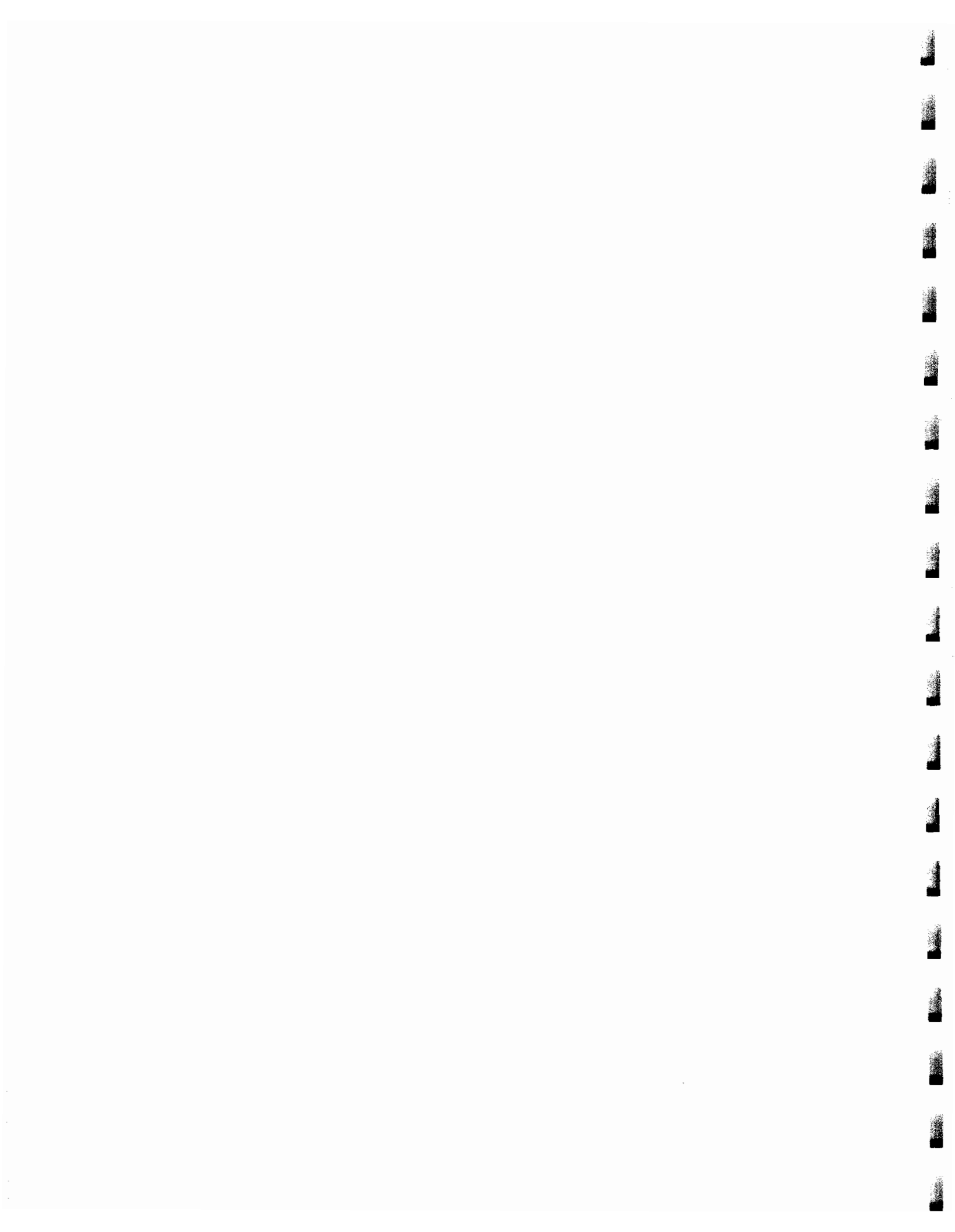


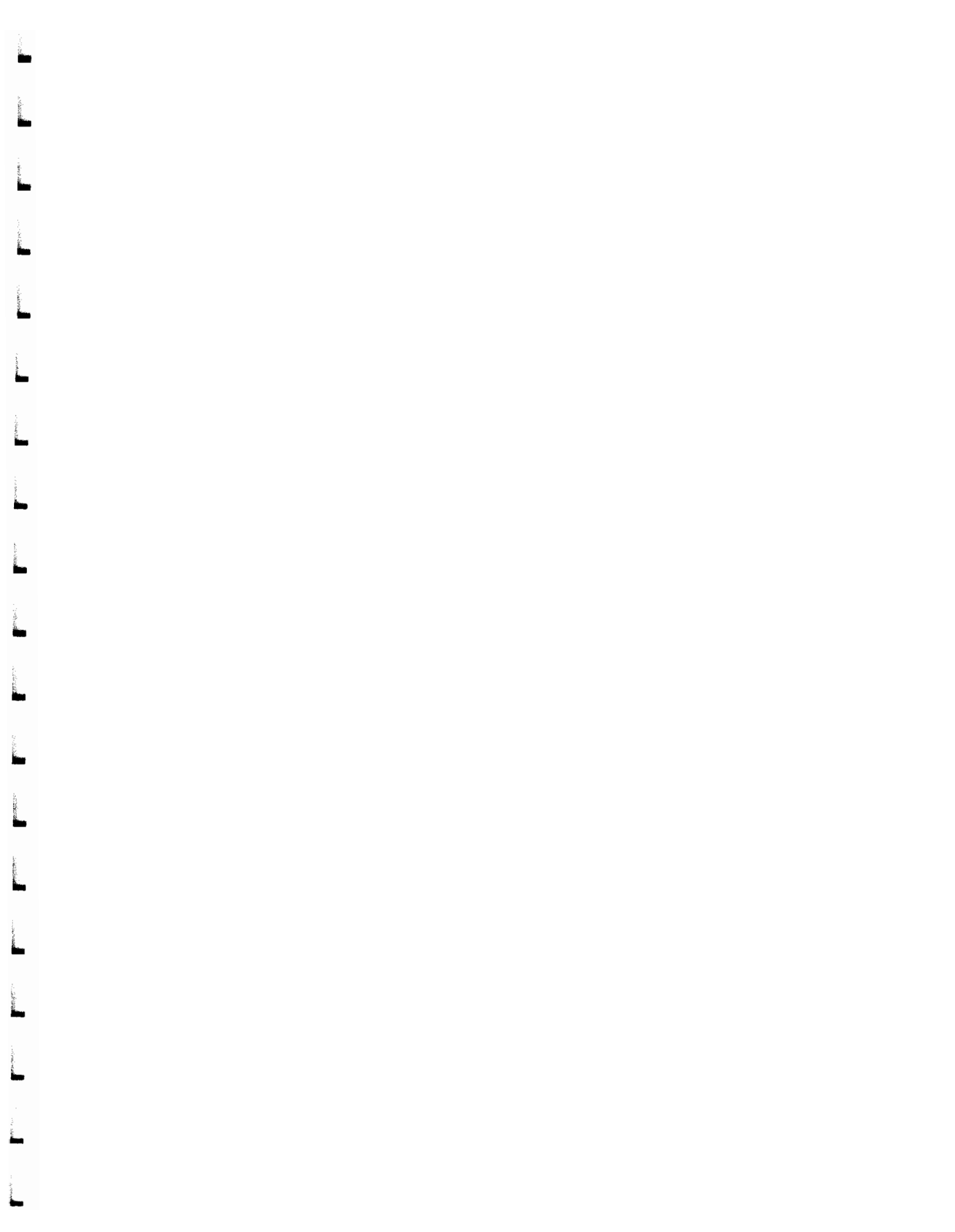


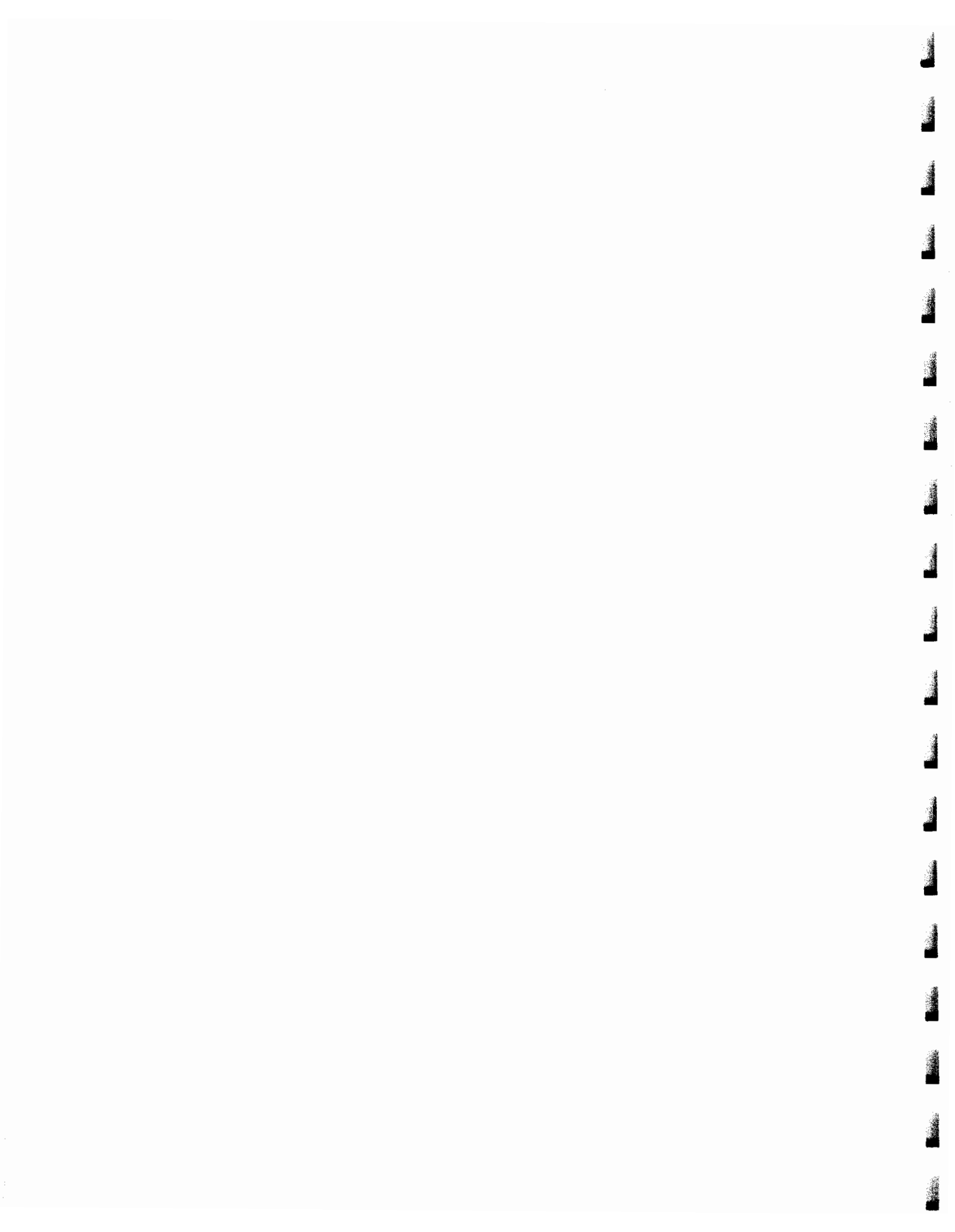
The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Mississippi Delta Community College
Financial Statements
June 30, 2006

