consisting of 22 members, two from each of the Counties in the district. County superintendents of education are members by virtue of their offices. Other members are appointed by their respective boards of supervisors. Board members are appointed for staggered five-year terms and are eligible for reappointment.

The duties of the Board are to be the general government of the College and to direct the administration of the College. Subject to the provisions of Section 6, Chapter 369, of the General Laws of Mississippi, they shall have full power to provide for the successful operation of the College. The College has to report to the State Board for Community and Junior Colleges for certain regulations relative to its operation in addition to the Board of Trustees.

Component Unit Disclosure

Discretely Presented Component Unit

The component unit financial statements appear behind each page of the College's financial statements. It is reported separately to emphasize that it is legally separated from the College.

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

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

Basis of Accounting - The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. All significant intra-agency transactions have been eliminated.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2005

Accounts Receivable, Net - Accounts receivable consist of tuition and fee charges to students. Accounts receivable also include amounts due from federal, state, and local governments, and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts. Accounts receivable are recorded net of allowances for doubtful accounts.

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

Restricted Cash and Cash Equivalents - Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

Capital Assets - Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. Livestock for educational purposes is adjusted at year-end to reflect market price. 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 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 expenditures categories. See Note 6 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. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

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.

Classification of Revenues - The College has classified their 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 federal appropriations, and (4) interest on institutional student loans. Gifts (pledges) that are received on an installment basis are recorded at net present value.

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

State Appropriations - Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2005

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.

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 university obligations. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$8,647,793 at June 30, 2005, includes \$693,900 reserved for inventories and a remaining amount of \$7,953,893.

Adoption of Standards - Northwest Mississippi Community College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment to GASB Statement No. 14*, in the prior fiscal years as required. The provisions of this standard have been incorporated into the financial statement and accompanying notes as a discrete presentation.

(2) Prior Period Adjustments.

Additions were made to a building that was previously below the capitalization threshold. To record the proper basis of the building, the original cost of the building and related accumulated depreciation was recorded. Also see Note 6.

(3) Cash and Cash Equivalents.

Policies:

Cash and Cash Equivalents - Investment policies for cash and cash equivalents as set forth by Board of Trustees 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 now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (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.

Restricted cash represents funds on deposit with the State of Mississippi, Office of Building, Grounds and Real Property management. These funds are available for cafeteria and DeSoto Center Construction Projects and funds restricted for capital improvements and repair in excess of current liabilities. Also included are funds held in an agency capacity for others. Also included are the excess of restricted funds for capital projects in excess of current accounts payable for capital projects.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2005

(4) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2005:

Student tuition and auxiliary enterprises and other operating activities	1,951,602
Federal, state, and private grants and contracts	908,251
State appropriations	388,836
Local appropriations	233,414
Other	<u>34,224</u>
 Total Accounts Receivable	 3,516,327
 Less allowance for doubtful accounts	 <u>1,908,000</u>
 Net Accounts Receivable	 <u><u>1,608,327</u></u>

(5) Notes Receivable.

Notes Receivable - Other represents the University of Mississippi's share of the cost of expanding the DeSoto Center facility in Southaven, Mississippi. The note bears interest at 3.5%. Principal and interest are due in twelve annual installments of \$103,484. The total note is \$860,635.

(6) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2005 is presented as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Nondepreciable Capital Assets:					
Land	4,692,153	370,712	1,075		5,061,790
Construction in progress	8,196,611	7,830,716	1,959,431		14,067,896
Livestock	<u>56,850</u>	<u>20,636</u>	<u>16,586</u>		<u>60,900</u>
 Total Nondepreciable Capital Assets	 <u>12,945,614</u>	 <u>8,222,064</u>	 <u>1,977,092</u>	 <u>0</u>	 <u>19,190,586</u>
Depreciable Capital Assets:					
Improvements other than buildings	5,044,465	232,390			5,276,855
Buildings	42,070,023	1,998,264			44,068,287
Equipment	6,330,567	233,992	73,302		6,491,257
Library books	<u>2,080,625</u>	<u>119,865</u>	<u>37,035</u>		<u>2,163,455</u>
 Total Depreciable Capital Assets	 <u>55,525,680</u>	 <u>2,584,511</u>	 <u>110,337</u>	 <u>0</u>	 <u>57,999,854</u>
Less: Accumulated Depreciation for:					
Improvements other than buildings	1,366,042	187,140			1,553,182
Buildings	14,533,797	996,257		31,066	15,561,120

