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NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

TABLE OF CONTENTS

Financial Audit Report:

Independent Auditor's Report on the Basic Financial Statements And Supplemental Information	1-2
Management's Discussion and Analysis	3-11
Statement of Net Assets	13
Statement of Financial Position - NEMCC Development Foundation	14
Statement of Revenues, Expenses, and Changes in Net Assets	15
Statement of Activities – NEMCC Development Foundation	16
Statement of Cash Flows	17-18
Statement of Cash Flows – NEMMC Development Foundation	19
Notes to the Financial Statements	20-29
Notes to the Financial Statements – NEMMC Development Foundation	30-35
Supplemental Schedules and Additional Information:	
Schedule of Expenditures of Federal Awards	37-38
Statement of Functional Expenses – NEMCC Development Foundation	39
Compliance and Internal Control Reports:	
Independent Auditors' Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
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.	43-44
Independent Auditors' Report on Compliance with State Laws and Regulations	45
Schedule of Findings and Questioned Costs	46-47
Auditee's Corrective Action Plan	48



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

Dr. Johnny L. Allen, President
and Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

We have audited the accompanying basic financial statements of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation, a discretely presented component unit as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Northeast Mississippi Community College's and Northeast Mississippi Community College Development Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation at 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 a report dated February 19, 2008, on our consideration of Northeast Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 14, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Community College's and Development Foundation's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, also the Development Foundation's Statement of Functional Expenses is presented for additional analysis and they are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brauer, Yantow & Co. P.A.

February 19, 2008
Booneville, Mississippi

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

This section of the Northeast Mississippi Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2006. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion for Public Colleges and Universities*.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These Statements present financial information in a form similar to that used by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The College's dependency on State Aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

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

**Condensed Statement of Net Assets
June 30, 2006 and 2005**

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
ASSETS:				
Current Assets	\$ 8,214,938	19.99%	\$ 11,092,452	27.19%
Non-Current Assets				
Other	146,841	0.36%	155,945	0.38%
Capital Assets, Net	<u>32,729,825</u>	<u>79.65%</u>	<u>29,550,089</u>	<u>72.43%</u>
Total Assets	<u>41,091,604</u>	<u>100.00%</u>	<u>40,798,486</u>	<u>100.00%</u>
LIABILITIES:				
Current Liabilities	1,787,401	30.06%	1,428,610	22.93%
Long-Term Liabilities	<u>4,158,845</u>	<u>69.94%</u>	<u>4,800,727</u>	<u>77.07%</u>
Total Liabilities	<u>5,946,246</u>		<u>6,229,337</u>	<u>100.00%</u>
NET ASSETS:	<u>\$ 35,145,358</u>	<u>100.00%</u>	<u>\$ 34,569,149</u>	<u>100.00%</u>

Assets

Current Assets

Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$6,210,048 at June 30, 2006, compared to the FY 2005 amount of \$9,594,744

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$1,488,977 at June 30, 2006, compared to the FY2005 amount of \$1,013,381.

Inventories

The college maintains inventories of resale merchandise in the Northeast Bookstore and Crows Neck Environmental Center. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$386,882 at June 30, 2006, and \$297,502 at June 30, 2005

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

Cash and Cash Equivalents

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered non-current are cash in restricted funds to be used for the purpose designated by the funding agency, such as federal granting agency, or scholarships. The amount of cash and cash equivalents considered non-current at June 30, 2006 totaled \$146,841, in comparison to \$155,945 at June 30, 2005.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2006. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$32,729,825 at June 30, 2006, in comparison to \$29,550,089 at June 30, 2005.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2006 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,108,472 at June 20, 2006, in comparison to \$701,300 at June 30, 2005.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2006 fiscal year. The deferred revenue totaled \$39,250 at June 30, 2006, and \$46,763 at June 30, 2005.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of bond and note indebtedness that would be payable within one year of June 30, 2006. The amount of the long-term liabilities-current at June 30, 2006 was \$639,679, as compared to \$680,547 at June 30, 2005.

Noncurrent Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is room deposits paid by dormitory students and held in reserve by the college for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2006 was \$68,050 and June 30, 2005 was \$68,225.

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

Accrued Leave Liabilities

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$423,677 at June 30, 2006, as compared to \$425,139 at June 30, 2005.

Long-Term Liabilities

This liability consists of bonds, note and capital lease indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of the long-term liabilities balance was \$3,667,118 at June 30, 2006, as compared to \$4,800,727 at June 30, 2005.

Net Assets

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2006 were \$35,145,358 and \$34,569,149 at June 30, 2005.

Analysis of Net Assets

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

The following is a breakdown of the restricted net assets:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Scholarships	\$ 104,399	\$ 105,586
Capital Projects	235,003	2,275,744
Debt Service	<u>369,593</u>	<u>514,851</u>
Total Restricted Net Assets	<u>\$ 708,995</u>	<u>\$ 2,896,181</u>

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Auxiliary Funds	\$ 432,368	\$ 829,405
Unrestricted	<u>5,580,967</u>	<u>6,281,384</u>
Total Unrestricted Net Assets	<u>\$ 6,013,335</u>	<u>\$ 7,110,789</u>

