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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

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NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

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1918 - 1977

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

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

We have audited the accompanying statement of net assets of the Northwest Mississippi Community College as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Northwest Mississippi Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Northwest Mississippi Community College Foundation as of and for the year ended December 31, 2010, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our 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 respective financial position of Northwest Mississippi Community College as of June 30, 2011, and its discretely presented component unit, as of December 31, 2010, and the respective changes in its net assets and cash flows 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 October 17, 2011, on our consideration of Northwest Mississippi Community College's internal control over financial reporting and on 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 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 6 through 16 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 supplemental 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 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.

The Dwight L. Young Group

October 17, 2011

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

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, 2011. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the college's 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 and are prepared utilizing 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 non-operating. The financial reporting model classifies State appropriations and gifts as non-operating 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, 2011**

Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Increase (Decrease)
Assets			
Current Assets	\$ 14,559,820	\$ 14,859,105	\$ (299,285)
Non Current Assets			
Other	11,395,444	14,309,390	(2,913,946)
Capital, Net	75,306,338	69,342,161	5,964,177
Total Assets	101,261,602	98,510,656	2,750,946
Liabilities			
Current Liabilities	2,385,254	2,974,651	(589,397)
Noncurrent Liabilities	3,566,930	4,267,813	(700,883)
Total Liabilities	5,952,184	7,242,464	(1,290,280)
Net Assets			
Invested in Capital Assets, Net Restricted	71,173,838	64,561,536	6,612,302
Expendable	11,381,254	14,166,691	(2,785,437)
Unrestricted	12,754,326	12,539,965	214,361
Total Net Assets	\$ 95,309,418	\$ 91,268,192	\$ 4,041,226

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts that are unrestricted as to its use. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$10,356,074 at June 30, 2011, compared to the FY 2010 amount of \$10,952,001.

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, accounts receivable arise from grant awards and financial aid revenues. The receivables are shown net of an allowance for doubtful accounts. Accounts receivable was \$2,491,451 at June 30, 2011, compared to the FY 2010 amount of \$2,101,694.

Inventories

The College maintains inventories of merchandise for resale in the Northwest Bookstore and food and other supplies in the cafeteria. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,049,767 at June 30, 2011, and \$1,144,351 at June 30, 2010.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

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, 2011 was \$90,180, in comparison to \$87,131 at June 30, 2010.

Prepaid Expenses

Prepaid Expenses consist of amounts paid for insurance premiums which cover the next fiscal year and amounts submitted to the Bureau of Buildings for the College's share of future construction projects. Prepaid expenses totaled \$569,348 at June 30, 2011, in comparison to \$573,928 at June 30, 2010.

Non-current Assets

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are considered restricted, non-current assets include cash held in restricted funds to be used for the purpose of maintaining the required balance in the unemployment compensation fund, cash held in the unexpended plant fund for future capital improvements, and cash held in the retirement of debt funds for the payment of future principal and interest payments. The amount of restricted cash and cash equivalents at June 30, 2011 totaled \$11,067,849, in comparison to \$13,882,198 at June 30, 2010. During FY2011, funds which had been held for future capital improvements were expended on capital projects causing the decrease.

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, 2011 was \$289,925, in comparison to \$380,104 at June 30, 2010.

Unamortized Bond Issue Costs

Bond issue costs associated with the issuance of General Obligation Educational Facilities Refunding Bonds, Series 2007 are reported as an asset and amortized over the life of the bonds. Remaining bond issue cost, less current year amortization of \$9,418, resulted in a balance at June 30, 2011 of \$37,670.

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, 2011. The amount reported is net of accumulated depreciation. Capital assets, net, totaled to \$75,306,338 at June 30, 2011, in comparison to \$69,342,161 at June 30, 2010.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2011 for employee benefits, interest on capital debt, and for unpaid goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,636,874 at June 30, 2011, in comparison to \$2,267,515 at June 30, 2010.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year that the College had not earned or expended by the end of the June 30, 2011 fiscal year. The deferred revenue totaled \$3,125 at June 30, 2011, and \$4,100 at June 30, 2010.

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, 2011. The amount of the long-term liabilities-current portion at June 30, 2011 was \$710,000, as compared to \$665,000 at June 30, 2010.

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, 2011 was \$35,255, as compared to \$38,036 at June 30, 2010.

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, 2011 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, 2011 was \$106,760 and \$105,100 at June 30, 2010.

Deferred Loss on Bond Refunding

The deferred loss on the issuance of the General Obligation Educational Facilities Refunding Bonds, Series 2007 is reported as a contra-liability account. The original deferred loss was \$(59,658). The current year amortization of \$7,457 leaves an outstanding balance at June 30, 2011 of \$(29,830).

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 was \$3,490,000 at June 30, 2011, as compared to \$4,200,000 at June 30, 2010.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Management's Discussion and Analysis
For the Year Ended June 30, 2011**

Net Assets

Net assets represent the difference between the College's assets and liabilities. During fiscal year 2011, total net assets increased by \$4,041,226 or 4.4%. The College's net assets are presented as unrestricted, restricted – expendable, and invested in capital assets, net of related debt.

