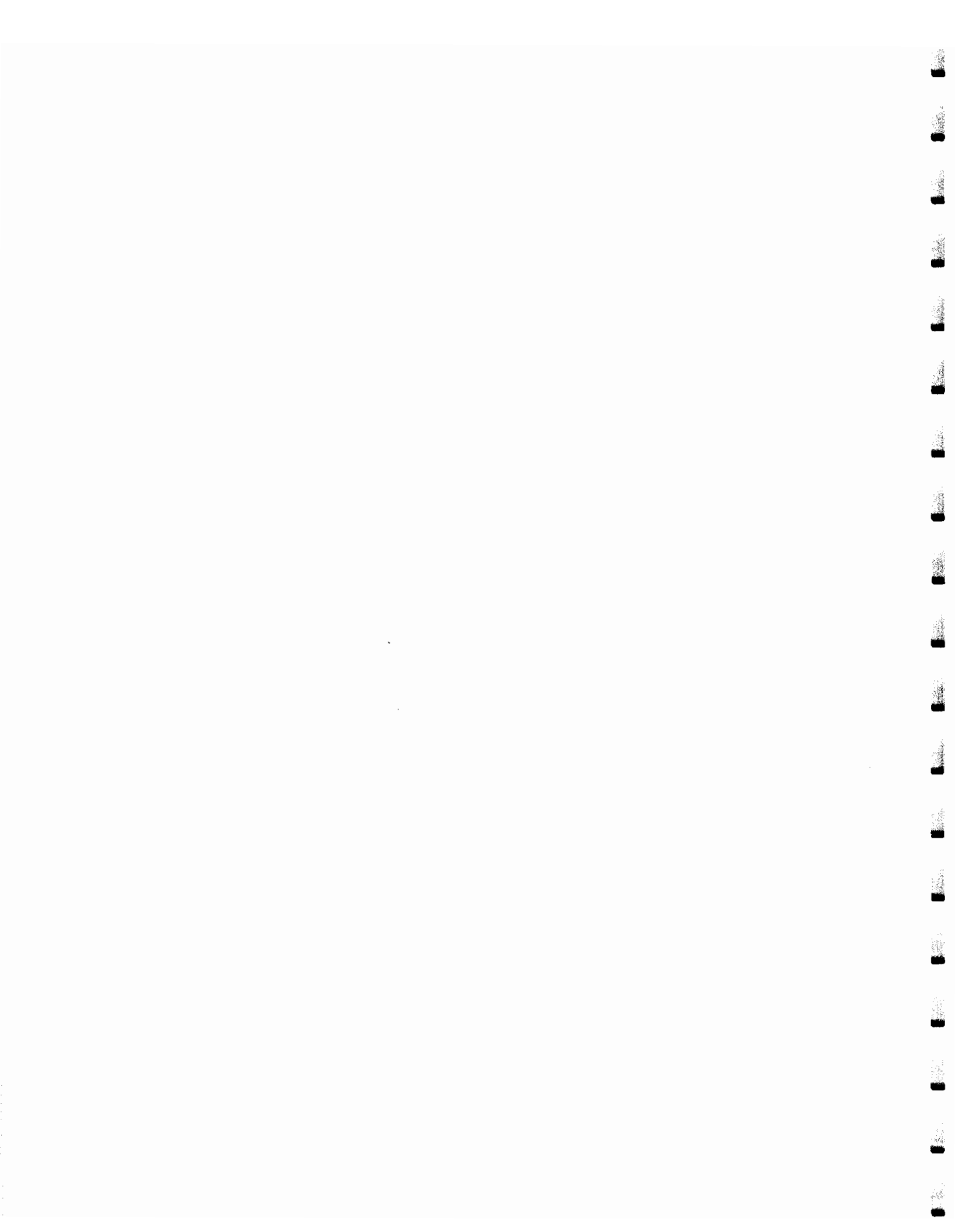


NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

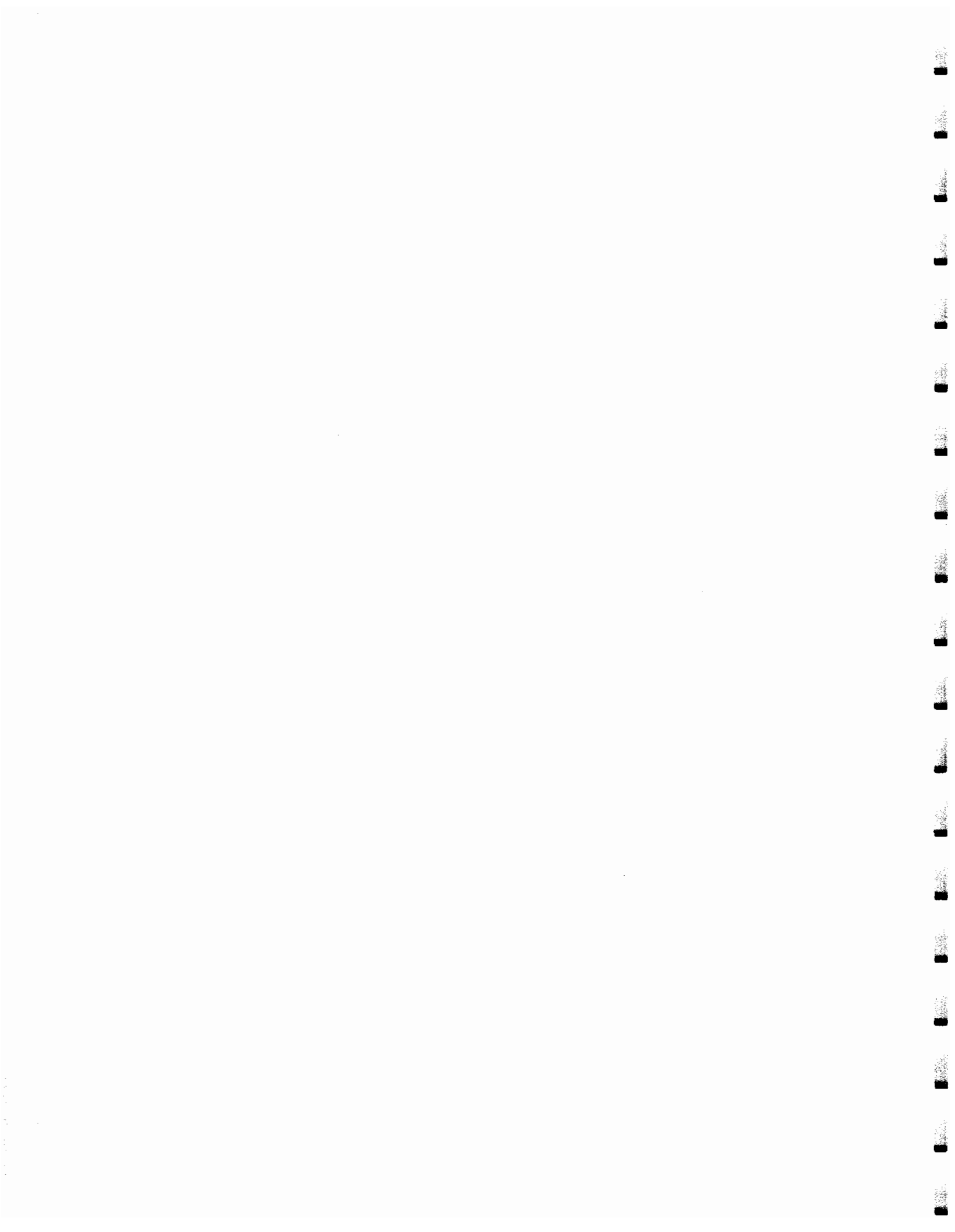
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007



NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
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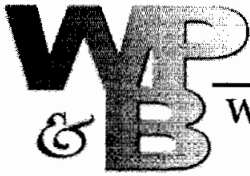
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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

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WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS
JERRY W. PITTS
REBECCA A. BEARD

2018 McIngvale Road
Hernando, MS 38632

(662) 429-4436
Memphis 342-1417
FAX: (662) 429-4438

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

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

We have audited the accompanying financial statements and the aggregate discretely presented component unit of Northwest Mississippi Community College as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northwest Mississippi Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Northwest Mississippi Community College Foundation as of and for the year ended December 31, 2006, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Mississippi Community College as of June 30, 2007 and its discretely presented component unit, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2007, on our consideration of Northwest Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of internal control over financial reporting or on compliance. That report is an integral part of an audit



agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

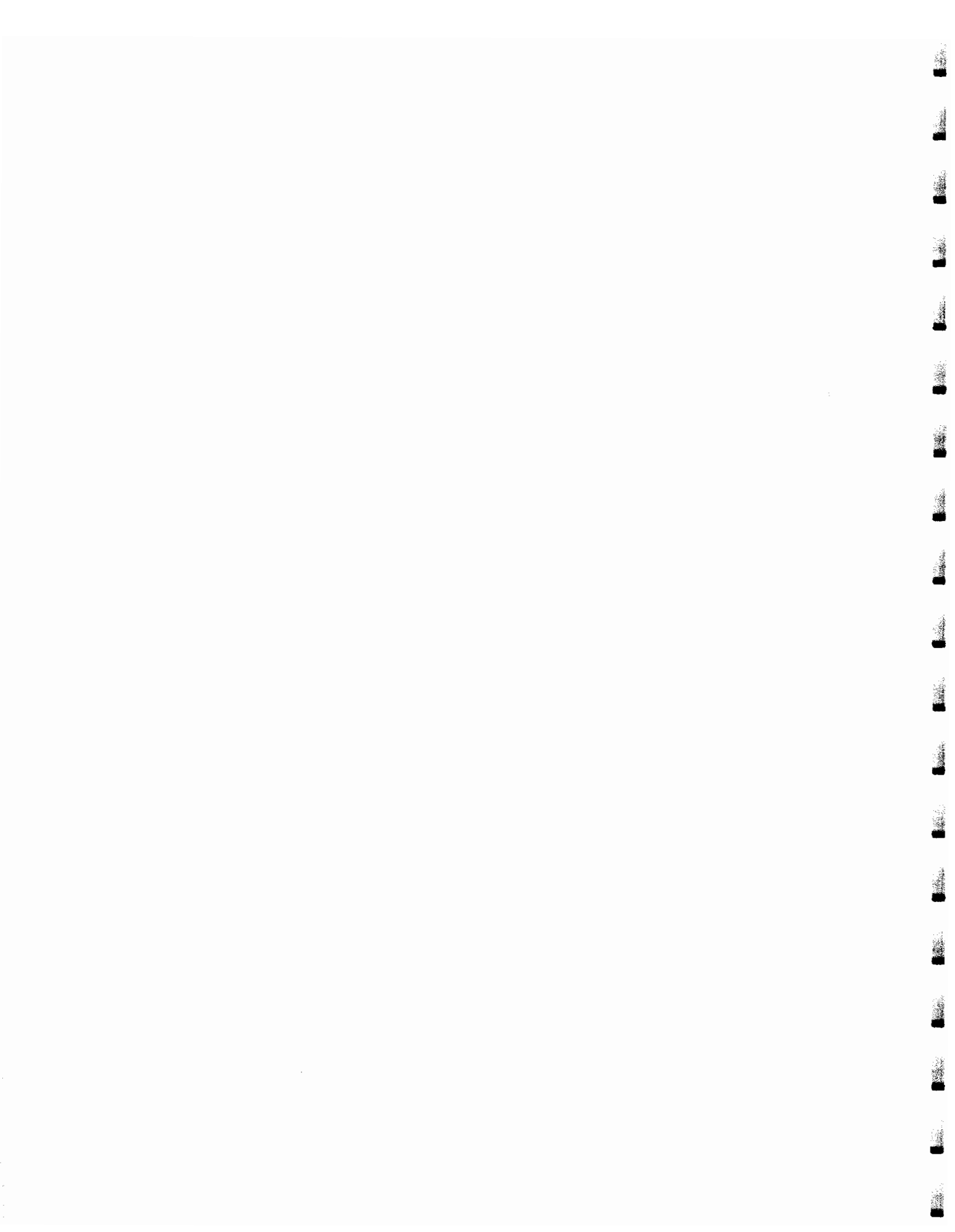
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwest Mississippi Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented as supplemental information for purposes of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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

September 18, 2007



NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

This section of the Northwest Mississippi Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2007. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using this Report

This annual report consists of a series of financial statements, prepared in accordance with the Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

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

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Condensed Statement of Net Assets