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2006 with comparative information for the year ended June 30, 2005:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Revenue:		
Tuition and Fees	\$ 3,498,377	\$ 3,261,783
Grants and Contracts	13,428,322	13,105,062
Sales and Services of Educational Activities	872,477	526,369
Auxiliary Enterprises	2,230,011	2,395,092
Other Operating Revenues	<u>19,135</u>	<u>53,240</u>
Total Operating Revenues	<u>20,048,322</u>	<u>19,341,546</u>
Total Operating Expenses	<u>31,424,207</u>	<u>31,466,687</u>
Operating Loss	<u>(11,375,885)</u>	<u>(12,125,141)</u>
 Nonoperating Revenues:		
State Appropriations	8,006,003	8,237,515
Local Appropriations	1,358,879	1,315,324
Investment Income	143,479	140,789
Interest Expense on Capital related Debt	(233,785)	(230,868)
Other Nonoperating Revenues (Expenses)	<u>-</u>	<u>37,380</u>
Total Nonoperating Revenues	<u>9,274,576</u>	<u>9,500,140</u>
Loss Before Other Revenues	<u>(2,101,309)</u>	<u>(2,625,001)</u>
State Appropriations Restricted for Capital Purposes	48,421	651,732
Local Appropriations Restricted for Capital Purposes	<u>2,592,771</u>	<u>1,094,099</u>
Change in Net Assets	<u>539,883</u>	<u>(879,170)</u>
Net Assets, Beginning of Year	34,569,149	35,424,362
Prior Period Adjustments	<u>36,326</u>	<u>23,957</u>
Net Assets, Beginning of Year, Restated	<u>34,605,475</u>	<u>35,448,319</u>
Net Assets, End of Year	<u>\$ 35,145,358</u>	<u>\$ 34,569,149</u>

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

Total operating loss for the fiscal year 2006 was \$(11,375,885) as compared to \$(12,125,141) in FY 2005. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in 2004 and going forward, the College will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2006 were \$20,048,322, compared to \$19,341,546 for FY 2005. Tuition and fees were \$3,498,377 in FY2006, compared to \$3,261,783 for FY 2005. The tuition discount for FY 2006 was \$2,332,251 compared to \$2,174,522 for FY 2005. Operating expenses for FY 2006, including depreciation expense of \$1,157,735, totaled \$31,424,207. Operating expenses for FY 2005 totaled \$31,466,688, including depreciation of \$1,167,580.

Instructional expenditures composed 43% of the FY 2006 operating expenses and 47% of the FY 2005 operating expenses.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,498,377 for FY 2006, in comparison to \$3,261,783 for FY 2005. The tuition discount for the 2006 fiscal year was \$2,332,251 compared to the FY 2005 tuition discount of \$2,174,522.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2006:

	<i>June 30, 2006</i>	<i>June 30, 2005</i>
<i>Federal Sources</i>	\$ 8,911,363	\$ 8,933,118
<i>State Sources</i>	4,276,331	4,043,669
<i>Other Sources</i>	<u>240,628</u>	<u>128,275</u>
<i>Total All Sources</i>	<u>\$ 13,428,322</u>	<u>\$ 13,105,062</u>

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

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$872,477 for the 2006 fiscal year as compared to \$526,369 for the 2005 fiscal year.

Sales and Services from Auxiliary Enterprises, Net

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

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$2,230,011 for the 2006 fiscal year as compared to \$2,395,092 for the 2005 fiscal year. The discount for scholarship allowance was \$1,432,889 for FY 2006 and \$1,415,142 for FY 2005.

Operating Expenses

Operating expenses totaling \$31,424,207 include salaries and benefits of \$17,574,591, scholarships of \$4,481,381, utilities of \$1,227,396, commodities of \$3,474,383, contractual services of \$3,240,230, travel of \$268,491, and depreciation of \$1,157,735. Operating expenses for FY 2005 totaled \$31,466,687 include salaries and benefits of \$18,211,433, scholarships of \$4,519,408, utilities of \$1,072,742, commodities of \$3,058,451, contractual services of \$3,058,501, travel of \$225,625, and depreciation of \$1,167,580.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<i>Expenses by Function:</i>		
<i>Instruction</i>	\$ 13,299,475	\$ 14,819,368
<i>Academic Support</i>	460,183	480,388
<i>Student Services</i>	1,677,390	1,624,471
<i>Institutional Support</i>	2,881,658	2,971,705
<i>Operations and Maintenance of Plant</i>	4,080,887	2,626,746
<i>Student Financial Aid</i>	4,481,381	4,655,504
<i>Auxiliary Enterprises</i>	3,385,498	3,120,925
<i>Depreciation</i>	<u>1,157,735</u>	<u>1,167,580</u>
 <i>Total Operating Expenses by Function</i>	 <u>\$ 31,424,207</u>	 <u>\$ 31,466,687</u>

Nonoperating Revenues (Expenses)

State Aid

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$8,006,003 for the 2005-2006 fiscal year. For comparison, the College received state appropriations of 8,237,515 for the 2004-2005 fiscal year. In addition, the College received \$48,421 state appropriations restricted for capital purposes for FY 2006 as compared to \$651,732 for FY 2005.

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

Other Non-Operating Revenues

Other non-operating revenues are composed of county appropriations that the College receives from the five county district in which the school resides. The College uses the education and general portion of the appropriations for salaries and benefits, and for other operational purposes. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$3,951,650 in county appropriations for FY 2006, compared to \$2,409,423 for FY 2005. The appropriation was received from the five counties that support the College. This appropriation was fully recorded by the College during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts and the interest earned on the College's short-term investments. The investment income at June 30, 2006 shows an income of \$143,479, as compared to an income of \$140,789 at June 30, 2005.