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, 2011 and June 30, 2010:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Unrestricted General Fund	\$ 6,925,354	\$ 6,782,147	\$ 143,207
Unrestricted Auxiliary Fund	5,828,972	5,757,818	71,154
Unrestricted Restricted Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Unrestricted Net Assets	<u>\$ 12,754,326</u>	<u>\$ 12,539,965</u>	<u>\$ 214,361</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, 2011 and June 30, 2010:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Restricted - expendable for			
Unemployment benefits	\$ 114,247	\$ 113,665	\$ 582
Capital improvements	10,156,064	13,037,514	(2,881,450)
Debt Service	<u>1,110,943</u>	<u>1,015,512</u>	<u>95,431</u>
Total Restricted - Expendable Net Assets	<u>\$ 11,381,254</u>	<u>\$ 14,166,691</u>	<u>\$ (2,785,437)</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, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Invested in capital assets, net of related debt	<u>\$ 71,173,838</u>	<u>\$ 64,561,536</u>	<u>\$ 6,612,302</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Management's Discussion and Analysis
For the Year Ended June 30, 2011**

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

For the year ended June 30, 2011 with comparative information for the year ended June 30, 2010:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Variance Positive (Negative)</u>
Total Operating Revenues	\$ 45,449,589	\$ 42,997,635	\$ 2,451,954
Total Operating Expenses	<u>69,273,249</u>	<u>66,864,562</u>	<u>(2,408,687)</u>
Net Operating Loss	(23,823,660)	(23,866,927)	43,267
Nonoperating Revenues(Expenses):	<u>22,834,809</u>	<u>24,228,042</u>	<u>(1,393,233)</u>
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(988,851)	361,115	(1,349,966)
Total Other Revenues, Expenses, Gains, or Losses	<u>5,030,077</u>	<u>5,178,412</u>	<u>(148,335)</u>
Change in Net Assets	4,041,226	5,539,527	(1,498,301)
Net Assets			
Net Assets Beginning of Year	<u>91,268,192</u>	<u>85,728,665</u>	<u>5,539,527</u>
Net Assets End of Year	<u>\$ 95,309,418</u>	<u>\$ 91,268,192</u>	<u>\$ 4,041,226</u>

Total operating loss for the fiscal year 2011 was \$23,823,660 while the comparable loss for fiscal year 2010 was \$23,866,927. 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, 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.

Total operating revenues for fiscal year 2011 were \$45,449,589, compared to \$42,997,635 for FY 2010. Tuition and fees were \$6,565,000, compared to \$6,576,264 for FY 2010, net of the tuition discount which was \$10,925,944 for FY 2011, compared to \$9,294,157 for FY 2010. Operating expenses for FY 2011, including depreciation and amortization of \$2,691,456, totaled \$69,273,249. Operating expenses for FY 2010 totaled \$66,864,562, including depreciation and amortization of \$2,394,179.

Instructional expenditures composed 35.89% of the FY 2011 operating expenses and 37.73% of the FY 2010 operating expenses.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

Revenues

Operating Revenues

Tuition and Fees

Tuition and fees includes all tuition and related fees assessed for educational purposes totaling \$17,490,944 for FY 2011, in comparison to \$15,870,421 for FY 2010. The tuition discount for the 2011 fiscal year was \$10,925,944 compared to the FY 2010 tuition discount of \$9,294,157.

Grants and Contracts

Grants and contracts include 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. Non-exchange 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, 2011 and June 30, 2010.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Federal Sources	\$ 29,971,288	\$ 27,669,945	\$ 2,301,343
State Sources	3,055,702	2,892,874	162,828
Other Sources	328,118	297,620	30,498
Total All Sources	<u>\$ 33,355,108</u>	<u>\$ 30,860,439</u>	<u>\$ 2,494,669</u>

Sales and Services from Educational Activities

Sales and services from educational activities that totaled \$223,639 for the 2011 fiscal year as compared to \$279,992 for the 2010 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 Northwest Bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$4,994,901 for the 2011 fiscal year as compared to \$4,928,743 for the 2010 fiscal year. The discount for scholarship allowance was \$5,064,784 for FY 2011 and \$4,814,896 for FY 2010.

Other operating revenues

Other operating revenues consist of income from various activities and miscellaneous sources. These revenues that totaled \$310,941 for the 2011 fiscal year as compared to \$352,197 for the 2010 fiscal year.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

Operating Expenses

Operating expenses for FY 2011 totaled \$69,273,249 including salaries and benefits of \$37,324,083, scholarships of \$11,587,284, utilities of \$1,592,370, commodities/supplies of \$10,242,560, contractual services of \$4,928,704, travel of \$478,909, depreciation and amortization of \$2,691,456, and other operating expense of \$427,883. Operating expenses for FY 2010 totaled \$66,864,562 including salaries and benefits of \$36,951,732, scholarships of \$11,316,418, utilities of \$1,549,290, commodities/supplies of \$9,340,277, contractual services of \$4,716,038, travel of \$417,662, depreciation and amortization of \$2,394,179, and other operating expense of \$178,966.

Expenses by Function:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Instruction	\$ 24,860,495	\$ 25,222,272	\$ (361,777)
Academic Support	1,246,334	1,308,872	(62,538)
Student Services	4,600,535	4,478,927	121,608
Institutional Support	5,567,832	5,459,872	107,960
Operations and Maintenance of Plant	10,057,240	8,579,813	1,477,427
Student Financial Aid	11,587,284	11,316,418	270,866
Auxiliary Enterprises	8,662,073	8,104,209	557,864
Depreciation and amortization	<u>2,691,456</u>	<u>2,394,179</u>	<u>297,277</u>
Total Operating Expenses by Function	<u>\$ 69,273,249</u>	<u>\$ 66,864,562</u>	<u>\$ 2,408,687</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 \$17,835,047 for FY 2011 compared to \$19,211,041 for FY 2010. In addition, the College received \$5,904 in state appropriation restricted for capital purposes for FY 2011 as compared to \$320,122 for FY 2010. Both of these amounts decreased significantly due to decreases in state funding for all community colleges across the state.

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 \$5,030,475 in county appropriations for FY 2011, compared to \$4,936,717 for FY 2010.

Investment Income, Net

Investment income includes the interest income earned on cash in the bank accounts and from certificates of deposit. The investment income for FY2011 was \$155,882, as compared to \$288,479 for FY2010.