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2005

Equipment	4,849,450	477,349	70,549		5,256,250
Library books	<u>1,471,026</u>	<u>129,467</u>	<u>37,036</u>		<u>1,563,457</u>
 Total Accumulated Depreciation	 <u>22,220,315</u>	 <u>1,790,213</u>	 <u>107,585</u>	 <u>31,066</u>	 <u>23,934,009</u>
 Total Depreciable Capital Assets, Net	 <u>33,305,365</u>	 <u>794,298</u>	 <u>2,752</u>	 <u>(31,066)</u>	 <u>34,065,845</u>
 Capital Assets, Net	 <u><u>46,250,979</u></u>	 <u><u>9,016,362</u></u>	 <u><u>1,979,844</u></u>	 <u><u>(31,066)</u></u>	 <u><u>53,256,431</u></u>

The original cost of the WIA-Boiler Building was less than \$50,000 and had not been listed on the depreciation schedule. The renovations were complete in the current year and were capitalized. The original building was then added to the depreciation schedule on a fully depreciated basis, except for salvage value.

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

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

(7) 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, 2005.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2005, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statement
For the Year Ended June 30, 2005

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Education Facilities Note, Series 2000	4,000,000	4.8% to 6.5%	2015	3,560,000		160,000	3,400,000	210,000
Educational Facilities Note, Series 2002	4,000,000	3.25% to 4.45%	2017	3,800,000		155,000	3,645,000	165,000
Educational Facilities Bonds, Series 2003	2,580,000	1.15% to 2.4%	2008	2,580,000		585,000	1,995,000	570,000
Totals				9,940,000	0	900,000	9,040,000	945,000

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the year ended June 30, 2005

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending <u>June 30</u>	<u>Notes</u>	<u>Interest</u>	<u>Total</u>
2006	945,000	347,822	1,292,822
2007	975,000	319,770	1,294,770
2008	880,000	292,958	1,172,958
2009	920,000	263,953	1,183,953
2010	520,000	237,973	757,973
2011 - 2015	3,770,000	756,133	4,526,133
2016 - 2017	<u>1,030,000</u>	<u>69,336</u>	<u>1,099,336</u>
Totals	<u>9,040,000</u>	<u>2,287,945</u>	<u>11,327,945</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the year ended June 30, 2005

(8) Natural Classifications with Functional Allocations.

The College's operating expenses by functional classifications were as follows for the year:

Functional Classification	Salaries	Fringe	Contractual	Scholarships &	Depreciation	Total		
	& Wages	Benefits	Services	Fellowships	Expense			
	Travel	Utilities	Commodities					
Instruction	13,246,812	3,008,978	181,017	1,025,309	28,070	160,416	487,283	18,137,885
Academic support	663,244	162,494	3,207	41,269			18,259	888,473
Student services	2,300,197	541,063	179,660	392,370		217,020	185,414	3,815,724
Institutional support	2,134,858	548,057	43,672	837,797			139,756	3,704,140
Operation and maintenance	2,035,020	716,348	1,004	727,002	1,186,985		2,284,972	6,951,331
Student aid				74,436		7,355,084		7,429,520
Auxiliary enterprises	957,509	314,544	568	142,006	316,118		3,231,583	4,962,328
Depreciation							1,790,213	1,790,213
Totals	21,337,640	5,291,484	409,128	3,240,189	1,531,173	7,732,520	6,347,267	47,679,614

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the year ended June 30, 2005

(9) Construction Commitments.

	<u>Contract Amount</u>	<u>Billed to Date</u>	<u>Remaining Commitment</u>	<u>Funding Source</u>
Cafeteria	5,672,359	5,532,889	139,470	State Appropriation & College Reserves
DeSoto Center	6,983,206	6,661,491	321,715	State Appropriation University of Mississippi and College Reserves
Ag-Tech Facility	2,113,200	1,407,025	706,175	Economic Development Grant, John Deere Grant, Institutional Funds
Northwest Drive and Parking Lot	261,896	61,112	200,784	College Funds
Lafayette Center Renovation	1,695,000	745,959	949,041	College Reserves
Haraway Center - Landscape	62,325	26,550	35,775	College Reserves

(10) Pension Plan.