Other Nonoperating Expenses

This consists of the interest expense on capital asset-related debt the College incurred during the 2006 fiscal year. The total expense amounted to \$233,785, compared to \$230,868 for FY 2005.

Other Revenues

State Appropriations Restricted for Capital Purposes

The State Appropriations Restricted for Capital Purposes amount consists of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The revenues were provided by the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the 2005-2006 fiscal year was \$48,421, as compared to \$651,732 for the 2004-2005 fiscal year.

Statement of Cash Flows

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

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

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

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Years Ended June 30, 2006 and June 30, 2005

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (10,419,756)	\$ (10,405,281)
Noncapital Financial Activities	9,209,213	9,674,175
Capital and Related Financing Activities	(2,323,520)	(306,808)
Investing Activities	<u>150,263</u>	<u>128,244</u>
Net Increase in Cash and Cash Equivalents	(3,383,800)	(909,670)
Cash and Cash Equivalents - Beginning of the Year	<u>9,740,689</u>	<u>10,650,359</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 6,356,889</u>	<u>\$ 9,740,689</u>

The major sources of funds in operating activities include student tuition and fees \$3,524,448, auxiliary enterprises \$2,129,895 and grants and contracts \$13,151,317. The major uses of funds were payments made to employees, \$17,584,303, suppliers \$6,563,179 and scholarships \$4,481,381.

Significant Capital Asset Transactions

Capital improvements consisted of the completion of the parking lot expansion project which consisted of constructing three parking lots and expanding and/or renovating two additional lots plus the addition of a turn lane on the College's main boulevard. Other major capital improvements are the renovation/construction of a new site for the Northeast at Corinth off campus site, and pre-planning for the renovation of Patterson Hall.

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2006 financial situation. The continuing reductions in the level of State appropriations, increase costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately twenty-eight percent of general operation's revenue. State appropriations continue to be the single largest source of operating revenue for the College. The level of State support is therefore one of the key factors influencing the College's financial condition.

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

The College continues to assess its performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

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NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2006

ASSETS:

Current assets:

Cash and cash equivalents	\$ 6,210,048
Accounts receivable, net (Note 4)	1,488,977
Inventories	326,882
Prepaid expenses	189,031
Total Current Assets	<u>8,214,938</u>

Noncurrent assets:

Restricted cash and cash equivalents	136,841
Restricted short-term investments	10,000
Capital assets, net of accumulated depreciation (Note 5)	32,729,825
Total Noncurrent Assets	<u>32,876,666</u>

Total Assets	<u>41,091,604</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	1,108,472
Deferred revenues	39,250
Long-term liabilities - current portion (Note 6)	639,679
Total Current Liabilities	<u>1,787,401</u>

Noncurrent liabilities:

Deposits refundable	68,050
Accrued leave liabilities	423,677
Long-term liabilities (Note 6)	3,667,118
Total Noncurrent Liabilities	<u>4,158,845</u>

Total Liabilities	<u>5,946,246</u>
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NET ASSETS

Invested in capital assets, net of related debt	28,423,028
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Restricted for:

Scholarships	104,399
Capital projects and repairs	235,003
Debt service	369,593

Unrestricted	6,013,335
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Total Net Assets	<u>\$ 35,145,358</u>
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The notes to the financial statements are an integral part of this statement.

Northeast Mississippi Community College
 Development Foundation, Inc.
 Statement of Financial Position
 June 30, 2006

Assets

Current Assets:

Cash and cash equivalents	\$ 269,535
Investments (Note 5)	386,119
Unconditional Promises to give (net) (Note 4)	153,795

Total Current Assets	809,449
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Endowment Investments

Investments (Note 5)	1,849,406
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Total Endowment Investments	1,849,406
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Property and Equipment (Net)	157,059
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Loans Receivable (Note 3)	7,039
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Long-Term Unconditional Promises to Give (Note 4)	327,162
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Total Assets	3,150,115
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Liabilities

Current Liabilities:

Accounts Payable	10,257
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Total Current Liabilities	10,257
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Net Assets

Unrestricted net assets	561,994
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Temporarily restricted net assets	808,915
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Permanently restricted assets	1,768,949
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Total Net Assets	\$ 3,139,858
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The notes to the financial statements are an integral part of this statement.

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006

Operating Revenues	
Tuition and Fees, Net of Scholarship Allowance of \$2,332,251	\$ 3,498,377
Federal grants and contracts	8,911,363
State grants and contracts	4,276,331
Nongovernmental grants and contracts	240,628
Sales and services of educational departments	872,477
Auxiliary enterprises:	
Student Housing (Net of Scholarship Allowances of \$(342,547))	509,841
Food Services (Net of Scholarship Allowances of \$(331,464))	525,401
Bookstore (Net of Scholarship Allowances of \$(758,878))	1,168,590
Other auxiliary revenues	26,179
	<u>19,135</u>
Total Operating Revenues	<u>20,048,322</u>
Operating Expenses	
Salaries and wages	14,304,668
Fringe benefits	3,269,923
Travel	268,491
Contractual services	3,240,230
Utilities	1,227,396
Scholarships and fellowships	4,481,381
Commodities	3,474,383
Depreciation	1,157,735
Total Operating Expenses	<u>31,424,207</u>
Operating Income (Loss)	<u>(11,375,885)</u>
Nonoperating Revenues (Expenses)	
State appropriations	8,006,003
Local Appropriations	1,358,879
Investment income	143,479
Interest expense on capital asset-related debt	(233,785)
Total Net Nonoperating Revenues (Expenses)	<u>9,274,576</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>(2,101,309)</u>
State appropriations restricted for capital purposes	48,421
Local appropriations for capital purposes	2,592,771
Change in Net Assets	<u>539,883</u>
Net Assets	
Net Assets - Beginning of Year, as Originally Reported	34,569,149
Prior period adjustments (Note 3)	36,326
Net Assets - Beginning of Year, as Restated	<u>34,605,475</u>
Net Assets - End of Year	<u>\$ 35,145,358</u>