Interest Expense on Capital Related Debt

Interest expense on capital asset related debt consists of the amount the College incurred during the 2011 fiscal year. The total expense was \$186,595 for FY 2011, compared to \$208,195 for FY 2010.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

Other Revenues, Expenses, Gains, and Losses

State Appropriations Restricted for Capital Purposes

State Appropriations Restricted for Capital Purposes 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 2011 was \$5,904, as compared to \$320,122 for FY 2010. This amount decreased significantly due to state funding not being available for construction activity.

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 \$4,894,245 in local appropriations for capital purposes for FY 2011, compared to \$4,807,266 for FY 2010.

Capital Grants and Gifts

Capital grants and gifts include revenue received from outside agencies restricted for capital projects during the fiscal year and the value of capital assets donated to the college. The amount of this grant totaled \$153,287 for FY 2011 as compared to \$84,913 for FY 2010. Capital grants consist of reimbursed career-technical equipment purchases.

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 2011 was \$(23,359) compared to \$(33,889) for FY 2010.

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 the user to assess the College's:

- Ability to generate future cash flows,
- Ability to meet obligations as they come due, and
- Need for external financing.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year ended June 30, 2011 and June 30, 2010:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>(Negative)</u>
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (22,014,128)	\$ (21,902,349)	\$ (111,779)
Noncapital Financing Activities	22,837,438	24,499,327	(1,661,889)
Capital and Related Financing Activities	(4,473,598)	(1,369,798)	(3,103,800)
Investing Activities	<u>243,012</u>	<u>372,664</u>	<u>(129,652)</u>
Net Increase in Cash and Cash Equivalents	(3,407,276)	1,599,844	(5,007,120)
Cash and Cash Equivalents - Beginning of Year	<u>24,834,199</u>	<u>23,234,355</u>	<u>1,599,844</u>
Cash and Cash Equivalents - End of Year	<u>\$ 21,426,923</u>	<u>\$ 24,834,199</u>	<u>\$ (3,407,276)</u>

The major sources of funds included in operating activities for FY 2011 include student tuition and fees, \$6,356,070 auxiliary enterprises, \$4,996,561; and grants and contracts, \$33,028,553. The major uses of funds for FY 2010 were payments made to employees, \$37,817,007; to suppliers, \$15,684,098; and for scholarships, \$11,587,284.

In comparison, the major sources of funds included in operating activities for FY 2010 include student tuition and fees, \$6,233,159; auxiliary enterprises, \$4,918,833; and grants and contracts, \$30,677,846. The major uses of funds for FY 2010 were payments made to employees, \$36,836,370; to suppliers, \$14,617,024; and for scholarships, \$11,316,418.

The largest inflow of cash in the noncapital financing activities group is the State of Mississippi appropriation of \$17,820,694 in FY 2011, as compared to \$19,527,437 in FY 2010.

Significant Capital Asset Transactions

During FY 2011, significant construction activity took place at the college. Five construction projects totaling \$9,427,667 were in progress at year end. In addition, four projects totaling \$8,144,951 were completed during the year.

Significant Subsequent Events

Northwest Mississippi Community College has not experienced any significant subsequent events since the June 30, 2011 fiscal year end.

Factors Impacting Future Periods

There are a number of issues that are directly impacting the community college system as a whole. The sluggish economy at the local, state, and national level, 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, and increases in insurance and energy cost impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs, while minimizing increases 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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Management's Discussion and Analysis For the Year Ended June 30, 2011

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 seek 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, and businesses, as well as the eleven counties in our district. 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

June 30, 2011

Assets

Current assets:

Cash and cash equivalents	\$ 10,359,074
Accounts receivable, net (Note 3)	2,491,451
Inventories (Note 5)	1,049,767
Notes receivable - current portion (Note 4)	90,180
Prepaid expenses (Note 6)	569,348
Total Current Assets	<u>14,559,820</u>

Non-current assets:

Restricted cash and cash equivalents	11,067,849
Notes receivable (Note 4)	289,925
Unamortized bond issue costs (Note 11)	37,670
Capital assets, net of accumulated depreciation (Note 7)	75,306,338
Total Non-current Assets	<u>86,701,782</u>

Total Assets 101,261,602

Liabilities

Current liabilities:

Accounts payable and accrued liabilities (Note 9)	1,636,874
Deferred revenue (Note 10)	3,125
Long-term liabilities - current portion (Note 11)	710,000
Other current liabilities	35,255
Total Current Liabilities	<u>2,385,254</u>

Noncurrent liabilities:

Deposits refundable (Note 11)	106,760
Deferred loss on bond refunding (Note 11)	(29,830)
Long-term liabilities (Note 11)	3,490,000
Total Noncurrent Liabilities	<u>3,566,930</u>

Total Liabilities 5,952,184

Net Assets

Invested in capital assets, net of related debt	71,173,838
Restricted for:	
Unemployment compensation fund	114,247
Capital projects and repairs	10,156,064
Debt service	1,110,943
Unrestricted	12,754,326
Total Net Assets	<u>\$ 95,309,418</u>

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

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
December 31, 2010

Assets

Current Assets:

Cash	\$ 58,701
Contributions Receivable	35,000
Investments	<u>421,816</u>

Total Current Assets 515,517

Non-Current Assets:

Cash	160,740
Investments	<u>5,537,079</u>

Total Non-Current Assets 5,697,819

Total Assets \$ 6,213,336

Liabilities

Current Liabilities

Accounts Payable	<u>\$ 10,827</u>
------------------	------------------

Net Assets

Unrestricted	58,701
Temporarily restricted	1,096,902
Permanently restricted	<u>5,046,906</u>

