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NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

**NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT
ON
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

We have audited the accompanying basic financial statements of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation, Inc. a discretely presented component unit as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Northeast Mississippi Community College's and Northeast Mississippi Community College Development Foundation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Mississippi Community College and Northeast Mississippi Community College Development Foundation, Inc. at June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 6, 2010, on our consideration of Northeast Mississippi Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Bohannon, Vanstony & Co. P.A

August 11, 2010
Booneville, Mississippi

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

This section of the Northeast Mississippi Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2009. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State appropriations and gifts as 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.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Condensed Statement of Net Assets				
June 30, 2009 and 2008				
	June 30, 2009		June 30, 2008	
	Amount	Percent	Amount	Percent
ASSETS				
Current Assets	\$ 8,862,804	19.96%	\$ 8,513,102	19.40%
Non-Current Assets				
Other	177,192	0.40%	153,362	0.35%
Capital Assets	35,364,786	79.64%	35,220,982	80.25%
Total Assets	44,404,782	100.00%	43,887,446	100.00%
LIABILITIES:				
Current Liabilities	1,272,676	29.88%	1,153,019	25.69%
Non-Current Liabilities	2,986,236	70.12%	3,335,072	74.31%
Total Liabilities	4,258,912	100.00%	4,488,091	100.00%
NET ASSETS	\$ 40,145,870	100.00%	\$ 39,399,355	100.00%

Assets

Current Assets

Cash and Cash Equivalents Current

Cash and cash equivalents are those funds that are held in the bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$6,921,734 at June 30, 2009 compared to the FY 2008 amount of \$6,584,218.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$1,474,101 at June 30, 2009 compared to the FY 2008 amount of \$1,424,689.

Inventories

The College maintains inventories of resale merchandise in the Northeast Bookstore. Books, student supplies and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$300,535 at June 30, 2009 and \$338,321 at June 30, 2008.

Cash and Cash Equivalents –Restricted

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered non-current are cash in restricted funds to be used for the purpose designated by the funding agency, such as a federal granting agency, or scholarships. The amount of cash and cash equivalents considered non-current at June 30, 2009 totaled \$162,192 in comparison to \$153,362 at June 30, 2008.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2009. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$35,364,786 at June 30, 2009 in comparison to \$35,220,982 at June 30, 2008.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2009 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$856,564 at June 30, 2009 in comparison to \$801,485 at June 30, 2008.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2009 fiscal year. The deferred revenue totaled \$79,626 at June 30, 2009 and \$28,871 at June 30, 2008.

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, 2009. The amount of the long-term liabilities-current at June 30, 2009 was \$336,486 as compared to \$322,663 at June 30, 2008.

Noncurrent Liabilities

Deposits Refundable

Deposits refundable represent assets belonging to an individual for which the College acts as custodian. An example of deposits refundable is room deposits paid by dormitory students and held in reserve by the college for the students. The deposits are refunded once the student withdraws from the dormitory. The total amount held for others at June 30, 2009 was \$67,900 and June 30, 2008 was \$62,500.

Accrued Leave Liabilities

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid leave time. The total amount of the accrued leave and associated fringe benefits liability was \$459,877 at June 30, 2009 as compared to \$483,497 at June 30, 2008.

Long-Term Liabilities

This liability consists of bonds, and capital lease indebtedness for capital construction and improvement at the College that is not current and payable within the next fiscal year. The amount of the long-term liabilities balance was \$2,458,459 at June 30, 2009 as compared to \$2,789,075 at June 30, 2008.

Net Assets

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2009 were \$40,145,870 and \$39,399,355 at June 30, 2008.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Analysis of Net Assets

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

The following is a breakdown of the restricted net assets:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Scholarships	\$ 108,650	\$ 57,912
Unemployment Compensation		56,830
Capital Projects	280,510	197,062
Debt Service	81,421	133,278
Total Restricted Net Assets	<u>\$ 470,581</u>	<u>\$ 445,082</u>
Unrestricted	<u>7,105,448</u>	<u>6,845,030</u>
Total Unrestricted Net Assets	<u>\$ 7,105,448</u>	<u>\$ 6,845,030</u>