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

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Activities
For the year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues				
Contributions	\$ 101,835	377,621	88,510	567,966
Dividends	16,664	43,026	-	59,690
Interest	8,374	17,501	-	25,875
Administrative fee income	50,258	-	-	50,258
Grants revenue	5,000	-	-	5,000
Gain (loss) sale of assets	16,071	56,963	-	73,034
Unrealized gain on assets	20,461	-	-	20,461
Total Public Support and Revenues	<u>218,663</u>	<u>495,111</u>	<u>88,510</u>	<u>802,284</u>
Expenses and Losses				
Program Expense	87,349	271,823	-	359,172
Management & General Expense	79,514	-	-	79,514
Fund Raising Expense	55,769	-	-	55,769
Bad Debts Expense	-	13,922	-	13,922
Total expenses and losses	<u>222,632</u>	<u>285,745</u>	<u>-</u>	<u>508,377</u>
Other Revenues and Expense				
Transfers	5,829	(9,829)	4,000	-
Change in Net Assets	<u>1,860</u>	<u>199,537</u>	<u>92,510</u>	<u>293,907</u>
Net assets Beginning of year	<u>560,134</u>	<u>609,378</u>	<u>1,676,439</u>	<u>2,845,951</u>
Net assets end of year	<u>\$ 561,994</u>	<u>808,915</u>	<u>1,768,949</u>	<u>3,139,858</u>

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2006

Cash Flows from Operating Activities:	
Tuition and fees	\$ 3,524,448
Grants and contracts	13,151,317
Sales and services of educational departments	861,574
Payments to suppliers	(6,563,179)
Payments to employees for salaries and benefits	(17,584,303)
Payments for utilities	(1,210,288)
Payments for scholarships and fellowships	(4,481,381)
Auxiliary enterprise charges:	
Student housing	455,207
Food service	525,401
Bookstore	1,123,108
Other auxiliary enterprises	26,179
Other receipts (payments)	20,652
Other expenditures	<u>(268,491)</u>
Net Cash Provided (Used) by Operating Activities	<u>(10,419,756)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	7,871,567
Local appropriations	<u>1,337,646</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,209,213</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	1,508,320
Cash paid for capital assets	(2,929,065)
Principal paid on capital debt and leases	(681,113)
Interest paid on capital debt and leases	<u>(221,662)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,323,520)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>150,263</u>
Net Cash Provided (Used) by Investing Activities	<u>150,263</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,383,800)
Cash and Cash Equivalents - Beginning of the Year	9,740,689
Cash and Cash Equivalents - End of the Year	<u><u>\$ 6,356,889</u></u>

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2006

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (11,375,885)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	1,157,735
Book value of equipment disposed	4,560
Bad Debt Expense	155,112
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables, net	(324,260)
Inventories	(29,380)
Prepaid expenses	(2,206)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	3,718
Deferred revenues	(7,513)
Deposits refundable	(175)
Accrued leave liability	(1,462)
Total adjustments	<u>956,129</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,419,756)</u>
Noncash Investing, Capital, and Financing Activities:	
Payments by State on construction	\$ 48,421
Land and Building Donated	1,100,000
Total	<u>\$ 1,148,421</u>
Cash and cash equivalents classified as current assets	\$ 6,210,048
Cash and cash equivalents classified as noncurrent assets	<u>146,841</u>
Total cash and cash equivalents	<u>\$ 6,356,889</u>

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

Northeast Mississippi Community College
 Development Foundation, Inc.
 Statement of Cash Flows
For the Year Ended June 30, 2006

Operating Activities

Change in Net Assets	\$	293,907
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		6,191
Bad Debts		13,922
Net Unconditional promise to give		(254,497)
Accounts Payable		10,257
Loans receivable		134
Unrealized gains on Investments		(20,461)
Net cash used by operating activities		49,453

Investing Activities

Sale of Investments		316,687
Purchase of investments		(371,346)
Purchase of capital assets		(4,993)
Net cash provided by investing activities		(59,652)

Net Increase(decrease) in cash and cash equivalents		(10,199)
Cash and cash equivalents Beginning of year		279,734
Cash and cash equivalents End of year	\$	269,535

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

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

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

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

Northeast Mississippi Community College Development Foundation, Inc. (Foundation)- The Foundation is a legally separate, tax-exempt nonprofit organization under section 501 (c)(3) of the Internal Revenue Code founded in 1970. The Foundation acts primarily as a fund raising organization to supplement the resources available to Northeast Mississippi Community College (College) in support of its programs.

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

During the year ended June 30, 2006, the Foundation distributed \$230,222 to the College and reimbursed the College for \$116,828 in Foundation expenses.

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

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

1. Summary of Significant Accounting Policies (continued)

- D. Cash Equivalents – For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net – Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories – Inventories consist of bookstore supplies and supplies of Crows Neck Educational Center.. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.
- H. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- 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.