Total Net Assets 6,202,509

Total Liabilities and Net Assets \$ 6,213,336

See accompanying notes to the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues	
Tuition and fees (net of scholarship allowances of \$10,925,944)	\$ 6,565,000
Federal grants and contracts	29,971,288
State grants and contracts	3,055,702
Nongovernmental grants and contracts	328,118
Sales and services of educational departments	223,639
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$684,046)	472,274
Food services (net of scholarship allowances of \$1,045,709)	824,752
Bookstore (net of scholarship allowance of \$3,335,029)	3,532,162
Other auxiliary revenues	165,713
Other operating revenues	<u>310,941</u>
Total Operating Revenues	<u>45,449,589</u>
Operating Expenses	
Salaries and wages	29,160,969
Fringe benefits	8,163,114
Travel	478,909
Contractual services	4,928,704
Utilities	1,592,370
Scholarships and fellowships	11,587,284
Commodities	10,242,560
Depreciation and amortization	2,691,456
Other operating expense	<u>427,883</u>
Total Operating Expenses	<u>69,273,249</u>
Operating Income (Loss)	<u>(23,823,660)</u>
Nonoperating Revenues (Expenses)	
State appropriations	17,835,047
Local appropriations	5,030,475
Investment income	155,882
Interest expense on capital asset-related debt	<u>(186,595)</u>
Total Net Nonoperating Revenues (Expenses)	<u>22,834,809</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>(988,851)</u>
State appropriations restricted for capital purposes	5,904
Local appropriations for capital purposes	4,894,245
Federal grants and contracts for capital purposes	153,287
Other additions (deletions), net	<u>(23,359)</u>
Change in Net Assets	4,041,226
Net Assets	
Net Assets - Beginning of Year, as Originally Reported	91,268,192
Net Assets - End of Year	<u><u>\$ 95,309,418</u></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, 2010

Changes in Unrestricted Net Assets	
Donations	\$ 6,608
In-kind donations	303,755
Interest Income	<u>541</u>
Total Unrestricted Support	<u>310,904</u>
Net Assets Released from Restrictions	<u>13,367</u>
Total Unrestricted Revenue & Support	<u>324,271</u>
Expenses	
Like-kind payroll expense	214,396
Like-kind education related expense	89,359
Other related expenses	<u>12,508</u>
Total expenses	<u>316,263</u>
Increases in Unrestricted Net Assets	<u>8,008</u>
Changes in Temporarily Restricted Assets	
Contributions	277,868
Interest & dividends (net of management fees)	171,397
Fundraisers (net)	30,482
Net unrealized gain on investments	264,378
Education related activities	(77,529)
Scholarships	(198,370)
Net assets released from restrictions	<u>23,410</u>
Increase in Temporarily Restricted Net Assets	<u>491,636</u>
Changes in Permanently Restricted Net Assets	
Contributions	436,298
Interest Income	2,082
Transfers from temporarily restricted assets (net)	<u>(36,777)</u>
Increase in Permanently Restricted Net Assets	<u>401,603</u>
Increase in Total Net Assets	901,247
Net Assets - Beginning of Year	<u>5,301,262</u>
Net Assets - End of Year	<u>\$ 6,202,509</u>

See accompanying notes to the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows from Operating Activities	
Tuition and fees	\$ 6,356,070
Grants and contracts	33,028,553
Sales and services of educational departments	223,639
Payments to suppliers	(15,684,098)
Payments to employees for salaries and benefits	(37,817,007)
Payments for utilities	(1,592,370)
Payments for scholarships and fellowships	(11,587,284)
Auxiliary enterprise charges:	
Student housing	473,934
Food service	824,752
Bookstore	3,532,162
Other auxiliary enterprises	165,713
Other receipts (payments)	<u>61,808</u>
Net Cash Provided (Used) by Operating Activities	<u>(22,014,128)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	17,820,694
Local appropriations	5,019,525
Agency transfers-in	57,345
Agency transfers-out	(60,126)
Federal loan receipts	7,732,300
Federal loan disbursements	<u>(7,732,300)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>22,837,438</u>
Cash Flows from Capital and Related Financing Activities	
Capital appropriations	4,885,551
Capital grants and contracts	153,287
Cash paid for capital assets	(8,656,213)
Principal paid on capital debt and leases	(665,000)
Interest paid on capital debt and leases	<u>(191,223)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,473,598)</u>
Cash Flows from Investing Activities	
Interest received on investments	155,882
Collection on note receivable	<u>87,130</u>
Net Cash Provided (Used) by Investing Activities	<u>243,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,407,276)
Cash and Cash Equivalents - Beginning of the Year	24,834,199
Cash and Cash Equivalents - End of the Year	<u>\$ 21,426,923</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, 2011

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

Operating income (loss)	\$ (23,823,660)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	2,691,456
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables, net	(355,760)
Inventories	94,584
Prepaid expenses	4,580
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(626,013)
Deferred revenues	(975)
Deposits refundable	1,660
Total adjustments	1,809,532
Net Cash Provided (Used) by Operating Activities	\$ (22,014,128)

Noncash Investing, Capital, and Financing Activities

Payments by State on construction	\$ 5,904
Total	\$ 5,904

Cash and Cash Equivalents

Cash and cash equivalents classified as current assets	\$ 10,359,074
Cash and cash equivalents classified as non-current assets	11,067,849
Total Cash and Cash Equivalents	\$ 21,426,923

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 June 30, 2010

Cash Flows From Operating Activities	
Change in total net assets	\$ 901,247
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Non-cash in kind donations	303,755
Non-cash in kind expenses	(303,755)
Unrealized gain (loss) on investments	(264,378)
Interest & dividends restricted for reinvestment	(167,512)
(Increase) Decrease in Accounts Receivable	(35,000)
Increase (Decrease) in Accounts Payable	10,827
Contributions and transfers to Endowed Funds	<u>(401,603)</u>
Net cash (provided by) operating activities	<u>43,581</u>
 Cash Flows From Investing Activities	
Investments purchased	(355,776)
Investments sold	<u>197,300</u>
Net cash used in investing activities	<u>(158,476)</u>
 Cash Flows From Financing Activities	
Interest & dividends restricted for reinvestment	<u>167,512</u>
Net Increase (Decrease) in Cash and Cash Equivalents	52,617
Cash and Cash Equivalents - Beginning of Year	<u>6,084</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 58,701</u></u>

The Foundation paid no income tax or interest during 2010.