Plan Description

Northwest Mississippi Community College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements
For the year ended June 30, 2005

Funding Policy.

PERS members are required to contribute 7.25% of their annual covered salary and Northwest Mississippi Community College is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the state of Mississippi Legislature. Northwest Mississippi Community College's contributions to PERS for the years ending June 30, 2005, 2004 and 2003 were \$1,924,184, \$1,903,388, and \$1,800,911, respectively, equal to the required contributions for each year.

(11) Unemployment Trust Fund.

The College maintains a self funded unemployment fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to former employees. Rather, it reimburses the Mississippi Employment Security Commission for benefits it pays directly to former college employees. The fund is required to be maintained at 2% of the \$6,000 per each full time employee. At June 30, 2005 the fund had a balance of \$100,145.

(12) Risk Management.

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

(13) Contingencies.

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

(14) Concentrations.

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

(15) Subsequent Events.

On July 1, 2005 Dr. Gary Lee Spears became president.

(16) The College is involved in three lawsuits which occurred in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the College with respect to various proceedings. However, the College's legal counsel believes the ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the College.

(17) Foundation.

The Northwest Mississippi Community College Foundation, Inc. is an independent corporation formed for the purpose of receiving funds for the sole benefit of the institution. The notes to the financial statement are as follows.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements
December 31, 2004

1. Description of Organization and Summary of Significant Accounting Policies

Organization

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

Use of Estimates

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

Cash and Cash Equivalents

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

Assets Limited as to Use

Assets limited as to use include designated assets set aside by the Board of Directors for a future purpose and may at its discretion re-designate the assets. Donations restricted to use by donors are also included in this category.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Endowments are amounts set aside for scholarships by the grantor with a provision that a certain portion of their donation be invested and not used. The earnings can be used for the purposes stated by the donor.

To encourage endowments the Foundation will match the donor's contribution if certain conditions are met.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) of the 1986 Internal Revenue Code and from state income taxes by the Mississippi State Tax Commission.

Investments

The surplus funds are invested in mutual funds. These funds are carried at fair value.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements
December 31, 2004

Volunteer Labor

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

Method of Accounting

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

2. Assets Limited as to Use

The composition of assets limited to use at December 31, 2004 is set forth in the following table.

	<u>2004</u>
Internally designated for endowment matches:	
Cash	43,490
Investments	<u>442,779</u>
	<u>486,269</u>
By donors for specific purposes:	
Investments	<u>144,649</u>
By donors for endowments:	
Investments	<u>2,736,404</u>
<u>Total Limited Use Assets</u>	<u>2,736,404</u>

3. Office Space

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

4. Investments

Investments made by the Foundation that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered for which the securities are held by the Foundation or its agent in the Foundation's name

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the Foundation's name

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Foundation's name

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements
December 31, 2004

<u>Investment Type</u>	<u>1</u>	<u>Category</u>		<u>Fair Value</u>
		<u>2</u>	<u>3</u>	
Certificate of Deposit Held for Investment at Merrill Lynch	77,889	3,253,226	_____	77,889 3,253,226
<u>Total</u>	<u>77,889</u>	<u>3,253,226</u>	<u>_____</u>	<u>3,331,115</u>

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

	<u>Total</u>	<u>Temporarily Restricted</u>
Dividend and Interest Income	108,757	
<u>Total</u>	<u>108,757</u>	<u>108,757</u>