Condensed Statement of Net Assets			
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 12,045,243	\$ 11,238,259	\$ 806,984
Non Current Assets			
Other	12,488,813	7,809,864	4,678,949
Capital, Net	<u>53,215,858</u>	<u>54,149,117</u>	<u>(933,259)</u>
Total Assets	<u>77,749,914</u>	<u>73,197,240</u>	<u>4,552,674</u>
Liabilities			
Current Liabilities	2,528,713	2,822,968	(294,255)
Noncurrent Liabilities	<u>6,323,710</u>	<u>7,193,400</u>	<u>(869,690)</u>
Total Liabilities	<u>8,852,423</u>	<u>10,016,368</u>	<u>(1,163,945)</u>
Net Assets			
Invested in Capital Assets, Net	46,095,858	46,054,117	41,741
Restricted			
Expendable	12,523,788	7,937,211	4,586,577
Unrestricted	<u>10,277,845</u>	<u>9,189,544</u>	<u>1,088,301</u>
Total Net Assets	<u>\$ 68,897,491</u>	<u>\$ 63,180,872</u>	<u>\$ 5,716,619</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$8,691,123 at June 30, 2007, compared to the FY 2006 amount of \$8,166,021.

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 an allowance for doubtful accounts. The College receivables totaled \$1,970,259 at June 30, 2007, compared to the FY 2006 amount of \$1,747,630.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

Inventories

The College maintains inventories of resale merchandise in the Northwest Bookstore. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$799,063 at June 30, 2007, and \$727,672 at June 30, 2006.

Notes Receivable – Current Portion

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the Desoto Center facility in Southaven, Mississippi. The note bears interest at the rate of 3.5% and is to be repaid in twelve annual installments. The outstanding balance reported as current assets at June 30, 2007 was \$78,587, in comparison to \$75,929 at June 30, 2006.

Prepaid Expenses

Prepaid expenses consist of amounts paid for insurance premiums which cover the next fiscal year. Prepaid expenses totaled \$506,211 at June 30, 2007, in comparison to \$521,007 at June 30, 2006.

Non-Current Assets

Restricted Cash and Cash Equivalents

The cash and cash equivalents that are considered non-current are cash in restricted funds and the unexpended plant fund to be used for the purpose of maintaining the required balance in the unemployment compensation fund and for future capital improvements. The amount of cash and cash equivalents considered non-current at June 30, 2007 totaled \$11,856,056, in comparison to \$7,098,520 at June 30, 2006. Amounts held for future capital improvements increased significantly during FY 2007 in anticipation of future construction projects.

Notes Receivable

Notes receivable consists of the University of Mississippi's share of the cost of expansion of the Desoto Center facility in Southaven, Mississippi. The note bears interest at the rate of 3.5% and is to be repaid in twelve annual installments. The outstanding balance at June 30, 2007 was \$632,757, in comparison to \$711,344 at June 30, 2006.

Capital Assets, Net

Capital assets, net, consist of land, livestock, construction in progress, improvements and infrastructure, buildings, equipment, and historical library holdings at June 30, 2007. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$53,215,858 at June 30, 2007, in comparison to \$54,149,117 at June 30, 2006.

Liabilities

Current Liabilities

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2007 for employee benefits, interest on capital debt, and goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,381,527 at June 30, 2007, in comparison to \$1,323,481 at June 30, 2006.

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, 2007 fiscal year. The deferred revenue totaled \$234,842 at June 30, 2007, and \$494,702 at June 30, 2006. The decrease in deferred revenue occurred when students were allowed to complete registration for the fall semester during June, 2006, but the process was not repeated during June, 2007.

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, 2007. The amount of the long-term liabilities-current portion at June 30, 2007 was \$880,000, as compared to \$975,000 at June 30, 2006.

Other Current Liabilities

Other current liabilities represent the amounts held in an agency capacity for student clubs and other organizations. The amount of other current liabilities at June 30, 2007 was \$32,344, as compared to \$29,785 at June 30, 2006.

Non-Current Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. Deposits refundable at June 30, 2007 consist of room deposits paid by dormitory students and held in reserve by the College for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2007 was \$83,710 and \$73,400 at June 30, 2006.

Long-Term Liabilities

This liability consists of bond and note indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of long-term liabilities balance was \$6,240,000 at June 30, 2007, as compared to \$7,120,000 at June 30, 2006.

Net Assets

Net assets represent the difference between the College's assets and liabilities. During fiscal year 2007, total net assets increased by \$5,716,619 or 9.05%.

The College's net assets are presented as unrestricted, restricted – expendable, and invested in capital assets, net of related debt.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Analysis of Net Assets

Unrestricted net assets are net assets available to the College for any lawful purpose. The following is a breakdown of Unrestricted net assets as of June 30, 2007 and June 30, 2006:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Unrestricted General Fund	\$ 6,162,200	\$ 5,832,782	\$ 329,418
Unrestricted Auxiliary Fund	4,115,645	3,356,762	758,883
Unrestricted Restricted Fund	<u>-</u>	<u>-</u>	<u>-</u>
 Total Unrestricted Net Assets	 <u>\$ 10,277,845</u>	 <u>\$ 9,189,544</u>	 <u>\$ 1,088,301</u>

Restricted - expendable net assets consist of gifts or grants from third-parties with specific expenditure and/or other legal restrictions. The following is a breakdown of Restricted - expendable net assets as of June 30, 2007 and June 30, 2006:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Restricted - expendable for			
Unemployment benefits	\$ 107,755	\$ 103,417	\$ 4,338
Capital improvements	11,890,565	7,415,819	4,474,746
Debt	<u>525,468</u>	<u>417,975</u>	<u>107,493</u>
 Total Restricted - Expendable Net Assets	 <u>\$ 12,523,788</u>	 <u>\$ 7,937,211</u>	 <u>\$ 4,586,577</u>

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Invested in capital assets, net of related debt	<u>\$ 46,095,858</u>	<u>\$ 46,054,117</u>	<u>\$ 41,741</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Management's Discussion and Analysis
For the Year Ended June 30, 2007**