See accompanying notes to the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies.

- A. Nature of Operations – Northwest Mississippi Community College (the “College”) is a comprehensive two-year community and technical college. The College provides the students of its eleven-county district and beyond with the opportunity to obtain an affordable quality education through academic and career technical curricula leading to certificates, diplomas, or associates degrees.
- B. Reporting Entity – Northwest Mississippi Community 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 non-profit organization founded in 1975 and located on the Northwest Mississippi Community College’s campus. Its purpose is to raise funds to assist the college perform its mission and to provide scholarships for qualifying students of Northwest Mississippi Community College. The Foundation raises funds primarily 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, 2011, the Foundation provided \$207,816 to the College in the form of scholarships to students. Significant note disclosures applicable to the Foundation’s financial statements are presented at the end of the college’s Notes to the Financial Statements. Complete financial statements for the Foundation can be obtained from: 4975 Highway 51 North – Senatobia, MS 38668.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2011

- C. **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 follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the College’s financial activities.
- D. **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.
- E. **Cash and 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.
- F. **Accounts Receivable** – 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 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 non-current assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. **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.
- K. **Unamortized Bond Issue Costs** – Bond issue costs and bond discounts are being amortized over the remaining life of the issued bonds using the straight-line method.
- L. **Capital Assets, Net of Accumulated Depreciation**- Capital assets are recorded at cost on the date of acquisition, or, if donated, at fair 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 7 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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2011

- M. **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.
- N. **Compensated Absences** – The Northwest Community College Board of Trustees leave policy provides for personal and sick leave for all nine, ten, and twelve-month employees. The college's policy 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.
- O. **Non-Current Liabilities** – Non-current liabilities include principal amounts of bonds and notes payable that will not be paid in the next fiscal year, dormitory housing deposits, and the deferred loss on bond refunding that is being amortized over the remaining life of the issued bonds.
- P. **Classification of Revenues** – The College has classified its revenues as either operating or non-operating 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.
- Non-operating Revenues:** Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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. **Tax Revenues (Local Appropriations)** – The College receives ad valorem taxes from each county in its eleven-county district. Each county assesses a tax millage in support of the College as required by state law.
- R. **State Appropriations** – The College receives funds from the State of Mississippi through the State Board for Community and Junior Colleges. The appropriations are distributed based on a full-time equivalent funding formula which is based on total credit hours generated by all students with special consideration given only to high cost programs. Currently, the first 15% of the appropriations are split equally among the colleges, and the remaining 85% of the appropriations are allocated based on the college's full-time equivalency.
- S. **Scholarship Discounts and Allowances** – Financial aid to students is reported in the financial statements according to GASB guidance and 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.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2011

-
- T. Net Assets-GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified in three categories:
- a. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
 - b. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors.
 - c. Unrestricted net assets are the remaining net assets less remaining noncapital liabilities which are not restricted – expendable.
- The unrestricted net asset balance of \$12,754,326 at June 30, 2011, includes \$1,049,767 reserved for inventories and a remaining amount of \$11,704,559.
- U. Income Taxes – The college is recognized a local governing authority and is excluded by the Internal Revenue Service from federal income taxation.
- V. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.
- W. Changes in Accounting Standards - Northwest Mississippi Community College was not required to implement any GASB Statements during the current fiscal year that would significantly impact the amounts reported in the financial statements.

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, 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 Deposit Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions 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, 2011, none of the college's bank balance of \$23,511,553 was exposed to custodial credit risk.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

3. Accounts receivable.

Accounts receivable consist of the following at June 30, 2011:

Student tuition	\$ 2,840,711
Federal, state, and private grants and contracts	1,862,914
State appropriations	256,566
Local appropriations	214,430
Other	<u>62,830</u>
Total Accounts Receivable	5,237,451
Less allowance for doubtful accounts	<u>2,746,000</u>
Net Accounts Receivable	<u><u>\$ 2,491,451</u></u>

All accounts receivable reported are considered current assets of the college.

4. Notes Receivable.

Notes receivable represents 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 \$860,635, 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, 2011 was:

Current portion	\$ 90,180
Non-current portion	<u>289,925</u>
Total Notes Receivable	<u><u>\$ 380,105</u></u>

5. Inventory.

Inventory as of June 30, 2011 consists of the following:

Bookstore	\$ 1,036,055
Food Services	<u>13,712</u>
Total Notes Receivable	<u><u>\$ 1,049,767</u></u>

6. Prepaid Expenses.

Prepaid expense as of June 30, 2011 consists of the following:

Insurance and bonds	<u>\$ 569,348</u>
Total Prepaid Expenses	<u><u>\$ 569,348</u></u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

7. Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2011, is presented as follows:

	Beginning Balance <u>7/1/2010</u>	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance <u>6/30/2011</u>
Nondepreciable Capital Assets:					
Land	\$ 6,235,513	358,559	-	-	6,594,072
Construction in progress	4,754,275	6,621,800	-	(8,144,951)	3,231,124
Livestock	65,100	15,010	20,710	-	59,400
Total Nondepreciable Capital Assets	<u>11,054,888</u>	<u>6,995,369</u>	<u>20,710</u>	<u>(8,144,951)</u>	<u>9,884,596</u>
Depreciable Capital Assets:					
Improvements other than Buildings	7,191,307	60,494	-	2,564,187	9,815,988
Buildings	73,443,737	-	-	5,580,764	79,024,501
Equipment	8,676,754	1,480,667	1,010,324	-	9,147,097
Library Books	2,509,107	140,597	31,190	-	2,618,514
Total Depreciable Capital Assets	<u>91,820,905</u>	<u>1,681,758</u>	<u>1,041,514</u>	<u>8,144,951</u>	<u>100,606,100</u>
Less Accumulated Depreciation for:					
Improvements other than Buildings	2,691,731	367,112	-	-	3,058,843
Buildings	22,100,300	1,550,724	-	-	23,651,024
Equipment	6,960,859	653,071	992,665	-	6,621,265
Library Books	1,780,742	103,674	31,190	-	1,853,226
Total Accumulated Depreciation	<u>33,533,632</u>	<u>2,674,581</u>	<u>1,023,855</u>	<u>-</u>	<u>35,184,358</u>
Total Depreciable Capital Assets, Net	<u>58,287,273</u>	<u>(992,823)</u>	<u>17,659</u>	<u>8,144,951</u>	<u>65,421,742</u>
Capital Assets, Net	<u>\$ 69,342,161</u>	<u>6,002,546</u>	<u>38,369</u>	<u>-</u>	<u>75,306,338</u>

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%	-

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

8. Construction Commitments and Financing.

The College has contracted for various construction projects as of June 30, 2011. 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</u>
McClendon Student Union Renovation*	NWCC	\$ -	5,860,572
Intramural Sports Complex Office	NWCC	-	38,580
Physical Plant Storage Facility	NWCC	-	3,991
Tate Hall	NWCC	-	293,400
Automotive Tool & Die Facility*	State Funds	-	-
Totals		\$ -	6,196,543

* Project in early stages, contract for construction was not let as of June 30, 2011.

9. Accounts payable and accrued liabilities.

Accounts payable and accrued liabilities consist of the following at June 30, 2011. All accounts payable and accrued liabilities are considered current liabilities of the college.

Employee salary and benefits	\$ 1,195,337
Payments to suppliers & contractors	415,516
Interest on capital-related debt	26,021
Total Accounts Payable and accrued liabilities	\$ 1,636,874

10. Deferred Revenue.

Deferred revenue consists of the following at June 30, 2011:

EMT Scholarship Program	\$ 3,125
Total Deferred Revenue	\$ 3,125

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

11. 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, 2011. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight-line method.

Information regarding original issue amounts, interest rates, and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2011, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Int Rate</u>	<u>Maturity</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Payments & Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due within One Year</u>
Bonded Debt								
Educational Facilities Bonds, Series 2007	\$ 2,855,000	3.75% to 3.95%	2015	\$ 2,250,000	-	400,000	1,850,000	420,000
Total Bonded Debt				<u>2,250,000</u>	<u>-</u>	<u>400,000</u>	<u>1,850,000</u>	<u>420,000</u>
Notes Payable								
Educational Facilities Notes, Series 2002	\$ 4,000,000	3.25% to 4.45%	2018	2,615,000	-	265,000	2,350,000	290,000
Total Notes Payable				<u>2,615,000</u>	<u>-</u>	<u>265,000</u>	<u>2,350,000</u>	<u>290,000</u>
Total Bonds and Notes Payable				<u>4,865,000</u>	<u>-</u>	<u>665,000</u>	<u>4,200,000</u>	<u>710,000</u>
Other Long-Term Liabilities								
Deposits Refundable				105,100	103,780	102,120	106,760	-
Deferred loss on bond refunding				(37,287)	7,457	-	(29,830)	-
Total Other Long-Term Liabilities				<u>67,813</u>	<u>111,237</u>	<u>102,120</u>	<u>76,930</u>	<u>-</u>
Total				<u>\$ 4,932,813</u>	<u>111,237</u>	<u>767,120</u>	<u>4,276,930</u>	<u>710,000</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

11. Long-term Liabilities. (continued)

	Bonded Debt	Notes Payable	Interest	Total
2012	\$ 420,000	\$ 290,000	\$ 165,805	\$ 875,805
2013	455,000	320,000	138,689	913,689
2014	475,000	345,000	108,503	928,503
2015	500,000	365,000	76,062	941,062
2016	-	395,000	40,847	435,847
2017-2018	-	635,000	28,489	663,489
Totals	\$ 1,850,000	\$ 2,350,000	\$ 558,395	\$ 4,758,395

General Obligation Educational Facilities Refunding Bonds, Series 2007.

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 advance refunding of \$2,720,000 of the College's General Obligation Education Facilities Notes, Series 2000.

The debt service requirements of the new debt is \$3,671,567 and the debt service requirements of the refunded debt was \$3,724,025. This represents an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$55,475 or 2.04%.

Bond issue costs/bond discounts are reported as assets and are being amortized over the remaining life of the bonds using the straight-line method. These costs are being amortized at the rate of \$9,418 per year with a balance remaining at June 30, 2011 of \$37,670.

Deferred loss on bond refunding is reported as a contra-liability account. The deferred loss represents the difference between the reacquisition price and the net carrying amount of the debt. This amount is being amortized over the remaining life of the bonds using the straight-line method at a rate of \$7,457 per year with a balance remaining at June 30, 2011 of \$(29,830).