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi







MISSISSIPPI DELTA COMMUNITY COLLEGE
TABLE OF CONTENTS

	Page
FINANCIAL AUDIT REPORT	1
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	13
Statement of Net Assets - Mississippi Delta Community College	14
Statement of Financial Position - Mississippi Delta Community College Development Foundation, Inc.	15
Statement of Revenues, Expenses and Changes in Net Assets - Mississippi Delta Community College	16
Statement of Activities - Mississippi Delta Community College Development Foundation, Inc.	17
Statement of Cash Flows - Mississippi Delta Community College	18
Statement of Cash Flows - Mississippi Delta Community College Development Foundation, Inc.	20
Statement of Functional Expenses - Mississippi Delta Community College Development Foundation, Inc.	21
Notes to the Financial Statements - Mississippi Delta Community College	22
Notes to the Financial Statements - Mississippi Delta Community College Development Foundation, Inc.	32
SUPPLEMENTAL INFORMATION	37
Schedule of Expenditures of Federal Awards	39
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	41
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43

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	45
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	47
Independent Auditors' Report on Compliance with State Laws and Regulations	49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51

MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

We have audited the accompanying financial statements of Mississippi Delta Community College as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Mississippi Delta Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Mississippi Delta Community College Development Foundation, Inc., a discretely presented component unit of Mississippi Delta Community College which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Mississippi Delta Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor, provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mississippi Delta Community College and of its discretely presented component unit, as of June 30, 2006, 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 December 6, 2006, on our consideration of Mississippi Delta 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 12 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. Management's Discussion and Analysis also contains information from June 30, 2006. 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, 2005 (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 an opinion on the financial statements that collectively comprise Mississippi Delta Community College's basic financial statements. The Schedule of Expenditures and Federal Awards 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. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

December 6, 2006

Ellis + Husberg PLLC

MISSISSIPPI DELTA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

MISSISSIPPI DELTA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

Overview of the Financial Statements

The College's financial report consists of two sections - Management's Discussion and Analysis, which is required supplementary information (this section), and the basic financial statements including the notes to the financial statements. The annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*.

Basic Financial Statements

The basic financial statements present information for the College as a whole. The Statement of Net Assets presents the financial position at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities is one measure of financial health or position, while the change in net assets is a useful indicator of whether the financial condition is improving or deteriorating. Over time, increases or decreases in the College's net assets can be useful in assessing whether its financial health is improving.

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results, as well as nonoperating revenues and expenses. In general terms, operating revenues are received for providing goods and services and operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are those received for which goods and services are not provided as an exchange transaction. For example, State Appropriation revenues are classified as nonoperating because the State Legislature provides them, without the Legislature receiving commensurate goods or services in return. Due to this classification treatment, the College's financial statements typically depict an overall operating loss. Other revenue sources include gifts, grants and appropriations restricted for capital purposes.

The Statement of Cash Flows provides another perspective on the results of operations. This statement provides detailed information about the cash sources and uses. Additional details concerning this statement are explained later in this report. Other nonfinancial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the College.

Statement of Net Assets

Net assets are divided into three major categories:

- Invested in Capital Assets, Net of Debt - represents the equity in property, plant and equipment owned by the System.
- Restricted Net Assets - represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements.
- Unrestricted Net Assets - represent those assets that are available for any lawful purpose.

From the data presented, readers of the Statement of Net Assets are able to determine the following:

- the assets available to continue the operations of the College
- the liabilities of the College which include the amount owed vendors and lending institutions, and
- the net assets that are available for expenditure by the College.

Current assets total \$7,095,346 and consist primarily of cash and cash equivalents, short-term investments and net receivables. Current liabilities total \$1,308,739 and consist primarily of accounts payable and accrued liabilities, deferred revenues, and short-term bond/note obligations.

Noncurrent assets total \$17,615,827 and include depreciated capital assets of \$17,349,930. Other noncurrent assets include cash and investments that are restricted externally by endowment arrangements, or internally by management so as to maximize investment earnings.

Noncurrent liabilities total \$52,155 which represent housing deposits.

Restricted nonexpendable net assets total \$10,000 and consist of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to the principal.

Restricted expendable net assets total \$2,305,809 and include resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

A summarized listing of Mississippi Delta Community College's assets, liabilities and net assets at June 30, 2005 and June 30, 2006 is shown below.

Statement of Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current assets	6,294,290	7,095,346	801,056	13.0
Capital assets	16,088,835	17,349,930	1,261,094	8.0
Other assets	<u>254,056</u>	<u>265,897</u>	<u>11,842</u>	<u>5.0</u>
Total Assets	<u>22,637,181</u>	<u>24,711,173</u>	<u>2,073,992</u>	<u>9.0</u>
Liabilities				
Current liabilities	1,171,859	1,308,739	136,880	12.0
Noncurrent liabilities	<u>59,355</u>	<u>52,155</u>	<u>(7,200)</u>	<u>-12.0</u>
Total Liabilities	<u>1,231,214</u>	<u>1,360,894</u>	<u>129,680</u>	<u>11.0</u>
Net Assets				
Invested in capital assets, net of debt	16,088,835	17,349,930	1,261,094	8.0
Restricted - nonexpendable	10,000	10,000	0	0
Restricted - expendable	2,109,572	2,305,809	196,237	9.0
Unrestricted	<u>3,197,559</u>	<u>3,684,540</u>	<u>486,981</u>	<u>15.0</u>
Total Net Assets	<u>21,405,967</u>	<u>23,350,279</u>	<u>1,944,312</u>	<u>9.0</u>

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) displays information on how the College's assets changed as a result of current year operations. This statement presents the System's operating and nonoperating revenues and expenditures.

The consolidated SRECNA at June 30, 2006 indicates a net operating loss of \$10,006,344. The net loss does not include the 2006 effects of nonoperating items - state appropriations, gifts, or net investment earnings.