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

For the year ended June 30, 2007 with comparative information for the year ended June 30, 2006:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	Variance Positive (Negative)
Total Operating Revenues	\$ 27,521,611	\$ 26,474,801	\$ 1,046,810
Total Operating Expenses	<u>48,025,167</u>	<u>46,521,257</u>	<u>(1,503,910)</u>
Net Operating Loss	(20,503,556)	(20,046,456)	(457,100)
Nonoperating Revenues(Expenses):	<u>21,799,628</u>	<u>17,964,159</u>	<u>3,835,469</u>
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	1,296,072	(2,082,297)	3,378,369
Total Other Revenues, Expenses, Gains, or Losses	<u>4,420,547</u>	<u>4,570,885</u>	<u>(150,338)</u>
Change in Net Assets	5,716,619	2,488,588	3,228,031
Net Assets			
Net Assets Beginning of Year	63,180,872	60,692,284	2,488,588
Net Assets End of Year	<u>\$ 68,897,491</u>	<u>\$ 63,180,872</u>	<u>\$ 5,716,619</u>

Total operating loss for the fiscal year 2007 was \$20,503,556 while the comparable loss for fiscal year 2006 was \$20,046,456. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

Total operating revenues for fiscal year 2007 were \$27,521,611, compared to \$26,474,801 for FY 2006. Tuition and fees were \$6,393,353, compared to \$5,814,175 for FY 2006, net of the tuition discount which was \$5,327,120 for FY 2007, compared to \$5,629,771 for FY 2006. Operating expenses for FY 2007, including depreciation of \$2,067,200, totaled \$48,025,167. Operating expenses for FY 2006 totaled \$46,521,257, including depreciation of \$2,142,495.

Instructional expenditures composed 42.58% of the FY 2007 operating expenses and 41.42% of the FY 2006 operating expenses.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$11,720,473 for FY 2007, in comparison to \$11,443,946 for FY 2006. The tuition discount for the 2007 fiscal year was \$5,327,120 compared to the FY 2006 tuition discount of \$5,629,771.

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 years ended June 30, 2007 and June 30, 2006.

	June 30, 2007	June 30, 2006	Increase (Decrease)
Federal Sources	\$ 12,321,167	\$ 12,350,280	\$ (29,113)
State Sources	4,027,762	3,777,376	250,386
Other Sources	416,157	400,823	15,334
Total All Sources	<u>\$ 16,765,086</u>	<u>\$ 16,528,479</u>	<u>\$ 236,607</u>

Sales and Services from Educational Activities

Sales and services from educational activities that totaled \$231,191 for the 2007 fiscal year as compared to \$237,657 for the 2006 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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

Auxiliary enterprises primarily include the Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,902,834 for the 2007 fiscal year as compared to \$3,695,249 for the 2006 fiscal year. The discount for scholarship allowance was \$2,631,352 for FY 2007 and \$2,537,723 for FY 2006.

Other Operating Revenues

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$229,147 for the 2007 fiscal year as compared to \$199,241 for the 2006 fiscal year.

Operating Expenses

Operating expenses for FY 2007 totaled \$48,025,167 including salaries and benefits of \$29,766,490, scholarships of \$3,873,661, utilities of \$1,726,519, supplies of \$6,125,429, contractual services of \$3,803,480, travel of \$392,104, depreciation of \$2,067,200, and other operating expense of \$270,284. Operating expenses for FY 2006 totaled \$46,521,257 including salaries and benefits of \$28,071,085, scholarships of \$3,252,929, utilities of \$2,020,596, supplies of \$6,026,587, contractual services of \$4,374,991, travel of \$343,575, depreciation of \$2,142,495, and other operating expense of \$288,999.

Expenses by Function:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Instruction	\$ 20,448,788	\$ 19,266,876	\$ 1,181,912
Academic Support	955,615	1,018,484	(62,869)
Student Services	3,791,680	3,759,898	31,782
Institutional Support	4,478,688	4,081,934	396,754
Operations and Maintenance of Plant	6,492,875	7,403,598	(910,723)
Student Financial Aid	3,873,661	3,304,353	569,308
Auxiliary Enterprises	5,916,660	5,543,619	373,041
Depreciation	<u>2,067,200</u>	<u>2,142,495</u>	<u>(75,295)</u>
Total Operating Expenses by Function	<u>\$ 48,025,167</u>	<u>\$ 46,521,257</u>	<u>\$ 1,503,910</u>

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriation. This appropriation was for educational and general operations of the College. The College received \$16,448,669 for FY 2007 compared to \$13,081,781 for FY 2006. In addition, the College received \$94,161 in state appropriation restricted for capital purposes for FY 2007 as compared to \$180,894 for FY 2006.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

Local Appropriations

The College also receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the education and general portion of the appropriations for salaries, benefits, and other operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year. The College received \$4,872,208 in county appropriations for FY 2007, compared to \$4,729,758 for FY 2006.

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2007 shows an income of \$794,473, as compared to an income of \$495,948 at June 30, 2006.

Interest Expense on Capital Related Debt

This consists of the interest expense on capital asset related debt the College incurred during the 2007 fiscal year. The total expense amounted to \$315,722 for FY 2007, compared to \$343,328 for FY 2006.

Other Revenues, Expenses, Gains, and Losses

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 expenditures were from the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the FY 2007 was \$94,161, as compared to \$180,894 for FY 2006.

Local Appropriations for Capital Purposes

The College receives non-operating revenue of county appropriations from the eleven-county district in which the college resides. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities; and the debt service portion of the appropriations for the payment of debt principal and interest. The College received \$4,205,876 in local appropriations for capital purposes for FY 2007, compared to \$3,544,573 for FY 2006.

Capital Grants

This includes revenue received from outside agencies restricted to capital projects during the fiscal year. The amount of this grant totaled \$123,689 for FY 2007 as compared to \$492,434 for FY 2006.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

Capital Gifts

Capital gifts include property, equipment, or other items donated to the College for capital purposes. The College did not receive any capital gifts during FY2007, compared to \$100,000 during FY 2006.

Other Additions (Deletions), net

Other additions and deletions, net consist of amounts not reported elsewhere on the statements. Included in this amount are gain/(loss) on disposal of capital assets, increase/(decrease) in value of livestock inventory, as well as other miscellaneous non-operating revenues and (expenses). The total amount for FY 2007 was \$(3,179) compared to \$252,984 for FY 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 cash flows,
- The ability to meet obligations as they come due, and
- A need for external financing.