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

1. Summary of Significant Accounting Policies (continued)

K.. Deferred Revenues – Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

L.. Compensated Absences – The Northeast Community College Board of Trustees adopted an employee medical leave policy. The policy provides for the payment of up to ten accumulated leave days at the time of an employee's termination. To be eligible for this payment, the employee must have been employed for five years and must have accumulated leave time. At termination, a qualified employee may receive pay for their accumulated leave time up to a maximum of ten days. Additionally, any leave certified toward retirement with the Public Employee's Retirement System of Mississippi will not be subject to payment. The total accrued leave for all employees as of June 30, 2006, was \$423,677. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.

M. Classification of Revenues – The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans. Gifts (pledges) that are received on an installment basis are recorded at net present value.

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

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

1. Summary of Significant Accounting Policies (continued)

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

O. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

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

The unrestricted net assets balance of \$6,013,335 at June 30, 2006, includes \$786,816 reserved for auxiliaries, and a remaining amount of \$5,226,519.

Q. Changes in Accounting Standards – Northeast Mississippi Community College has 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 requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

2. Cash and Cash Equivalents, Short-term Investments and Investments.

Policies:

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

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

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

B. Investments

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

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

	June 30, 2006
Investments	\$ 10,000

The following table summarizes the categorization of investments at June 30, 2006.

Investment Type	Maturities (in Years)	Fair Value	Rating
Certificate of Deposit	1	\$ 10,000	Not Rated

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The college does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk. The Board of Trustees has adopted a policy that limits investments to the five county area the college serves.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of a financial institution failure, the college will not be able to recover the value of its investment. The college does not have a formal investment policy that addresses custodial credit risk. However, the college's Board of Trustees has a policy that all investments will be made in the five county area the college serves.

Concentration of Credit risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investment is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the college did not have any investments to which this would apply.

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

3. Prior Period Adjustments

For the year ended June 30, 2006, the College recorded prior period adjustments of \$36,326, which included:

Adjustments for:	
Correction of prior year assets and depreciation	\$ 5,633
Reduction of prior year payable	30,693
	<u>\$ 36,326</u>

4. Accounts receivable

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

Student tuition	\$ 192,563
Auxiliary enterprises and other operating activities	78,652
Federal, state, and private grants and contracts	1,118,771
State appropriations	134,436
Local appropriations	90,330
Accrued interest	5,761
Other	<u>71,197</u>
 Total Accounts Receivable	 1,691,710
Less allowance for doubtful accounts	<u>202,733</u>
 Net Accounts Receivable	 <u>\$ 1,488,977</u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

5. Capital Assets

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

	Beginning Balance 7/1/2005	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2006
Nondepreciable Capital Assets:					
Land	\$ 1,274,946	589,000	-	-	1,863,946
Construction in progress	227,474	2,910,089	-	-	3,137,563
Total Nondepreciable Capital Assets	1,502,420	3,499,089	-	-	5,001,509
Depreciable Capital Assets:					
Improvements other than Buildings	4,390,942	-	-	-	4,390,942
Buildings	42,316,752	686,000	-	55,996	43,058,748
Equipment	4,401,984	141,312	31,669	-	4,511,627
Library Books	1,078,765	9,999	-	-	1,088,764
Total Depreciable Capital Assets	52,188,443	837,311	31,669	55,996	53,050,081
Less Accumulated Depreciation for:					
Improvements other than Buildings	975,266	165,749	-	-	1,141,015
Buildings	18,383,695	778,744	-	44,778	19,207,217
Equipment	3,766,832	195,007	27,109	5,585	3,940,315
Library Books	1,014,981	18,237	-	-	1,033,218
Total Accumulated Depreciation	24,140,774	1,157,737	27,109	50,363	25,321,765
Total Depreciable Capital Assets, Net	28,047,669	(320,426)	4,560	5,633	27,728,316
Capital Assets, Net	\$ 29,550,089	3,178,663	4,560	5,633	32,729,825

Adjustments were made to correct prior year building net, (\$55,996), and depreciation of (\$50,363) for a net of \$5,633.

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

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

6. Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2006. The various leases cover a period not to exceed ten years. The College has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Description and Purpose	Issue	Rate	Maturity	7/1/2005	Additions	Payments	6/30/2006	One Year
Bonded Debt:								
Housing Bonds 1981	2,500,000	5.00%	11/6	\$ 281,848	-	172,802	109,046	109,046
Capital Leases:								
State of MS Energy Lease	2,603,772	4.15%	12/12	2,053,812	-	238,692	1,815,120	248,701
Notes Payable:								
Housing Facility Note	2,000,000	4.75%	12/28	1,947,250		44,619	1,902,631	46,932
Dormitory Note	2,000,000	4.62%	4/8	705,000	-	225,000	480,000	235,000
Total Notes Payable				<u>2,652,250</u>		<u>269,619</u>	<u>2,382,631</u>	<u>281,932</u>
Total Long-Term Debt				<u>4,987,910</u>		<u>681,113</u>	<u>4,306,797</u>	<u>639,679</u>
Other Long-Term Liabilities								
Accrued Leave Liability				425,139	-	1,462	423,677	-
Deposits Refundable				68,225	-	175	68,050	-
Total Other Liabilities				<u>493,364</u>	-	<u>1,637</u>	<u>491,727</u>	-
Total				<u>\$ 5,481,274</u>		<u>682,750</u>		<u>639,679</u>
Due Within One Year							639,679	
Total Long-term Liabilities							<u>\$ 4,158,845</u>	