Statement of Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenues & Expenses				
Operating revenues	14,695,079	14,653,118	(41,961)	-.3
Operating expenses	<u>(26,455,529)</u>	<u>(24,659,462)</u>	<u>1,796,067</u>	<u>-7.0</u>
Operating income (loss)	<u>(11,760,450)</u>	<u>(10,006,344)</u>	<u>1,754,106</u>	<u>15.0</u>
Nonoperating revenues and expenses	<u>10,664,756</u>	<u>11,950,656</u>	<u>1,285,900</u>	<u>12.0</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	<u>(1,095,694)</u>	<u>1,944,312</u>	<u>3,040,006</u>	<u>277.0</u>
Other revenues, expenses, gains or losses	<u>6,083</u>	<u> </u>	<u>(6,083)</u>	<u>100.0</u>
Change in Net Assets	<u>(1,089,611)</u>	<u>1,944,312</u>	<u>3,033,923</u>	<u>278.0</u>
Net Assets				
Net Assets at Beginning of the Year - Restated	<u>22,495,578</u>	<u>21,405,967</u>	<u>(1,089,611)</u>	<u>-5.0</u>
Net Assets at the End of Year	<u>21,405,967</u>	<u>23,350,279</u>	<u>1,944,312</u>	<u>9.0</u>

Operating Revenues

Operating revenues for the College totaled \$14,653,118 at June 30, 2006. The following chart summarizes the revenues into major categories.

Operating Revenues

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Tuition and fees, net	1,002,003	1,776,533	774,530	77.0
Grants and contracts	12,058,527	11,079,342	(979,185)	-8.0
Auxiliary enterprises, net	1,267,924	1,247,473	(20,451)	-2.0
Other revenues	<u>366,625</u>	<u>549,770</u>	<u>183,145</u>	<u>50.0</u>
Total Operating Revenues	<u>14,695,079</u>	<u>14,653,118</u>	<u>(41,961)</u>	<u>-.3</u>

Operating Expenses

Total operating expenses for the College amounted to \$24,659,462 for the year ended June 30, 2006. Shown in the table below is a summary of the operating expenses by major object categories.

Operating Expenses

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Salaries and wages	12,218,828	11,364,334	(854,494)	-7.0
Fringe benefits	2,895,560	2,927,818	32,258	1.0
Travel	344,595	245,964	(98,631)	-29.0
Contractual services	4,748,915	3,089,955	(1,658,960)	-35.0
Utilities	878,801	1,053,298	174,497	20.0
Scholarships and fellowships	2,681,644	2,375,544	(306,100)	-11.0
Commodities	1,150,715	1,298,251	147,536	13.0
Depreciation expense	735,003	683,417	(51,586)	-7.0
Other operating expenses	801,468	1,620,881	819,413	102.0
Total Operating Expenses	<u>26,455,529</u>	<u>24,659,462</u>	<u>(1,796,067)</u>	<u>-7.0</u>

As an alternative presentation model, Mississippi Delta's fiscal year 2006 operating expenses are shown below by major function category. Functional classifications are the traditional categories that colleges have used. They represent the type of programs and services that the colleges provide.

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Instruction	12,924,263	12,172,951	(751,312)	-6.0
Academic support	535,213	521,072	(14,141)	-3.0
Student services	1,518,117	1,428,265	(89,852)	-6.0
Institutional support	2,763,019	2,496,936	(266,083)	-10.0
Operation of plant	2,546,539	2,485,927	(60,612)	-2.0
Student aid	2,718,347	2,374,722	(343,625)	-13.0
Auxiliary Enterprises	2,715,028	2,496,172	(218,856)	-8.0
Depreciation	735,003	683,417	(51,586)	-7.0
Total Operating Expenditures	<u>26,455,529</u>	<u>24,659,462</u>	<u>(1,796,067)</u>	<u>-7.0</u>

Capital Asset and Debt Administration

At June 30, 2006, Mississippi Delta Community College had invested in a broad range of capital assets. These assets are comprised of land, buildings and improvement, equipment, and library books. They are stated net of accumulated depreciation. See the following table.

Capital Asset Summary

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Capital assets not being depreciated	276,919	1,958,005	1,681,086	607
Depreciable capital assets:				
Improvements other than buildings	1,409,275	1,409,275		
Buildings	23,361,419	23,361,419		
Equipment	4,255,153	4,427,056	171,903	4.0
Library books	<u>743,727</u>	<u>756,879</u>	<u>13,152</u>	<u>2.0</u>
Total depreciable capital assets	<u>29,769,574</u>	<u>29,954,629</u>	<u>185,055</u>	<u>1.0</u>
Total Cost of Capital Assets	30,046,493	31,912,634	1,866,141	6.0
Less: Accumulated depreciation	<u>(13,957,657)</u>	<u>(14,562,704)</u>	<u>(602,047)</u>	<u>4.0</u>
Capital Assets, Net	<u>16,088,836</u>	<u>17,349,930</u>	<u>1,261,094</u>	<u>8.0</u>

Non-depreciated capital assets totaled \$1,958,005. This amount represents the value of land and construction in progress at June 30, 2006.

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows (Direct Method)

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percent Change</u>
Cash and cash equivalents				
provided (used) by:				
Operating activities	(10,835,262)	(9,109,801)	1,725,461	-16.0
Noncapital financing activities	10,572,337	10,253,582	(318,755)	-3.0
Capital and related financing activities	(537,388)	(267,290)	270,098	50.0
Investing activities	<u>825,735</u>	<u>1,080,296</u>	<u>254,561</u>	<u>31.0</u>
Net Increase in Cash and Cash Equivalents	25,422	1,956,787	1,931,365	76.0
Cash and Cash Equivalents, Beginning of Year	<u>2,451,356</u>	<u>2,476,778</u>	<u>25,422</u>	<u>1.0</u>
Cash and Cash Equivalents, End of Year	<u>2,476,778</u>	<u>4,433,565</u>	<u>1,956,787</u>	<u>79.0</u>

The major sources of funds represented in the operating activities include \$1,821,196 for student tuition and fees, \$1,329,147 for auxiliary enterprise sales and services, and \$11,059,618 for grants and contracts. The major use of funds were payments made to employees for \$14,163,728, payments to suppliers in the amount of \$4,992,601, and \$2,375,544 paid to students for financial aid.

The largest inflow of cash in the noncapital financing activities group is the state appropriation of \$9,342,386, which included \$1,688,757 of state bond money allocated for construction of a new women's dorm.

Economic Outlook

Accumulated decreases in State appropriations since the Fiscal Year 2000 has totaled \$2,264,234. These decreases have challenged Mississippi Delta Community College personnel to provide excellent services to students, with fewer state dollars. Due to this loss in state funding, Mississippi Delta has increased tuition and fees several times during this six-year time period. In addition to tuition increases, management has searched for financial funds from federal agencies in order to help bridge the gap left by the downturn in state support.