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year ended June 30, 2007 and June 30, 2006:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	Variance Positive (Negative)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (18,848,384)	\$ (17,117,128)	\$ (1,731,256)
Noncapital Financing Activities	21,269,093	17,958,644	3,310,449
Capital and Related Financing Activities	1,991,527	334,846	1,656,681
Investing Activities	870,402	569,310	301,092
Net Increase in Cash and Cash Equivalents	5,282,638	1,745,672	3,536,966
Cash and Cash Equivalents - Beginning of Year	15,264,541	13,518,869	1,745,672
Cash and Cash Equivalents - End of Year	<u>\$ 20,547,179</u>	<u>\$ 15,264,541</u>	<u>\$ 5,282,638</u>

The major sources of funds included in operating activities for FY 2007 include student tuition and fees, \$6,243,873; auxiliary enterprises, \$3,848,531; and grants and contracts, \$16,417,203. The major uses of funds for

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2007

FY 2007 were payments made to employees, \$29,604,787; to suppliers, \$10,477,217; and for scholarships, \$3,873,661.

In comparison, the major sources of funds included in operating activities for FY 2006 include student tuition and fees, \$5,825,923; auxiliary enterprises, \$3,772,679; and grants and contracts, \$16,482,008. The major uses of funds for FY 2006 were payments made to employees, \$27,235,596; to suppliers, \$10,984,012; and for scholarships, \$3,252,929.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$16,390,233 in FY 2007, as compared to \$13,245,654 in FY 2006.

Significant Capital Asset Transactions

During FY 2007, there were no significant capital asset transactions.

Significant Subsequent Events

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

Factors Impacting Future Periods

There are a number of issues that are directly impacting the community college system as a whole. The uncertainty in the level of State appropriations, the pressure to provide increases in employee compensation in order to retain and attract quality faculty and staff, insurance cost increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs while minimizing increase in student tuition and fees. State appropriations continue to be the single largest source of revenue for the College and, therefore, one of the key factors influencing the College's financial condition.

In addition to these operational challenges, deferred maintenance and repairs, new technology, and new construction projects to meet the continued increases in enrollment are large challenges facing the College in the years to come. The College continues to assess its performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
FINANCIAL STATEMENTS

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Statement of Net Assets
For the year ended June 30, 2007**

Assets	
Current Assets	
Cash and cash equivalents	\$ 8,691,123
Accounts receivable, net (Note 3)	1,970,259
Inventories	799,063
Notes receivable - current portion (Note 4)	78,587
Prepaid expenses	506,211
	<hr/>
Total Current Assets	12,045,243
Noncurrent Assets	
Cash and cash equivalents	11,856,056
Notes receivable (Note 4)	632,757
Capital assets, net of accumulated depreciation (Note 5)	53,215,858
	<hr/>
Total Noncurrent Assets	65,704,671
	<hr/>
Total Assets	77,749,914
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	1,381,527
Deferred revenues	234,842
Long-term liabilities - current portion (Note 8)	880,000
Other current liabilities	32,344
	<hr/>
Total Current Liabilities	2,528,713
Noncurrent Liabilities	
Deposits refundable (Note 8)	83,710
Long-term liabilities, non-current portion (Note 8)	6,240,000
	<hr/>
Total Noncurrent Liabilities	6,323,710
	<hr/>
Total Liabilities	8,852,423
Net Assets	
Invested in capital assets, net of related debt	46,095,858
Restricted expendable	
Unemployment compensation fund	107,755
Capital projects	11,890,565
Debt service	525,468
Unrestricted	10,277,845
	<hr/>
Total Net Assets	\$ 68,897,491

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position
For the year ended December 31, 2006

Current Assets:

Cash	\$ 5,361
Total Current Assets	<u>5,361</u>

Assets Whose Use is Limited

By Donors for Specific Purposes	198,778
By Board for Specific Purposes	753,610
By Donors for Scholarship Endowments	<u>3,530,547</u>
Total Limited Use Assets	<u>4,482,935</u>
Total Assets	<u><u>4,488,296</u></u>

Current Liabilities

Due to the University of Mississippi	<u>20,679</u>
Total Current Liabilities	<u>20,679</u>

Net Assets

Unrestricted net assets	5,361
Temporarily restricted net assets	931,709
Restricted Endowments	<u>3,530,547</u>
Total Net Assets	<u>4,467,617</u>
Total Liabilities & Net Assets	<u><u>\$ 4,488,296</u></u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2007**

Operating Revenues	
Tuition and fees (net of scholarship allowances of \$5,327,120)	\$ 6,393,353
Federal grants and contracts	12,321,167
State grants and contracts	4,027,762
Nongovernmental grants and contracts	416,157
Sales and services of educational departments	231,191
Auxiliary enterprises:	
Student housing (net of scholarship allowance of \$491,467))	589,835
Food services (net of scholarship allowances of \$655,082)	786,199
Bookstore (net of scholarship allowances of \$1,484,803)	2,272,131
Other auxiliary revenues	254,669
Other operating revenues	229,147
Total Operating Revenues	<u>27,521,611</u>
Operating Expenses	
Salaries and wages	23,228,574
Fringe benefits	6,537,916
Travel	392,104
Contractual services	3,803,480
Utilities	1,726,519
Scholarships and fellowships	3,873,661
Commodities	6,125,429
Depreciation	2,067,200
Other operating expense	270,284
Total Operating Expenses	<u>48,025,167</u>
Operating Income (Loss)	<u>(20,503,556)</u>
Nonoperating Revenues (Expenses)	
State appropriations	16,448,669
Local appropriations	4,872,208
Investment income	794,473
Interest expense on capital asset-related debt	(315,722)
Total Net Nonoperating Revenues (Expenses)	<u>21,799,628</u>
Income (Loss) Before Other Revenues, Expenses, Gains, and Losses	<u>1,296,072</u>
State appropriations restricted for capital purposes	94,161
Local appropriations for capital purposes	4,205,876
Capital grants and contracts	123,689
Other additions (deletions) net	(3,179)
Change in Net Assets	<u>5,716,619</u>
Net Assets	
Net Assets - Beginning of Year, as Originally Reported	<u>63,180,872</u>
Net Assets - End of Year	<u>\$ 68,897,491</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