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

12. Natural Classifications with Functional Classifications.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2011:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation and Amortization Expense		Total
								Other		
Instruction	\$ 18,059,542	4,549,209	210,694	1,002,263	37,254	-	1,001,533	-	-	24,860,495
Academic support	910,210	247,649	5,882	11,540	-	-	71,053	-	-	1,246,334
Student services	2,847,271	765,840	208,587	392,681	-	-	349,093	-	37,063	4,600,535
Institutional support	3,071,376	927,991	50,511	948,346	-	-	282,816	-	286,792	5,567,832
Operation of plant	2,948,406	1,115,614	1,798	2,357,699	1,252,827	-	2,380,712	-	184	10,057,240
Student aid	-	-	-	-	-	11,587,284	-	-	-	11,587,284
Auxiliary enterprises	1,324,164	556,811	1,437	216,175	302,289	-	6,157,353	-	103,844	8,662,073
Depreciation and amortization	-	-	-	-	-	-	-	2,691,456	-	2,691,456
Total Operating Expenses	\$ 29,160,969	8,163,114	478,909	4,928,704	1,592,370	11,587,284	10,242,560	2,691,456	427,883	69,273,249

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2011

13. Pension Plan.

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

Funding policy- PERS members are required to contribute 9.00% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 12.00% 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, 2011, 2010, and 2009 were \$3,310,530, \$3,264,081, and \$3,004,681, respectively, equal to the required contributions for each year.

14. 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.

15. 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, 2011, the fund was adequately funded with a balance of \$114,247 .

16. 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.

17. 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 the ultimate outcome or liability, if any, to the College with respect to the various proceedings. However, the College's legal counsel believes that the ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial position of the College.

18. Consistency Between Reporting Periods.

Due to the classification of assets, liabilities, revenues, and expenses, immaterial inconsistencies may exist between reporting periods.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

**Notes to the Financial Statements
For the Year Ended June 30, 2011**

19. Subsequent Events.

The College has evaluated subsequent events through the date of these financial statements and determined that the College has not experienced any significant events subsequent to June 30, 2011 which would require disclosure.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2010

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The Northwest Mississippi Community College Foundation (the Foundation) is a non-profit organization located on the Northwest Mississippi Community College's (NWCC) campus. Its purpose is to raise funds to assist the college 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.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. When a stipulated time restriction ends or when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as "net assets released from restrictions."

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, except if those accounts are used to temporarily hold endowment funds until appropriate investments can be identified.

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. The Foundation is not classified by the Internal Revenue Service as a private foundation.

Investments

The surplus funds are invested in Merrill Lynch managed holding accounts and bank certificates.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements
For the Year Ended December 31, 2010**

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 the passage of time or by use) in the reporting period in which the income and gains are recognized.

Endowed funds are invested in the same manner as other funds. Changes in market value of endowed funds are reflected in temporary restricted funds.

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.

2. Office Space

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

3. Investments

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

Bank Certificate of Deposit	<u>\$ 92,278</u>
Merrill Lynch Managed Holdings:	
EMA	13
EMA/Lord Abbett Taxable	1,740,336
EMA/Neuberger Berman Taxable Int.	1,451,246
EMA/MFS Inst. LCTV	779,903
EMA/Nuveen/Rittenhouse, LLCG	766,872
EMA/Blackrock, LCC	534,696
Foreign Equities	
EMA/Invesco Inc. Intl. Value	297,934
EMA/MFS Inst. International Growth	<u>295,617</u>
<u>Total Managed Holdings</u>	<u>5,866,617</u>
<u>Total Investments</u>	<u>5,958,895</u>
Current Investment	421,816
Noncurrent Investment	<u>5,537,079</u>
	<u>\$ 5,958,895</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements
For the Year Ended December 31, 2010**

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

	Total	Unrestricted	Temporarily Restricted
Dividend and Interest Income	\$ 171,397	-	171,397
Interest	541	541	-
Unrealized Gains (Losses)	264,378	-	264,378
<u>Total</u>	\$ 436,316	541	435,775

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

4. Fair Value Measurements

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That Framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

Mutual Funds. Valued at the closing price reported in the active markets in which the individual securities are traded.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements
For the Year Ended December 31, 2010**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflected of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of December 31, 2010.

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 5,866,863	-	-	5,866,863

5. Contributions Receivable

The Foundation has received promises to give from three donors. The estimated value of these pledges for which a value can be determined was approximately \$35,000 as of December 31, 2010. These pledges are designated to benefit the Nursing Scholarship and the 2+2 Program. These pledges are recorded in the financial statements as contributions receivable.

6. Educational Related Activities

The following expenses that were paid for Northwest Mississippi Community College were grouped as educational related activity.

	2010
Supplies for NWCC programs	\$ 34,602
Student account related expenses	34,168
NWCC program travel related expense	8,759
Total Education Related Expense	\$ 77,529

7. Fund Raising Revenue and Expense

The following revenue and expense are a result of fund raising activities:

	2010		
	Revenue	Expense	Net
Capital Campaign	\$ 61,520	63,478	(1,958)
Campaign Golf Tournament	27,058	19,144	7,914
Football	10,950	-	10,950
Rodeo	24,950	16,892	8,058
Golf	11,155	5,637	5,518
Total	\$ 135,633	105,151	30,482

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2010

8. 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.

9. 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 \$5,261 in connection with a golf tournament held on that golf course to raise money for the 2+2 Scholarship Initiative. The Foundation received a bequest of \$56,100 from this board member's mother's estate. (See Note 10)

10. 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%.

The Foundation sent the UM \$56,100 in 2010 and is carrying a payable to UM of \$9,841.05 of funds from donations.

The NWCC Foundation receives funds and pays all expenses related to the 2+2 Scholarship Golf Tournament. The tournament revenues are split 50% to each UM Foundation and NWCC Foundation. The UM Foundation receives other contributions related to the 2+2 Scholarship Initiative. Funds are being divided on a timely basis.