	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2007	\$ 109,046	248,701	281,932	191,730	831,409
2008	-	259,129	294,187	162,857	716,173
2009	-	269,994	51,552	138,308	459,854
2010	-	281,315	54,029	124,510	459,854
2011	-	293,111	56,626	110,117	459,854
2012-2016	-	462,870	327,669	384,572	1,175,111
2017-2021	-	-	411,093	278,807	689,900
2022-2026	-	-	522,380	165,920	688,300
2027-2029	-	-	383,163	37,741	420,904
Totals	<u>\$ 109,046</u>	<u>1,815,120</u>	<u>2,382,631</u>	<u>1,594,562</u>	<u>5,901,359</u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

7. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2006:

Functional Classifications	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,337,466	2,197,465	115,873	153,744	45,518	-	449,409	-	13,299,475
Academic support	319,920	80,416	5,281	15,698	-	-	38,868	-	460,183
Student services	1,015,322	302,741	61,863	157,283	-	-	140,181	-	1,677,390
Institutional support	1,390,309	306,776	76,961	832,495	-	-	275,117	-	2,881,658
Operation of plant	810,414	254,349	-	1,029,337	1,067,560	-	919,227	-	4,080,887
Student aid	-	-	-	-	-	4,481,381	-	-	4,481,381
Auxiliary enterprises	431,237	128,176	8,513	1,051,673	114,318	-	1,651,581	-	3,385,498
Depreciation	-	-	-	-	-	-	-	1,157,735	1,157,735
Total Operating Expenses	\$ 14,304,668	3,269,923	268,491	3,240,230	1,227,396	4,481,381	3,474,383	1,157,735	31,424,207

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2006

8. Construction Commitments and Financing

The College has contracted for various construction projects as of June 30, 2006. Estimated cost to complete the various projects and the sources of anticipated funding are presented below:

<u>Project Title:</u>	<u>Funded by</u>	<u>Plant Fund</u>
Corinth Harper Road Project	Local Funds	\$ 456,882

If additional funds are needed the College will borrow the funds.

9. Pension Plan

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

Funding policy- PERS members are required to contribute 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 are 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 \$1,312,854, \$1,237,412, and \$1,203,875 respectively, equal to the required contributions for each year.

10. Risk Management.

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Northeast Mississippi Community College Development Foundation, Inc., (the Foundation), is a nonprofit corporation as described in Section 501 (c) 3 of the Internal Revenue Code and is exempt from federal and state income taxes. The organization is not classified as a private foundation. Its purpose is to provide scholarships and other support for Northeast Mississippi Community College.

B. Basis of Accounting

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

C. Basis of Presentation

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

D. Investments

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

E. Property and Equipment

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

F. Public Support and Revenue

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies- Continued

F. Public Support and Revenue - Continued

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

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

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

G. Investment Earnings Allocation

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

H. Donated Services

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

I. Income Taxes

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

J. Estimates

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

K. Cash and Cash Equivalents

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies – Continued

L. Net Assets

Net assets of the Foundation consist of the following:

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

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

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

Note 2: Economic Dependence and Concentration

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

Note 3: Loans Receivable

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

Loans Receivable	\$ 14,079
Allowance for Bad Debts	7,040
Net Loans Receivable	<u>\$ 7,039</u>

No loans receivable are considered current.

Note 4. Promises to give

Unconditional promises to give

		<u>Reported As</u>
Temporarily restricted	\$ 439,670	Current <u>\$153,795</u>
Permanently restricted	41,287	Long-term <u>327,162</u>
Total	<u>\$ 480,957</u>	<u>\$480,957</u>

These pledges are due as follows:

Due in less than one year	\$ 153,795
Due in one to five years	375,760
Due in six to ten years	23,250
Total	<u>552,805</u>
Less discounts to present value	(40,589)
Less allowances	(31,259)
Net unconditional promises to give at June 30, 2006	<u>\$ 480,957</u>

Unconditional promises due within one year are recorded net of allowance for bad debts. Unconditional promises after one year are recorded at net present value using a 4% discount.

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended. June 30, 2006

Note 5. Investments

Investments as of June 30 are summarized as follows:

	Cost	Fair Value
40 Shares Scotsmen Merger Stock	\$ 200	\$ 200
400 Shares Household International Inc.	6,370	53,119
Federal Home Loans Bank	630,015	610,620
Montag & Caldwell Growth Fund	204,029	174,327
Fidelity Low Price Stock Fund	50,253	79,559
Vanguard and Index	365,760	346,628
Vanguard 500 Index Fund	111,725	112,021
T Rowe Price Mid Cap Growth Fund	72,715	119,827
Goldman Sachs Money Market	55,934	55,934
T Rowe Price Growth Stock	161,350	172,338
Dodge & Cox Stock Fund	250,000	299,135
Royce Pennsylvania Mutual	35,200	34,625
Fidelity Advisor Diversified International	176,800	177,191
	\$ 2,120,351	\$ 2,235,524
Unrestricted & Temporarily Restricted		\$ 386,119
Permanently Restricted		1,849,406
Total		\$ 2,235,525

Fair values could not be determined for Scotsmen Merger Stock.