**Statement of Activities
For the year ended December 31, 2006**

Unrestricted Revenue Gains and Other Support	
Donations	\$ 8,102
In-kind donations	248,181
Total Unrestricted Revenue and Gains	256,283
Net Assets Released from Restrictions	1,000
Total Unrestricted Revenue Gains and Other Support	257,283
Expenses and Losses	
Like-kind payroll expense	148,181
Like-kind education related expense	100,000
Fund raising expense	7,807
Education related activities	119,652
Scholarships	183,902
Total Expenses & Losses	559,542
Decrease in Net Unrestricted Assets	(302,259)
Changes in Temporarily Restricted Assets	
Contributions	266,208
Interest and dividends (net of management fees)	143,154
Fundraisers (net)	88,917
Net unrealized gain on investment	220,330
Net assets released from restrictions	(237,991)
Increase in Temporarily Restricted Assets	480,618
Changes in Permanently Restricted Assets	
Contributions	289,909
Transfers from temporarily restricted assets (net)	236,991
Increase in Endowment Assets	526,900
Change in Net Assets	705,259
Net Assets - Beginning of Year	3,762,358
Net Assets - End of Year	\$ 4,467,617

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Statement of Cash Flows
For the year ended June 30, 2007**

Cash Flows from Operating Activities	
Tuition and fees	\$ 6,243,873
Grants and contracts	16,417,203
Sales and services of educational departments	231,191
Payments to suppliers	(10,477,217)
Payments to employees for salaries and benefits	(29,604,787)
Payments to utilities	(1,726,519)
Payments for scholarships and fellowships	(3,873,661)
Auxiliary enterprise charges:	
Residence halls	535,532
Food services	786,199
Bookstore	2,272,131
Other	254,669
Other receipts (payments)	93,002
Net Cash Provided (Used) by Operating Activities	<u>(18,848,384)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	16,390,233
Local appropriations	4,876,301
Agency transfers-in	63,648
Agency transfers-out	(61,089)
Federal loan receipts	3,256,351
Federal loan disbursements	(3,256,351)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>21,269,093</u>
Cash Flows from Capital and Related Financing Activities	
Capital appropriations received	4,205,566
Capital grants and contracts received	123,689
Cash paid for capital assets	(1,042,958)
Principal paid on capital debt	(975,000)
Capital debt interest paid	(319,770)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,991,527</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	10,000,000
Purchases of investments	(10,000,000)
Interest received on investments	794,473
Collection on note receivable	75,929
Net Cash Provided (Used) by Investing Activities	<u>870,402</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,282,638
Cash and Cash Equivalents - Beginning of Year	<u>15,264,541</u>
Cash and Cash Equivalents - End of Year	<u>\$ 20,547,179</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Statement of Cash Flows
For the year ended June 30, 2007**

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

Operating Income (Loss)	<u>\$ (20,503,556)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	2,067,200
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables, net	(167,977)
Inventories	(71,391)
Prepaid expenses	14,796
(Increase) decrease in liabilities:	
Accounts payable	62,094
Deferred revenues	(259,860)
Deposits refundable	10,310
Total adjustments	<u>1,655,172</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (18,848,384)</u></u>
Noncash Investing, Capital, and Financing Activities	
Payments by state on construction	<u>\$ 94,161</u>
Total	<u><u>\$ 94,161</u></u>
Cash and cash equivalents classified as current assets	\$ 8,691,123
Cash and cash equivalents classified as noncurrent assets	<u>11,856,056</u>
Total Cash and Cash Equivalents	<u><u>\$ 20,547,179</u></u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Statement of Cash Flows
For the year ended December 31, 2006

Cash Flows from Operating Activities

Changes in net assets	\$ 705,259
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Noncash in-kind donations	248,181
Noncash in-kind expenses	(248,181)
Unrealized gains on investments	<u>220,330</u>
Net Cash Used by Operating Activities	<u>925,589</u>

Cash Flows from Investing Activities

Investments purchased	(1,073,513)
Investments sold	<u>144,009</u>
Net Cash Provided by Investing Activities	<u>(929,504)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(3,915)
Cash and Cash Equivalents - Beginning of Year	<u>9,276</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,361</u>

The Foundation paid no income tax or interest during 2006

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2007

I. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

During the year ended June 30, 2007, the Foundation distributed \$183,902 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation financial statements are presented at the end of Northwest Mississippi Community College's Notes to Financial Statements. Complete financial statements for the Foundation can be obtained at: 4975 Hwy 51 North; Senatobia, Mississippi.

B. Basis of Presentation.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and*

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2007

Universities, issued in June and November, 1999, respectively. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

C. Basis of Accounting.

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

D. Cash and Cash Equivalents.

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

E. Short-term Investments.

Investments that are not cash equivalents, but mature within the next fiscal year, are classified as short-term investments.

F. Accounts Receivable, Net.

Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivable are recorded net of allowances for doubtful accounts.

G. Inventories.

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

H. Prepaid Expenses.

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

I. Restricted Cash and Cash Equivalents.

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2007

J. Endowment Investments.

Endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor with the restrictions that only the income is to be utilized; term endowment funds, which are funds for which the donor has stipulated that the principal may be expended after a stated period or on the occurrence of a certain event; and quasi endowment funds, which are funds established by the governing board to function like an endowment fund but may be totally expended at any time at the discretion of the governing board.

K. 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.

L. Notes Receivable.

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

M. 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.

N. 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.

O. Compensated Absences.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2007

P. Classification of Revenues.

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

Q. State Appropriations.

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

R. 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.

S. 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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2007

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 \$10,277,845 at June 30, 2007, includes \$799,063 reserved for inventories and a remaining amount of \$9,478,782.

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

T. Changes in Accounting Standards.

Northwest Mississippi Community College was not required to implement any GASB Statements during the current fiscal year.

2. Cash and Cash Equivalents.

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, none of the College's bank balance of \$21,641,866 was exposed to custodial credit risk.

3. Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2007:

Student tuition	\$ 2,309,834
Federal, state, and private grants and contracts	1,284,541
State appropriations	283,399
Local appropriations	247,896
Other	<u>37,589</u>
Total Accounts Receivable	4,163,259
Less allowance for doubtful accounts	<u>2,193,000</u>
Net accounts receivable	<u>\$ 1,970,259</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2007

4. Notes Receivable.

Notes receivable represent the University of Mississippi's share of the cost of expansion of the DeSoto Center facility in Southaven, Mississippi. The original amount of the note was \$1,000,000, bears interest at the rate of 3.5%, and is to be received in twelve annual payments of \$103,484. The total principal to be received as of June 30, 2007, was:

Current portion	\$ 78,587
Noncurrent portion	<u>632,757</u>
 Total Notes Receivable	 <u><u>\$ 711,344</u></u>

5. Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2007, is presented as follows:

	Beginning Balance 7/1/2006	Additions	Deletions	Completed Construction/ Adjustments	Ending Balance 6/30/2007
Nondepreciable Capital Assets:					
Land	\$ 5,061,790	-	-	-	5,061,790
Construction in progress	294,417	547,603	-	-	842,020
Livestock	62,150	17,272	9,997	-	69,425
Total Nondepreciable Capital Assets	<u>5,418,357</u>	<u>564,875</u>	<u>9,997</u>	-	<u>5,973,235</u>
Depreciable Capital Assets					
Improvements other than buildings	5,600,713	29,398	-	-	5,630,111
Buildings	59,628,947	-	-	-	59,628,947
Equipment	7,194,504	413,547	218,861	-	7,389,190
Library books	2,273,412	147,021	59,687	-	2,360,746
Total Depreciable Capital Assets	<u>74,697,576</u>	<u>589,966</u>	<u>278,548</u>	-	<u>75,008,994</u>
Less: Accumulated Depreciation for:					
Improvements other than buildings	1,753,276	201,270	-	-	1,954,546
Buildings	16,859,564	1,286,480	-	-	18,146,044
Equipment	5,679,150	447,072	208,408	-	5,917,814
Library books	1,674,826	132,378	59,237	-	1,747,967
Total Accumulated Depreciation	<u>25,966,816</u>	<u>2,067,200</u>	<u>267,645</u>	-	<u>27,766,371</u>
Total Depreciable Capital Assets, Net	<u>48,730,760</u>	<u>(1,477,234)</u>	<u>10,903</u>	-	<u>47,242,623</u>
Capital Assets, Net	<u>\$ 54,149,117</u>	<u>(912,359)</u>	<u>20,900</u>	-	<u>53,215,858</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to Financial Statements
For the year ended June 30, 2007**

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

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

6. Construction Commitments and Financing.

The College has contracted for various construction projects as of June 30, 2007. 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>State Sources</u>	<u>Other Sources</u>
Physical Science Building	State funds	\$ 6,305,839	-
Nursing Facility	NWCC	-	3,592,500
Desoto Center basement	NWCC	-	902,772
Oxford Center expansion	NWCC	-	1,621,553
President's home	NWCC	-	433,365
Humanities Building renovation	NWCC	-	185,441
Holder Road paving/parking	NWCC	-	312,919

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2007:

Employee benefits	\$ 1,016,638
Payments to suppliers and contractors	315,159
Interest on capital-related debt	<u>49,730</u>
Total Accounts Payable and Accrued Liabilities	<u><u>\$ 1,381,527</u></u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2007

8. Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2007.

Information regarding original issue amounts, interest rates, and maturity dates for bonds and notes included in long-term liabilities balance at June 30, 2007, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose Bonded Debt	Original Issue	Annual Interest Rate	Maturity	Beginning Balance July 1, 2006	Additions	Payments & Deletions	Balance June 30, 2007	Due Within One Year
Educational Facilities Bonds, Series 2003	\$ 2,580,000	1.15% to 2.40%	2008	\$ 1,425,000	-	560,000	865,000	430,000
Total Bonded Debt				1,425,000	-	560,000	865,000	430,000
Notes Payable								
Educational Facilities Notes, Series 2000	\$ 4,000,000	4.80% to 6.50%	2015	3,190,000	-	225,000	2,965,000	245,000
Educational Facilities Notes, Series 2002	\$ 4,000,000	3.25% to 4.45%	2018	3,480,000	-	190,000	3,290,000	205,000
Total Notes Payable				6,670,000	-	415,000	6,255,000	450,000
Other Long-Term Liabilities								
Student Deposits Refundable				73,400	87,992	77,682	83,710	-
Totals				\$ 8,168,400	87,992	1,052,682	7,203,710	880,000

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements
For the year ended June 30, 2007

Long-term Liabilities (continued)

Year Ending June 30	Bonded Debt	Notes	Interest	Total
2008	\$ 430,000	450,000	292,958	1,172,958
2009	435,000	485,000	264,732	1,184,732
2010	-	520,000	237,972	757,972
2011	-	645,000	215,212	860,212
2012	-	695,000	185,994	880,994
2013-2018	-	3,460,000	424,264	3,884,264
Totals	865,000	6,255,000	1,621,132	8,741,132

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2007

9. Natural Classifications with Functional Classifications

The College's operating expenses by functional classifications were as follows for the year ended June 30, 2007:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 14,345,572	3,599,886	157,791	1,486,877	24,635	-	834,027	-	-	20,448,788
Academic support	626,395	175,643	3,889	32,001	-	-	117,687	-	-	955,615
Student services	2,343,213	619,710	181,273	327,042	-	-	284,550	-	35,892	3,791,680
institutional support	2,492,902	734,880	48,352	806,105	-	-	197,861	-	198,588	4,478,688
Operation of plant	2,301,942	918,293	-	963,364	1,349,232	-	959,877	-	167	6,492,875
Student aid	-	-	-	-	-	3,873,661	-	-	-	3,873,661
Auxiliary enterprises	1,118,550	489,504	799	188,091	352,652	-	3,731,427	-	35,637	5,916,660
Depreciation	-	-	-	-	-	-	-	2,067,200	-	2,067,200
Total Operating Expenses	\$ 23,228,574	6,537,916	392,104	3,803,480	1,726,519	3,873,661	6,125,429	2,067,200	270,284	48,025,167

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to Financial Statements For the year ended June 30, 2007

10. Pension Plan.

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

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.30% 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, 2007, 2006, and 2005, were \$2,452,402, \$2,186,925, and \$1,924,184, respectively, equal to the required contributions for each year.

11. Risk Management.

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

12. Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Employment Security

Commission for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2007, the fund was adequately funded with a balance of \$107,755.