11. Royalty Agreement

In May 2005 the Foundation entered an agreement with Pearson Education Publishing allowing Northwest Mississippi Community College to customize mathematics textbooks. The Foundation receives \$10 per book royalty. The royalty income is designated for use by the mathematics department. The Foundation received \$34,530 for 2010.

12. In-Kind Donations

Northwest Mississippi Community College provides staffing and other expense for the Foundation. The amount attributable to this expense totaled \$303,755.

13. Temporarily Restricted Net Assets

This is composed of funds raised for specific purposes that have not currently been met. When the proposed use of these funds is met, these funds will be transferred to endowed or released to unrestricted funds.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements
For the Year Ended December 31, 2010**

14. Permanently Restricted Net Assets

Permanently restricted net assets of \$5,046,906 are restricted to investments in perpetuity, the income from which is expendable to support scholarships for Northwest Mississippi Community College students. In 2010 there were approximately 225 donors.

Because the endowment lost approximately 15% of its value in 2008, the Foundation obtained written permission from certain donors whose contributions were permanently restricted to transfer funds for current year scholarships. In 2010, \$36,777 was transferred from the endowments.

15. Subsequent Events

Events that occur after the statement of financial position but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying notes. Management of Northwest Mississippi Community College Foundation evaluated the activity of the Foundation through April 29, 2011 and determined that no events occurred that require disclosure in the financial statements.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

REQUIRED SUPPLEMENTAL INFORMATION

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster:			
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 294,777
Federal Family Education Loans (FFEL)	84.032		4,765,658
Federal Work-study Program (FWS)	84.033		303,093
Federal Pell Grant Program	84.063		24,537,346
Academic Competitiveness Grants	84.375		<u>161,310</u>
Total Student Financial Aid Cluster			<u>30,062,184</u>
WIA - Cluster:			
<u>U. S. Department of Labor</u>			
Pass-through programs from:			
Mississippi Department of Employment Security			
WIA - Dislocated Workers	17.260	05-213-200	98,390
South Delta Planning and Development District:			
WIA - Adult Program	17.258	05-213-200	46,903
WIA - Dislocated Workers	17.260	05-213-200	23,189
Three Rivers Planning and Development District:			
WIA - Adult Program	17.258	05-09-10	470,986
WIA - Youth Activities	17.259	05-09-10	64,547
WIA - Dislocated Workers	17.260	05-09-10	317,519
Mississippi Community College Board			
WIA - Adult Program	17.258	N.A.	86,936
State of Tennessee			
WIA - Adult Program	17.258	N.A.	1,240
Mississippi Corridor Consortium			
WIA - Youth Activities	17.259	N.A.	<u>29,909</u>
Total WIA Cluster			<u>1,139,619</u>
TRIO - Cluster:			
<u>U. S. Department of Education</u>			
TRIO - Student Support Services	84.042		<u>305,805</u>
Total TRIO Cluster			<u>305,805</u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
State Fiscal Stabilization Fund Cluster:			
<u>U.S. Department of the Education</u>			
Pass-through programs from:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 2011-42	931,531
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY 2011-27	<u>896,969</u>
Total State Fiscal Stabilization Fund Cluster			<u><u>1,828,500</u></u>
Other Programs:			
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes	15.226		<u>9,706</u>
<u>Veterans Administration</u>			
Veterans Administration Reporting Fee	64.XXX		<u>2,144</u>
<u>U.S. Department of the Education</u>			
Pass-through programs from:			
Mississippi Community College Board Adult Education - State Grant Program	84.002	6903	517,953
Mississippi Department of Education Career and Technical Education - Basic Grants to States	84.048	6903	477,775
Board of Trustees of Institutions of Higher Learning Leveraging Educational Assistance Partnership	84.069	002427	7,502
Mississippi Department of Education Tech-Prep Education	84.243	6903	<u>48,186</u>
Total U.S. Department of Education			<u><u>1,051,416</u></u>
<u>U.S. Department of Health and Human Services</u>			
Health Care and Other Facilities	93.887		<u>490,859</u>
Total Other Programs			<u><u>1,554,125</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 34,890,233</u></u>

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

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 to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions.

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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. 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 ("the College") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 17, 2011. We did not audit the financial statements of the discretely presented component unit, Northwest Mississippi Community College Foundation, Inc. (the "Foundation"), which represents 100% of the assets and revenues of the discretely presented component unit. 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 Foundation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

The Dwight L. Young Group

October 17, 2011

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR FEDERAL PROGRAM AND ON 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 Northwest Mississippi Community College's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Northwest Mississippi Community College major federal programs for the year ended June 30, 2011. Northwest Mississippi Community College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on Northwest Mississippi Community College's compliance based on our audit.

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

In our opinion, Northwest Mississippi Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of 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 Northwest Mississippi Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Mississippi Community College's internal control over compliance.

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

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

This report is intended 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.

The Dwight L. Young Group

October 17, 2011

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.



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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 Northwest Mississippi Community College as of and for the year ended June 30, 2011, and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

We have also performed procedures to test compliance with certain 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 procedures to test compliance with certain state laws and regulations 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.

The Dwight L. Young Group

October 17, 2011

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHWEST MISSISSIPPI COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency (ies) 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 deficiency (ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Student Financial Aid Cluster | |
| CFDA #84.007 | |
| CFDA #84.032 | |
| CFDA #84.033 | |
| CFDA #84.063 | |
| CFDA #84.375 | |
| b. SFSF Government Services Fund | |
| CFDA #84.397 | |
| CFDA #84.394 | |
| c. WIA Cluster | |
| CFDA #17.258 | |
| CFDA #17.259 | |
| CFDA #17.260 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$903,737 |
| 9. Auditee qualified as a low-risk auditee. | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: 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.