Mississippi Delta Community College staff and management are continuing to develop plans to reduce costs and generate new sources of revenue while providing an excellent college experience for our vocational, technical, and academic students.

MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL STATEMENTS

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2006

Assets	
Current assets:	
Cash and cash equivalents	4,433,565
Short-term investments	625,000
Accounts receivable, net	1,081,448
Inventories	771,061
Prepaid expenses	184,272
	<hr/>
Total Current Assets	7,095,346
Noncurrent assets:	
Other long-term investments	265,897
Capital assets, net of accumulated depreciation	17,349,930
	<hr/>
Total Noncurrent Assets	17,615,827
	<hr/>
Total Assets	24,711,173
	<hr/> <hr/>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,045,936
Deferred revenues	118,387
Other current liabilities	144,416
	<hr/>
Total Current Liabilities	1,308,739
Noncurrent liabilities:	
Deposits refundable	52,155
	<hr/>
Total Noncurrent Liabilities	52,155
	<hr/>
Total Liabilities	1,360,894
	<hr/> <hr/>
Net assets:	
Invested in capital assets, net of related debt	17,349,930
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	10,000
Expendable:	
Scholarships and fellowships	109,540
Capital projects	2,142,722
Unemployment compensation	53,547
Unrestricted	3,684,540
	<hr/>
Total net assets	23,350,279
	<hr/>
Total liabilities and net assets	24,711,173
	<hr/> <hr/>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENTAL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS:

Cash	95,592.12
Certificate of Deposit	150,000.00
Marketable securities	884,261.02
Contributions receivable, net of discount	<u>10,358.00</u>

Total Assets 1,140,211.14

LIABILITIES

0.00

NET ASSETS:

Unrestricted	347,755.56
Temporarily restricted	<u>792,455.58</u>
Total net assets	<u>1,140,211.14</u>

Total liabilities and net assets 1,140,211.14

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
June 30, 2006

Operating Revenues	
Tuition and fees (net of scholarship allowance)	1,776,533
Federal grants	9,035,708
State grants	2,043,634
Auxiliary services:	
Housing (less scholarship allowance)	167,005
Food services (less scholarship allowance)	502,705
Bookstore (less scholarship allowance)	577,763
Other operating revenues	<u>549,770</u>
Total Operating Revenues	<u>14,653,118</u>
Operating Expenses	
Salaries and wages	11,364,333
Fringe benefits	2,927,818
Travel	245,965
Contractual services	3,089,955
Utilities	1,053,298
Scholarships and fellowships	2,375,544
Commodities	1,298,251
Depreciation expense	683,417
Other operating expense	<u>1,620,881</u>
Total Operating Expenses	<u>24,659,462</u>
Operating Income (Loss)	<u><u>(10,006,344)</u></u>
Nonoperating Revenues (Expenses)	
State appropriations	7,653,629
State bond monies	1,688,757
Local appropriations	2,527,974
Interest income	<u>80,296</u>
Total Nonoperating Revenues (Expenses)	<u>11,950,656</u>
Changes in Net Assets	1,944,312
Net Assets, Beginning of Year Restated	<u>21,405,967</u>
Net Assets, End of Year	<u><u>23,350,279</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Unrestricted Net Assets:	
Unrestricted revenues and gains:	
Contributions	1,020.00
Investment income:	
Interest	1,236.48
Dividends	17,761.88
Realized capital gains, losses (-)	13,262.14
Net appreciation in fair value of investments	<u>2,402.00</u>
Total unrestricted revenues and gains	35,682.50
Net assets released from restrictions:	
Restrictions satisfied by payments	<u>142,921.90</u>
Total unrestricted revenue, gains and other support	<u>178,604.40</u>
Expenses:	
Program services:	
Scholarships	54,893.95
Instructional programs	8,043.00
Athletics	81,922.54
Supporting services:	
Management and general	<u>10,184.88</u>
Total expenses	<u>155,044.37</u>
Increase in unrestricted net assets	<u>23,560.03</u>
Temporarily restricted net assets:	
Contributions	70,628.81
Investment income:	
Interest	2,420.64
Dividends	34,772.26
Realized capital gains, losses (-)	25,963.16
Net appreciation in fair value of investments	<u>4,702.38</u>
Net assets released from restrictions:	
Restrictions satisfied by payments	<u>(142,921.90)</u>
Increase, decrease in temporarily restricted net assets	<u>(4,434.65)</u>
Increase in net assets	19,125.38
NET ASSETS AT BEGINNING OF YEAR	<u>1,121,085.76</u>
NET ASSETS AT END OF YEAR	<u><u>1,140,211.14</u></u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2006

Cash Flows from Operating Activities:	
Tuition and fees	1,821,196
Grants and contracts	11,059,618
Payments to suppliers	(4,992,601)
Payments for salaries and fringes	(14,163,728)
Payments for utilities	(1,053,298)
Payments for scholarships	(2,375,544)
Auxiliary enterprise charges	
Food services	469,038
Housing - student/faculty	160,011
Bookstore	700,098
Other receipts	873,354
Other payments	<u>(1,607,945)</u>
Net Cash Provided (Used) by Operating Activities	<u>(9,109,801)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	7,653,629
Local appropriations	2,527,974
Agency funds transactions - receipts	474,738
Agency funds transactions - payments	<u>(402,759)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,253,582</u>
Cash Flows from Capital and Related Activities:	
Cash paid for capital assets	(1,956,047)
State bond monies	<u>1,688,757</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(267,290)</u>
Cash Flows from Investing Activities:	
Proceeds from sales of investments	1,315,000
Interest on investments	80,296
Purchases of investments	<u>(315,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,080,296</u>
Net Changes in Cash and Cash Equivalents	1,956,787
Cash and Cash Equivalents - June 30, 2005	<u>2,476,778</u>
Cash and Cash Equivalents - June 30, 2006	<u>4,433,565</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
 STATEMENT OF CASH FLOWS
 June 30, 2006