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Condensed Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2009 with comparative information for the year ended June 30, 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Revenue:		
Tuition and Fees	\$ 4,100,300	\$ 3,960,608
Grants and Contracts	15,438,396	15,022,283
Sales and Services of Educational Activities	806,546	768,264
Auxiliary Enterprises	3,310,898	2,912,947
	<hr/>	<hr/>
Total Operating Revenues	23,656,140	22,664,102
	<hr/>	<hr/>
Total Operating Expenses	38,635,336	35,413,580
	<hr/>	<hr/>
Operating Loss	(14,979,196)	(12,749,478)
	<hr/>	<hr/>
Non-operating Revenues:		
State Appropriations	12,048,265	11,550,003
Local Appropriations	1,447,640	1,424,076
Investment Income	95,616	105,682
Interest Expense on Capital Related Debt	(130,149)	(180,174)
Other Nonoperating Income	32,349	-
	<hr/>	<hr/>
Total Non-operating Revenues	13,493,721	12,899,587
	<hr/>	<hr/>
Income (Loss) Before Other Revenues	(1,485,475)	150,109
	<hr/>	<hr/>
State Appropriations Restricted for Capital Purposes	404,641	1,079,527
Local Appropriations Restricted for Capital Purposes	1,751,436	1,679,909
	<hr/>	<hr/>
Change in Net Assets	670,602	2,909,545
	<hr/>	<hr/>
Net Assets, Beginning of Year	39,399,355	36,491,600
Prior Period Adjustments	75,913	(1,790)
	<hr/>	<hr/>
Net Assets, Beginning of Year, Restated	39,475,268	36,489,810
	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 40,145,870</u>	<u>\$ 39,399,355</u>

Total operating loss for the fiscal year 2009 was \$(14,979,196) as compared to \$(12,748,478) in FY 2008. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in 2004 and going forward, the College will show a significant operating loss.

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

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

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 2009 were \$23,646,140 as compared to \$22,664,102 for FY 2008. Tuition and fees were \$4,100,300 in FY 2009 compared to \$3,960,608 for FY 2008. The tuition discount for FY 2009 was \$2,714,065 compared to \$2,640,406 for FY 2008. Operating expenses for FY 2009, including depreciation expense of \$1,390,776, totaled \$38,635,336. Operating expenses for FY 2008 totaled \$35,413,580, including depreciation of \$1,337,127.

Instructional expenditures composed 42% of the FY 2009 operating expenses and 45% of the FY 2008 operating expenses.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$4,100,300 for FY 2009 in comparison to \$3,960,608 for FY 2008. The tuition discount for the 2009 fiscal year was \$2,714,065 compared to FY 2008 tuition discount of \$2,640,406.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2009:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Federal Sources	\$ 11,181,870	\$ 10,196,289
State Sources	3,724,468	4,557,131
Other Sources	532,058	268,863
Total All Sources	<u>\$ 15,438,396</u>	<u>\$ 15,022,283</u>

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$806,546 for the 2009 fiscal year as compared to \$768,264 for the 2008 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.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Auxiliary enterprises primarily include the College bookstore, student housing, and food services. Auxiliary enterprises revenue, net of scholarship allowances, totaled \$3,310,898 for 2009 fiscal year as compared to \$2,912,947 for the 2008 fiscal year. The discount for scholarship allowance was \$1,821,050 for FY 2009 and \$1,675,742 for FY 2008.

Operating Expenses

Operating expenses totaling \$38,635,336 included salaries and benefits of \$19,938,888, scholarships of \$6,577,672, utilities of \$1,602,047, commodities of \$4,798,335, contractual services of \$3,919,458, travel of \$408,168, and depreciation of \$1,390,776. Operating expenses for FY 2008 totaled \$35,413,580 include salaries and benefits of \$19,276,704, scholarships of \$5,534,662, utilities of \$1,419,012, commodities of \$5,269,631, contractual services of \$2,095,457, travel of \$408,987 and depreciation of \$1,337,127.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Expenses by Function:		
Instruction	\$ 16,311,003	\$ 15,793,968
Academic Support	453,915	489,386
Student Services	1,895,002	1,937,681
Institutional Support	3,576,392	2,865,366
Operation and Maintenance of Plant	4,302,025	3,623,321
Student Financial Aid	6,577,672	5,534,662
Auxiliary Enterprises	4,128,550	3,832,069
Depreciation	1,390,776	1,337,127
Total Operating Expenses by Function	<u>\$ 38,635,335</u>	<u>\$ 35,413,580</u>

Non-operating Revenues (Expenses)

State Aid

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$12,048,265 for the 2008-2009 fiscal year. For comparison, the College received state appropriations of \$11,550,003 for the 2007-2008 fiscal year. In addition, the College received \$404,641 state appropriations restricted for FY 2009 as compared to \$1,079,527 for FY 2008.