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

5. Other Concentrations

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Major Programs		
Student Financial Assistance Cluster:		
U. S. Department of Education:		
Federal Work Study Program	84.033	338,190
Federal Supplemental Educational Opportunity Grant Program	84.007	340,458
Federal Pell Grant Program	84.063	9,475,056
Leveraging Educational Assistance Program	84.069	15,425
Stafford Student Loan Program	84.032	<u>1,112,787</u>
Total Student Financial Assistance Cluster		<u>11,281,916</u>
Other Major Program		
U. S. Department of Agriculture:		
Rural Health Grant	10.500	<u>103,366</u>
Total Major Programs		<u>11,385,282</u>
Other Federal Assistance		
U. S. Department of Labor:		
Passed Through Three Rivers Planning and Development District:		
Workforce Investment Act Cluster		
Workforce Investment Act Youth Program	17.259	82,338
Workforce Investment Act (Dislocated Workers)	17.260	359,413
Passed through South Delta Planning and Development District		
Workforce Investment Act Adult	17.258	27,983
Workforce Investment Act (Dislocated Workers)	17.260	21,987
Passed through Mississippi Employment Security Commission		
Workforce Investment Act Adult	17.258	44,515
Workforce Investment Act (Dislocated Workers)	17.260	258,863
Passed through Vocational Rehabilitation		
Workforce Investment Act Adult	17.258	7,628
Workforce Investment Act (Dislocated Workers)	17.260	<u>1,009</u>
Total Workforce Investment Act Cluster		803,736

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Passed through Three Rivers Planning and Development District		
One Stop Career Center Initiative	17.257	562,480
Passed through the Mississippi Development Authority:		
Geographic Development Authority	17.267	<u>32,113</u>
Total Department of Labor		<u>1,398,329</u>
U. S. Department of Education:		
Passed through the Mississippi Board for Community and Junior Colleges		
Adult Education - State Administered Basic Grant	84.002A	619,236
Vocational Education Basic Grants to States	84.048	278,671
Passed Through the Mississippi Department of Education:		
Student Supportive Services	84.042A	258,936
Tech-Prep Education	84.243	<u>49,878</u>
Total Department of Education		1,206,721
Homeland Security	97.054	<u>4,001</u>
Total Other Federal Programs		<u>2,609,051</u>
Total Federal Programs		<u><u>13,994,333</u></u>

NOTES TO SCHEDULE:

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the Community College.
4. For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA # 84.032) are presented as federal expenditures. Neither the funds advanced nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited the financial statements of the Northwest Mississippi Community College as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. 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.

Internal Control Over Financial Reporting

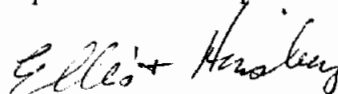
In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as Finding 2005-1.

This report is intended solely for the information and use of the Board of Trustees, management, and 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.

November 18, 2005



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

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

Compliance

We have audited the compliance of the Northwest Mississippi Community College with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Northwest Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

November 18, 2005

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

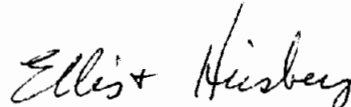
Dr. Gary Lee Spears, President
and Board of Trustees
Northwest Mississippi Community College
Senatobia, Mississippi

We have audited the financial statements of the Northwest Mississippi Community College as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. 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*.

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

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

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



November 18, 2005

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SCHEDULE OF FINDINGS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Schedule of Findings
For the Year Ended June 30, 2005

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements. | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements? | Yes |
| 3. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Reportable condition identified that is not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. Any audit findings reported as required by section __.510(a) of OMB Circular A-133. | No |
| 7. Federal programs identified as major programs: | |
| a. Cluster: <u>Financial Aid</u> | |
| CFDA# | 84.007 |
| CFDA# | 84.032 |
| CFDA# | 84.033 |
| CFDA# | 84.063 |
| CFDA# | 84.069 |
| b. Rural Health | |
| CFDA# | 10.500 |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | 386,446 |

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Schedule of Findings
For the Year Ended June 30, 2005

- | | |
|--|-----|
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Findings Relating to the Financial Statements

Material Noncompliance

2005-1 Finding

The College contracts with many employees (primarily teachers) to work from August of the current year through June of the following year. This is consistent with the school term. Many of these employees have required that they be paid over a twelve month period instead of the ten months of the school term. The College has always started their pay in July before the fall school term begins. This is in effect advancing or loaning these employees one month's pay since they have not yet started to work. There is no provision in state law for the College to follow this practice.

Management has stated that this has been the practice as long as anyone can remember and has never lost any money from this procedure.

Recommendation

The College should stop advancing employees' salaries. To prevent undue hardship on employees, this could be phased in over a two year period, with objective of making the July payment the final payment from the previous year instead of the first payment of the new year.

Section 3: Federal Awards Findings and Questioned Costs

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