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

Operating income (loss)	<u>(10,006,344)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	683,417
Loss on disposal of assets	11,536
Changes in assets and liabilities:	
Increase (decrease) in assets	
Receivables, net	439,814
Inventories	(268,010)
Prepaid expenses	(16,073)
Other investments	(11,842)
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	39,161
Deferred revenues	25,740
Deposits refundable	<u>(7,200)</u>
Total adjustments	<u>896,543</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(9,109,801)</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2006

Operating Activities:	
Increase in net assets	19,125.38
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gains on investments	(7,104.38)
Realized gain(-), loss on sale of investments	(39,225.30)
Increase(-) decrease in contributions receivable, net of discount	3,946.00
Net cash provided by, used in(-) operating activities	<u>(23,258.30)</u>
Investing Activities:	
Certificate of deposit redeemed	100,000.00
Certificates of deposit purchased	(250,000.00)
Reinvested dividends earned on mutual funds	(50,802.39)
Proceeds from sales of securities	171,492.66
Purchases of securities	<u>(71,500.00)</u>
Net cash provided by, used in(-) investing activities	<u>(100,809.73)</u>
Net increase, decrease(-) in cash and cash equivalents	(124,068.03)
Cash and cash equivalents at beginning of year	<u>219,660.15</u>
Cash and cash equivalents at end of year	<u><u>95,592.12</u></u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE
 DEVELOPMENT FOUNDATION, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended June 30, 2006

	Program Services			Supporting Services	Total
	Scholarships	Instructional Programs	Athletics		
Student scholarships - MDCC	57,393.95				57,393.95
Supplies		43.00			43.00
Phi Theta Kappa		3,000.00			3,000.00
Sports Hall of Fame banquet			3,806.28		3,806.28
Homecoming golf and tennis tournaments			3,116.26		3,116.26
Net furnishings and equipment		2,500.00	75,000.00		77,500.00
Investment management fees				5,088.35	5,088.35
Bookkeeping				750.00	750.00
Audit				4,300.00	4,300.00
Office supplies				46.53	46.53
Totals	<u>57,393.95</u>	<u>5,543.00</u>	<u>81,922.54</u>	<u>10,184.88</u>	<u>155,044.37</u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

- A. Reporting Entity - Sunflower Agriculture High School was established at Moorhead, Mississippi in 1911. Sunflower Junior College was founded in conjunction with the Agriculture High School in early 1926, with the first freshman class enrolling in September of that same year. The College was fully accredited as a two-year junior college in April 1928, by the Accrediting Commission of the Senior Colleges of Mississippi. It was admitted to full membership in the Southern Association of Colleges and Schools in December 1930, and is now a member of the American Association of Community and Junior Colleges. The name of the school was officially changed from Sunflower Junior College to Mississippi Delta Junior College at the beginning of the 1960-1961 session. On July 1, 1989, the name was changed to its present name of Mississippi Delta Community College. Mississippi Delta Community College is one of Mississippi's 15 public community colleges. The legal authority for the establishment of a community college is found in Section 37-29-31, Miss. Code Ann. (1972).

Mississippi Delta Community College is governed by an 18-member board of trustees, selected by the board of supervisors of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington 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, Mississippi Delta 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.

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, the Mississippi Delta Community College Development Foundation, Inc. (the "Foundation") is deemed a component unit of the institution and is included as a discretely presented component unit in the financial statements. The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to Mississippi Delta Community College (College) in support of its programs.

During the year ended June 30, 2006, the Foundation distributed \$53,267 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*

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

and Analysis - of Public College 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'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.
- E. **Short-term Investments** - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. **Accounts 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.
- G. **Inventories** - Inventories consist of a bookstore. Merchandise for resale inventories are stated at cost, with cost being determined by the first-in, first-out ("FIFO") basis.
- H. **Endowment Investments** - Endowment investments are generally subject to the restrictions of donor gift instruments. Mrs. James W. Lucas, Jr. of Jackson, Mississippi established the James W. Lucas, Jr. scholarship award in memory of her late husband. She donated \$10,000 with the restriction that only the income earned on the principal is to be utilized. It provides one \$150 scholarship per semester when income is available.
- I. **Other Long-term Investments** - The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Assets.
- J. **Capital Assets, Net of Accumulated Depreciation** - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

- K. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and faculty rent received prior to the end of the fiscal year but related to the subsequent accounting period.
- L. 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.
- M. Classification of Revenues - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.

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

- N. State Appropriations - Mississippi Delta 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.
- O. Local Appropriations - Mississippi Delta Community College receives funds from taxes levied by the counties in the district for general support, maintenance, and capital improvements.
- P. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). All 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.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

- Q. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$3,684,540 at June 30, 2006, includes \$771,061 inventory and a remaining amount of \$2,913,479.

Restricted resources are used first to fund appropriation.

- R. Mississippi Delta Community College implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.

(2) Cash and Investments.

Policies:

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.

The carrying amount of the College's deposits with financial institutions was \$4,433,565 and the bank balance was \$4,578,982. There is \$3,150 in petty cash.

Custodial Credit Risk.

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits of collateral securities that are in the possession of an outside party. The College 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 institution's trust department or agent in the name of the

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

Mississippi State Treasurer on behalf of the College. As of June 30, 2006, none of the College's bank balance of \$4,578,982 was exposed to custodial credit risk.

Investment.

At June 30, 2006, the College had the following certificate of deposit with a local bank.

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	3.14%	July 21, 2006	625,000

Interest Rate Risk.

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

Credit Risk.

State law limits investments to those prescribed in 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 - Investments.

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. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$265,897 investment in mutual funds \$265,897 of underlying securities are held by the investments companies in the name of the College.