The following schedule summarizes the investment return in the statement of activities:

	Total	Unrestricted	Temporarily Restricted
Dividend and Interest Income	\$ 85,565	25,038	60,527
Realized Gain (Loss) on Assets	73,034	16,071	56,963
Total	\$ 158,599	41,109	117,490

Note 6. Property and equipment

The following is a summary of property and equipment:

Land	\$ 125,000
Office Equipment	47,340
Less: Accumulated Depreciation	(15,281)
	\$ 157,059

Depreciation expense totaled \$6191 for the year.

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
June 30, 2006

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Scholarships	\$	291,196
Athletics		5,375
College Employee Enhancement		84,511
College Programs		26,077
Operations		46,616
Northeast at Corinth		355,140
	<u>\$</u>	<u>808,915</u>

Note 8. Permanently Restricted Net Assets

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

Scholarships - Lockton & Driftwood	\$	28,015
Scholarships - Street		25,000
Scholarships - Miller, Shannon, Taylor		266,257
Scholarships - Haney Endowment		1,037,833
Scholarships - Rotary Endowment		19,466
Scholarships - Various		392,378
	<u>\$</u>	<u>1,768,949</u>

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

Note 9. Financial Instruments with off Balance Sheet Risk

The carrying amounts of the Foundation's deposits with financial institutions at June 30 were as follows:

Cash and Cash Equivalents	<u>\$</u>	<u>269,535</u>
---------------------------	-----------	----------------

The bank balances at June 30 were:

Cash in Bank	\$	305,623
FDIC Insurance		254,651
	<u>\$</u>	<u>50,972</u>

The excess funds are not collateralized. At June 30, 2006, the Foundation had a credit risk of \$50,972, if the banks could not pay for deposits in excess of FDIC limits. Management does not expect the banks to be unable to pay deposits in excess of FDIC limits.

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
June 30, 2006

Note 10. Fair Value of Financial Instruments

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year are recorded at net present value of their net realizable value applicable to the years in which the promises are received to discount the amounts.

The estimated fair values of the Foundation's financial instruments, none of which are held for trading purposes, are as follows:

Financial Assets	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 269,535	\$ 269,535
Investments	386,119	386,119
Unconditional promises to give	480,957	480,957
Endowment Investments:		
Investments	1,849,406	1,849,406

Note 11. Related Party Transactions

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

Salary & fringe benefits	\$114,186
Supplies	493
Postage	1,464
Printing	685
	<u>\$116,828</u>

The members of the Foundation Board of Directors contributed \$29,129 to the Foundation during this fiscal year.

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

Note 12. Compensated Absences

The Foundation does not have a policy for compensated absences.

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
Student Financial Assistance Cluster		
Direct:		
Federal Supplemental Education Opportunity Grant	84.007	\$ 45,710
Federal Family Education Loans	84.032	1,683,985
Federal Work Study Programs	84.033	152,075
Federal Pell Grant Program	84.063	4,031,109
Total Student Financial Assistance Cluster		<u>5,912,879</u>
Direct:		
TRIO Student Support Services	84.042	212,902
Higher Education Institutional Aid	84.031	329,409
Total Direct		<u>542,311</u>
Passed Through MS Department of Education		
Tech Prep Education	84.243	102,824
Vocational Education Basic Grants to States	84.048	139,245
Leveraging Educational Assistance Partnership	84.069	6,250
Total Passed Through MS Department of Education		<u>248,319</u>
Passed Through MS State Board for Community and Junior Colleges		
Adult Education - State Grants Programs	84.002	185,894
Passed Through New Albany School District		
Adult Education - State Grants Programs	84.002	15,747
Passed Through Baldwin School District		
Adult Education - State Grants Programs	84.002	17,050
Total U.S. Department of Education		<u>6,922,200</u>
U.S. Department of Labor		
Passed Through Three Rivers Planning & Development District		
Workforce Investment Act Cluster		
WIA Adult Program	17.258	380,738
WIA Dislocated Workers	17.260	677,880
Total Three Rivers Planning & Development District		<u>1,058,618</u>
Passed Through Mississippi Employment Security Commission		
Workforce Investment Act Cluster		
WIA Dislocated Workers	17.260	20,958
Passed Through Mississippi Department of Rehabilitation Services		
Workforce Investment Act Cluster		
WIA Dislocated Workers	17.260	2,821
Total Workforce Investment Act Cluster		<u>1,082,397</u>

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U. S. Department of Labor (continued)		
Passed Through Mississippi Employment Security Commission		
Employment Service/ Wagner Peyser Funded Activities	17.207	18,688
Trade Adjustment Assistance	17.245	<u>107,016</u>
Total U. S. Department of Labor		<u>1,208,101</u>
U.S. Department of Agriculture		
Passed Through State Board for Community & Junior Colleges		
Mississippi Rural Health Corp Program- Cooperative		
Extension Service	10.500	9,152
Passed Through MS Department of Education		
Child Nutrition Cluster		
Child and Adult Food Care Program	10.558	2,691
U. S. Forest Service		
Urban and Community Forestry Assitance Program	10.664	<u>4,151</u>
Total U.S. Department of Agriculture		<u>15,994</u>
Federal Highway Administration		
Passed Through MS Department Wildlife & Parks		
Recreational Trails Program	20.219	<u>23,151</u>
Appalachian Regional Commission		
Appalachian Supplementary Grant	23.002	<u>195,282</u>
National Aeronautics and Space Administration		
Aerospace Education Services Program	43.001	<u>1,570</u>
Department of Interior		
National Park Service		
Teachers in Service Workshop	15.xxx	<u>12,500</u>
Environmental Protection Agency		
Environmental Education Grant Program	66.951	<u>4,890</u>
Total Expenditures of Federal Awards		<u>\$ 8,383,688</u>

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

Pass-through entity numbers are not assigned;
For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA #84.032) are presented as federal expenditures. In the current year the loans have been remitted to the College by the private lending institutions and then disbursed to the students.