13. Concentrations.

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

14. Contingencies.

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Notes to Financial Statements
For the year ended June 30, 2007

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

15. Consistency Between Years.

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

16. Subsequent Events.

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

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2006

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

Organization

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

Use of Estimates

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

Cash and Cash Equivalents

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

Assets Limited as to Use

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

Temporarily and Permanently Restricted Net Assets

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

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

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

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2006

is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Income Taxes

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

Investments

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

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

Volunteer Labor

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

Method of Accounting

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

For the Year Ended December 31, 2006

2. Assets Limited as to Use

The composition of assets limited to use at December 31, 2006, is set forth in the following table:

	<u>2006</u>
Internally designated for endowment matches:	
Cash	\$ 19,522
Investments	723,788
Accounts Receivable	<u>10,300</u>
Total	<u><u>\$ 753,610</u></u>
By donors for specific purposes:	
Investments	\$ 198,778
Total	<u><u>\$ 198,778</u></u>
By donors for endowments:	
Cash	\$ 80,140
Investments	<u>3,450,407</u>
Total	<u><u>\$ 3,530,547</u></u>

3. Office Space

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2006

4. Investments

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

	<u>Fair Value</u>
Bank Certificate of Deposit	<u>\$ 82,445</u>
Merrill Lynch Managed Holdings:	
EMA	135
EMA / Lord Abbett Taxable	1,271,092
EMA / Neuberger Berman Taxable Int.	1,051,049
EMA / NFS Inst. LCTV	662,660
EMA / Nuveen Rittenhouse, LCG	649,486
EMA / Blackrock, LCC	436,686
EMA / Invesco Inc. Intl. Value	<u>219,420</u>
<u>Total Mutual Funds</u>	<u>4,290,528</u>
<u>Total Investments</u>	<u>\$ 4,372,973</u>

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

<u>Type</u>	<u>Total</u>	<u>Temporarily Restricted</u>
Dividend and interest income	<u>\$ 143,154</u>	<u>143,154</u>

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

5. Other Concentrations

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2006

6. Related Party Transactions

One board member's family owns and operates two golfing facilities in the area, Plantation Golf Club and Cherokee Valley Golf Club. During the year, the Foundation paid Cherokee \$8,820.00 in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative. (See Note 7)

7. 2+2 Scholarship Initiative

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

During the current year, the Foundation sent the UM \$144,618.00 of funds from the 2+2 Golf Tournament and other 2+2 donations. A payable in the amount of \$20,679.00 has been set up for amounts the Foundation is holding for the UM. Also, a receivable of \$10,300.00 has been established for the funds UM is holding.

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

8. Royalty Agreement

In May 2005, the Foundation entered an agreement with Pearson Education Publishing, allowing Northwest Mississippi Community College to customize mathematics textbooks. Over the next three years, Northwest Mississippi Community College will attempt to sell 7,500 of these books. During the current year, Northwest Mississippi Community college sold 3,630 books. The Foundation receives \$10.00 per book royalty. The royalty income is designated for use by the mathematics department. The receivable has not been recorded on the Foundation's general ledger because the condition of future book sales has not been met.

9. In-Kind Donations

Northwest Mississippi Community College provides staffing for the Foundation. The amount attributable to this expense totaled \$148,181.

FedEx donated a used jet engine to be used by Northwest Mississippi Community College in its Vo-tech classes. This engine was conservatively valued at \$100,000.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

REQUIRED SUPPLEMENTAL INFORMATION

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 338,517
Federal Family Education Loans (FFEL)	(2) 84.032		1,777,192
Federal Work-Study Program (FWS)	84.033		268,456
Federal Pell Grant Program	84.063		9,218,116
Academic Competitiveness Grant	84.375		84,272
Total U.S. Department of Education Student Financial Aid Cluster			11,686,553
Pass-through programs from:			
Mississippi State Board for Community and Junior Colleges			
Adult Education - State Grant Program	84.002	6903	467,611
Mississippi Department of Education			
Vocational Education - Basic Grants to States	84.048	6903	497,384
Tech-Prep Education	84.243	6903	44,934
Board of Trustees of Institutions of Higher Learning			
Leveraging Educational Assistance Partnership	84.069	002427	17,450
TRIO - Student Support Services	84.042		267,747
Total U.S. Department of Education			12,981,679
<u>U.S. Department of Labor</u>			
WIA - Cluster:			
Pass-through programs from:			
South Delta Planning and Development District			
WIA - Adult Program	17.258	05-213-200	48,495
WIA - Dislocated Workers	17.260	05-213-200	42,253
Three Rivers Planning and Development District:			
WIA - Adult Program	17.258	05-09-10	675,182
WIA - Youth Activities	17.259	05-09-10	11,341
WIA - Dislocated Workers	17.260	04-09-90	416,646
Total U.S. Department of Labor WIA Cluster			1,193,917
Pass-through programs from:			
Mississippi Department of Employment Security			
Employment Service/Wagner-Peyser Funded Activities	17.207		13,826
Mississippi State Board for Community and Junior Colleges			
WIA Pilots, Demonstrations, and Research Projects	17.261		26,040
Total U.S. Department of Labor			1,233,783

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Pass-through programs from:			
Mississippi Department of Public Safety			
Bulletproof Vest Partnership Program	16.607		4,205
<u>Veterans Administration</u>			
Veterans Administration Reporting Fee	64.XXX		1,400
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from:			
Mississippi Community College Foundation			
Development and Coordination of Rural Health Services	93.223		981
Total Expenditures of Federal Awards			\$ 14,222,048

Notes to the Schedule of Expenditures of Federal Awards:

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

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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WILLIAMS * PITTS * BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the Northwest Mississippi Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Mississippi Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Continued...

Continued...

Compliance and Other Matters

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

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
September 18, 2007



WILLIAMS * PITTS * BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the compliance of Northwest Mississippi Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Continued...

Continued...

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses as defined above.

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

Williams, Pitts & Beard, PLLC
Williams, Pitts & Beard, PLLC
Certified Public Accountants
September 18, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

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WILLIAMS * PITTS * BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the Northwest Mississippi Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007. 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.

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 all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
September 18, 2007

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified
5. Internal control over major programs:
 - a. Material weakness (es) identified? No
 - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported
6. Any audit finding(s) reported as required by section ____ .510(a) of OMB Circular A-133? No
7. Federal programs identified as major programs:
 - a. WIA Cluster
CFDA #17.258
CFDA #17.259
CFDA #17.260

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2007

- b. Student Financial Aid Cluster
 - CFDA #84.007
 - CFDA #84.032
 - CFDA #84.033
 - CFDA #84.063
 - CFDA #84.375

- c. Adult Education – State Grant Program
 - CFDA #84.002

8. The dollar threshold used to distinguish between Type A and Type B programs: \$373,346
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit prior finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? No

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings Related to Federal Awards

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