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 requirement does not apply to investments issued or explicitly guaranteed by the U. S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the College had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Lord Abbet Affiliated Fund A	190,688	71%
Ameriprise - Riversource Investment Service Balanced Fd A	71,215	27%
Other	<u>3,994</u>	<u>2%</u>
Total	<u>265,897</u>	<u>100%</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

(3) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2006:

Student tuition	215,157
Auxiliary enterprises and other operating activities	59,628
Federal, state, and private grants and contracts	604,997
State appropriations	127,793
Local appropriations	49,080
Other	<u>75,595</u>
Total Accounts Receivable	1,132,250
Less: Allowance for doubtful accounts	<u>(50,802)</u>
Net Accounts Receivable	<u><u>1,081,448</u></u>

(4) Prepaid Expenses.

Property and vehicle insurance, in the amount of \$184,272, was purchased in the current fiscal year, but will be expensed in the subsequent fiscal year.

(5) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2006, is presented as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Nondepreciable Capital Assets:					
Land	269,248				269,248
Construction in progress	<u>7,671</u>	<u>1,688,757</u>	<u>7,671</u>		<u>1,688,757</u>
Total Nondepreciable Capital Assets	<u>276,919</u>	<u>1,688,757</u>	<u>7,671</u>	<u>0</u>	<u>1,958,005</u>
Depreciable Capital Assets:					
Improvements other than buildings	1,409,274				1,409,274
Buildings	23,361,419				23,361,419
Equipment	4,255,153	254,138	82,235		4,427,056
Library books	<u>743,727</u>	<u>13,152</u>			<u>756,879</u>
Total Depreciable Capital Assets	<u>29,769,573</u>	<u>267,290</u>	<u>82,235</u>	<u>0</u>	<u>29,954,628</u>
Less: Accumulated Depreciation for:					
Improvements other than buildings	829,169	31,114			860,283
Buildings	8,809,777	461,817			9,271,594

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2006

Equipment	3,655,457	172,484	78,369		3,749,572
Library books	<u>663,252</u>	<u>18,002</u>			<u>681,254</u>
Total Accumulated Depreciation	<u>13,957,655</u>	<u>683,417</u>	<u>78,369</u>	<u>0</u>	<u>14,562,703</u>
Total Depreciable Capital Assets, Net	<u>15,811,918</u>	<u>(416,127)</u>	<u>3,866</u>	<u>0</u>	<u>15,391,925</u>
Capital Assets, Net	<u><u>16,088,837</u></u>	<u><u>1,272,630</u></u>	<u><u>11,537</u></u>	<u><u>0</u></u>	<u><u>17,349,930</u></u>

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

(6) Accounts Payable and Accrued Liabilities:

The accounts payable of the College consists of the following amounts.

Payments to suppliers & contractors	305,161
Accrued payroll	238,552
Employee benefits	<u>502,223</u>
Total	<u><u>1,045,936</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(7) Functional Classifications with Natural Classifications.

Account Descriptions	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	8,020,533	1,997,410	147,073	1,113,930	85,427	2,000	583,569		223,009	12,172,951
Academic support	350,893	95,634	1,016	22,525			15,735		35,269	521,072
Student services	825,515	213,050	62,150	218,541			107,542		1,467	1,428,265
Institutional expenses	1,323,630	349,995	35,391	387,463			397,678		2,779	2,496,936
Operation of plant	670,185	223,406	334	506,869	720,216		177,646		187,271	2,485,927
Student aid						2,373,544			1,178	2,374,722
Auxiliary enterprises	173,578	48,323		840,627	247,655		16,081		1,169,908	2,496,172
Depreciation								683,417		683,417
Total Operating Expenses	11,364,334	2,927,818	245,964	3,089,955	1,053,298	2,375,544	1,298,251	683,417	1,620,881	24,659,462

MISSISSIPPI DELTA COMMUNITY COLLEGE

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

(8) Pension Plan.

Plan description - Mississippi Delta 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 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The College's contributions to PERS for the years ending June 30, 2006, 2005, and 2004 were \$1,125,545, \$1,686,293, and \$1,111,632, respectively, equal to the required contributions for each year.

(9) Deposits Refundable.

Represents student housing deposits of \$21,375, faculty housing deposits of \$780 and Department of Correction money, in the amount of \$30,000, held to offset vocational night instruction payroll

(10) Construction Commitments and Financing.

Since year-end the College has contracted for a construction project. Estimated costs to complete the project and the source of anticipated funding is presented below:

<u>Project Title</u>	<u>Total Costs To Complete</u>	<u>Funded by</u>			
		<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>	<u>Other</u>
Girls Dormitory Building	3,829,242		3,829,242		
Total	<u>3,829,242</u>	<u>0</u>	<u>3,829,242</u>	<u>0</u>	<u>0</u>

(11) Risk Management.

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

MISSISSIPPI DELTA COMMUNITY COLLEGE

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

(12) Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Department of Employment Security for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2006, the fund was adequately funded with a balance of \$53,547.

(13) Concentrations.

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

The Mississippi Delta Community College Development Foundation, Inc. was incorporated on April 5, 1989. The Organization is a tax exempt nonprofit corporation within the meaning of Internal Revenue Code Section 501(c)(3). The major purpose of the Organization is to raise funds for capital improvements and to provide student scholarships at Mississippi Delta Community College.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting. Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws. Restricted net assets represent resources restricted by the donor to be used for specific purposes designated by the donor.

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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2006

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Investments

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

Administrative Expenses

Substantially all administrative operating expenses of the Organization are paid by Mississippi Delta Community College.

NOTE 2 - PROMISES TO GIVE:

Included in "Contributions Receivable" are the following unconditional promises to give:

Scholarships	<u>11,700.00</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	11,700.00
Less: unamortized discount	<u>(1,342.00)</u>
Subtotal	10,358.00
Less: allowance for uncollectibles	<u>0.00</u>
Net unconditional promises to give	<u><u>10,358.00</u></u>
Amounts due in:	
Less than one year	4,000.00
One to five years	<u>7,700.00</u>
Total	<u><u>11,700.00</u></u>

Discount rates ranged from 4.01% to 4.18%.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2006

NOTE 3 - RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

Capital campaign - Harper & Horton buildings	406,386.92
Student scholarships	360,614.25
Athletic programs	21,196.61
Campus scoreboards, marquees	1,472.32
Phi Theta Kappa	1,000.00
Various academic and administration departments	<u>1,785.48</u>
Total	<u><u>792,455.58</u></u>

The Organization had no permanently restricted net assets at June 30, 2006.