Northeast Mississippi Community College
 Development Foundation, Inc.
 Schedule of Functional Expenses
 For the Year Ending June 30, 2006

	Program Expenses			Support Services			
	Unrestricted	Temporarily Restricted	Total Program Services	Management & General	Fund Raising	Total Support Services	Total Expenses
Awards	\$ 881	\$ -	\$ 881	\$ -	\$ 7,472	\$ 7,472	\$ 8,353
Professional Development	-	-	-	-	7,115	7,115	7,115
College Support	-	3,522	3,522	-	-	-	3,522
Scholarships	-	101,251	101,251	-	-	-	101,251
Program Expense:							
Fine Art	-	5,332	5,332	-	-	-	5,332
College Employee Enhancement	-	9,876	9,876	-	-	-	9,876
College Sports	-	54,431	54,431	-	-	-	54,431
Nursing program	12,500	37,500	50,000	-	-	-	50,000
GED Program	60	-	60	-	-	-	60
Grants and Training	3,500	2,250	5,750	-	-	-	5,750
Administrative:							
Salaries	51,742	-	51,742	29,402	16,070	45,472	97,214
Payroll Taxes	3,673	-	3,673	2,283	1,113	3,396	7,069
Retirement	5,388	-	5,388	2,899	1,728	4,627	10,015
Contractual	1,100	1,720	2,820	-	375	375	3,195
Printing & Advertising	3,243	-	3,243	1,437	5,376	6,813	10,056
Meals & Entertainment	150	426	576	1,390	5,322	6,712	7,288
Office Supplies	463	-	463	2,132	2,217	4,349	4,812
Postage	887	-	887	830	-	830	1,717
Travel	-	-	-	5,594	111	5,705	5,705
Car Allowance	2,880	-	2,880	1,120	1,200	2,320	5,200
Dues & Subscriptions	-	-	-	1,132	-	1,132	1,132
Administrative Fee	-	49,617	49,617	-	-	-	49,617
Investment Management Fees	-	5,898	5,898	2,358	-	2,358	8,256
Telephone	266	-	266	615	266	881	1,147
Legal & Accounting	-	-	-	20,745	-	20,745	20,745
Miscellaneous	616	-	616	620	6,660	7,280	7,896
Depreciation	-	-	-	6,191	-	6,191	6,191
Insurance	-	-	-	766	744	1,510	1,510
	<u>\$ 87,349</u>	<u>\$ 271,823</u>	<u>\$ 359,172</u>	<u>\$ 79,514</u>	<u>\$ 55,769</u>	<u>\$ 135,283</u>	<u>\$ 494,455</u>

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Certified Public Accountants

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

Dr. Johnny Allen, President
And Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

We have audited the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2006, as listed in the table of contents and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2006-1.

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 misstatements in amounts that would be material in relation to the basic 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Brauner, Yanotony & Co P.A.

February 19, 2008
Booneville, Mississippi



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

Dr. Johnny Allen, President
And Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

Compliance

We have audited the compliance of the Northeast Mississippi Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, Northeast Mississippi Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Northeast Mississippi Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 College, Members of the Legislature, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Brauner, Vanstacy & Co. P.A.

February 19, 2008
Booneville, Mississippi



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

Dr. Johnny Allen, President
And Board of Trustees
Northeast Mississippi Community College
Booneville, Mississippi

We have audited the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

Brauner Vanstory & Co. P.A.

February 19, 2008
Booneville, Mississippi

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable conditions identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit findings reported as required by Section _____, 510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. <u>Student Financial Assistance Cluster</u> | |
| CFDA #84.007 | |
| 84.033 | |
| 84.063 | |
| 84.032 | |
| b. <u>Higher Education Institutional Aid</u> | |
| CFDA #84.031 | |

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section 1: Summary of Auditors' Results (continued)

- | | | |
|-----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

FINDING 2006-1

Sufficient internal controls were not in place to prevent loss of cash receipts from daily deposits. During the current fiscal year cash receipts of \$ 30,272 was not deposited in the college's bank account and the prior year amount of \$11,580 for a total of \$41,852. A receivable for this amount has been recorded in the financial statements.

RECOMMENDATION

We recommend additional controls be put in place to verify that all amounts of cash receipts are deposited daily.

Section 3: Federal Award Findings and Questioned Costs

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



101 Cunningham Boulevard
Booneville, MS 38829

Corrective Action Plan

As required by U. S. Office of Management and Budget A-133, Northeast Mississippi Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

- A. Contact Person: Cheryl Ragan
Vice President of Finance and Operations
101 Cunningham Boulevard
Booneville, MS 38829
662-720-7280

- B. Northeast Mississippi Community College has added additional internal controls to verify the amounts that should be deposited by campus departments. The College continues to receipt deposits on the date received, prepare deposits daily, and forward all deposits to the bank on a daily basis. The College also continues to reconcile all deposits as part of the bank reconciliation process.

- C. Additional controls were implemented when the existing internal control problem was discovered.