NOTE 4 - INVESTMENTS:

Short-term investments held by the Organization at June 30, 2006 consist of the following:

Bank certificate of deposit	<u>150,000.00</u>
Marketable Securities - Mutual Funds:	
Artisan Mid-Cap Fund	98,425.22
Calvert Income Fund	41,476.38
Cohen & Steers Equity Income Fund	45,308.13
Columbia International Value Fund	76,740.64
Eaton Vance Income Fund of Boston	26,102.00
Fidelity Advisor Diversified International Fund	72,969.86
Janus Investments Small Cap Value Fund	69,298.65
Janus Investments Mid Cap Value Fund	98,556.02
Primco Total Return Fund	40,758.86
Selected American Shares Fund	122,088.40
Federated Kaufman Small Cap Fund	74,811.27
Touchstone Strategic Trust Large Cap Growth Fund	<u>117,725.59</u>
Total Mutual Funds	<u>884,261.02</u>
Total Investments	<u><u>1,034,261.02</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2006

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2006:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Interest income	1,236.48	2,420.64	3,657.12
Dividend income	17,761.88	34,772.26	52,534.14
Realized capital gains	13,262.14	25,963.16	39,225.30
Unrealized capital gains	<u>2,402.00</u>	<u>4,702.38</u>	<u>7,104.38</u>
 Total investment return	 <u>34,662.50</u>	 <u>67,858.44</u>	 <u>102,520.94</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

MISSISSIPPI DELTA COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

MISSISSIPPI DELTA COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Direct Federal	Federal Pass- Through	Total Federal Expenditures
Student Financial Aid - Cluster:				
U. S. Department of Education				
Federal Supplemental Educational Opportunity Grants	84.007	163,333		163,333
Federal Work-study Program	84.033	138,705		138,705
Federal Pell Grant Program	84.063	6,185,889		6,185,889
Total Student Financial Aid Cluster		6,487,927	0	6,487,927
WIA - Cluster:				
U. S. Department of Labor				
Mississippi Department of Employment Security - WIA Individual Training - Adult Programs	17.258		335,846	335,846
South Delta Planning and Development District				
Small Business Research Center	17.258/17.260		60,897	60,897
WIA Rapid Response Grant	17.258/17.260		69,404	69,404
WIN College Incentive Grant	17.260		194,706	194,706
Navigator Grant	17.258/17.260		23,071	23,071
Total WIA Cluster		0	683,924	683,924
Other Programs:				
U. S. Department of Agriculture				
Rural Business Enterprise Grant	10.769	932		932
U. S. Department of Labor				
Mississippi Department of Employment Security - Trade Adjustment Assistance - Workers Individual Training	17.245		67,878	67,878
Employment Training - Administration Pilots, Demonstrations and Research Projects:				
Employment Training Grant	17.261	371,123		371,123
Employment Training Grant - Workforce Automotive	17.261	131,331		131,331
Total Department of Labor		502,454	67,878	570,332
National Aeronautics and Space Administration				
University of MS - College Fellowship Program	43.001		3,500	3,500
Veterans Administration				
Post Vietnam Era - Veterans' Educational Assistance	64.120	385		385
U. S. Department of Education				
Mississippi SBCJC - Adult Education - State Grant Program	84.002		364,547	364,547
Mississippi Department of Education:				
Strengthening Institutions	84.031A		411,250	411,250
Vocational Education - Basic Grants to States	84.048		238,298	238,298

MISSISSIPPI DELTA COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Direct Federal	Federal Pass- Through	Total Federal Expenditures
Board of Trustees of Higher Learning Leveraging Educational Assistance Program	84.069		12,226	12,226
Mississippi Department of Education Tech - Prep Education	84.243		110,899	110,899
Total Department of Education		0	1,137,220	1,137,220
U. S. Department of Health and Human Services Rural Health Research Centers	93.155	71,945		71,945
CCN Grant	93.283	6,693		6,693
Total Department of Health and Human Services		78,638	0	78,638
Total Expenditure of Federal Awards		7,070,336	1,892,522	8,962,858

Note to the Schedule of Expenditures of Federal Awards:

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

Expenditures include applicable amounts of transfers out.

MISSISSIPPI DELTA COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

We have audited the financial statements of Mississippi Delta Community College as of and for the year ended June 30, 2006, as listed in the table of contents and have issued our report thereon dated December 6, 2006. We did not audit the financial statements of the discretely presented component unit, Mississippi Delta Community College Development Foundation, Inc. which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us. This report, insofar as it relates to the amounts included for the above mentioned entity, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Mississippi Delta Community College Development Foundation, Inc. audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 institutions' 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 6, 2006

Elliot Hirshey PLLC

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

Compliance

We have audited the compliance of Mississippi Delta 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, 2006. The institution's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution'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 institution'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 institution's compliance with those requirements.

In our opinion, Mississippi Delta 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, 2006.

Internal Control Over Compliance

The management of Mississippi Delta 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 institution'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 reportable 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 institution, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Ellie Hinkley PLLC

December 6, 2006

MISSISSIPPI DELTA COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

We have audited the financial statements of Mississippi Delta Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated December 6, 2006. We did not audit the financial statements of the discretely presented component unit, Mississippi Delta Community College Development Foundation, Inc., which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Mississippi Delta Community College Development Foundation, Inc., audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

As required by 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 institution, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



December 6, 2006

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

MISSISSIPPI DELTA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MISSISSIPPI DELTA COMMUNITY COLLEGE

(This page left blank intentionally.)

MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section I: Summary of Auditors' Results

Financial Statements

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Student financial aid cluster:
CFDA #84.007
CFDA #84.033
CFDA #84.063 | |
| b. | Leveraging Educational Assistance Program
CFDA #84.069 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings.

Section 3: Federal Awards Finding and Questioned Costs

The results of our tests did not disclose any findings and questioned cost relating to federal awards.