Other Non-Operating Revenues

Other non-operating revenues are composed of county appropriations that the College receives from the five county district in which the school resides. The College uses the education and general portion of the appropriations for salaries and benefits, and for other operational purposes. The College uses the improvement portion of the appropriations to repair, maintain, and improve campus facilities. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$3,199,076 in county appropriations for FY 2009, compared to \$3,103,985 for FY 2008. The appropriation was received from the five counties that support the College. This appropriation was fully recorded by the College during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts and the interested earned on the College's short-term investments. The investment income at June 30, 2009 shows an income of \$95,616 as compared to an income of \$105,682 June 30, 2008.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Other Non-operating Expenses

This consists of the interest expense on capital asset-related debt the College incurred during the 2009 fiscal year. The total expense amounted to \$130,149 compared to \$180,174 for FY 2008

Other Revenues

State Appropriations Restricted for Capital Purposes

The State Appropriations Restricted for Capital Purposes amount consists of construction and renovation expenditures made by the State Bureau of Buildings and Real Property Management on behalf of the College. The revenues were provided by the State of Mississippi and were to construct, renovate, or repair capital assets. Total amount expended on behalf of the College during the 2008-2009 fiscal year was \$404,641 as compared to \$1,079,527 for the 2007-2008 fiscal year.

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Years Ended June 30, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (12,744,724)	\$ (11,377,017)
Noncapital Financial Activities	13,154,127	12,933,957
Capital and Related Financing Activities	(157,448)	(1,228,502)
Investing Activities	108,761	100,997
Net Increase in Cash and Cash Equivalents	360,716	429,435
Cash and Cash Equivalents - Beginning of the Year	6,737,580	6,308,145
Cash and Cash Equivalents - End of the Year	\$ 7,098,296	\$ 6,737,580

The major sources of funds in operating activities include student tuition and fees \$4,100,300, auxiliary enterprises \$3,310,898, and grants and contracts \$15,438,396. The major uses of funds were payments made to employees, \$19,938,880, suppliers \$10,728,008 and scholarships \$6,577,672.

Significant Capital Asset Transactions

Capital improvements consisted of the construction of the Northeast at New Albany off-campus site and renovation of Patterson Hall on the main campus.

**Northeast Mississippi Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2009 financial situation. The continuing reductions in the level of State appropriations, increased costs for employee compensation and fringe benefits, student tuition and fee increases, insurance cost increases and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

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

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

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

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE

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Northeast Mississippi Community College
Statement of Net Assets
June 30, 2009

ASSETS:

Current assets:

Cash and cash equivalents	\$ 6,921,734
Accounts receivable, net (Note 4)	1,474,101
Inventories	300,535
Prepaid expenses	166,434
Total Current Assets	8,862,804

Noncurrent assets:

Restricted cash and cash equivalents	162,192
Restricted short-term investments	15,000
Capital assets, net of accumulated depreciation (Note 5)	35,364,786
Total Noncurrent Assets	35,541,978

Total Assets	44,404,782
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	856,564
Deferred revenues	79,626
Long-term liabilities - current portion (Note 6)	336,486
Total Current Liabilities	1,272,676

Noncurrent liabilities:

Deposits refundable	67,900
Accrued leave liabilities	459,877
Long-term liabilities (Note 6)	2,458,459
Total Noncurrent Liabilities	2,986,236

Total Liabilities	4,258,912
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NET ASSETS

Invested in capital assets, net of related debt	32,569,841
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Restricted for:

Scholarships and deferred revenue	108,650
Capital projects and repairs	280,510
Debt service	81,421

Unrestricted	7,105,448
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Total Net Assets	\$ 40,145,870
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The notes to the financial statements are an integral part of this statement.

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Financial Position
June 30, 2009

Assets

Current Assets:	
Cash and cash equivalents	\$ 154,461
Other Receivables	301
Investments (Note 5)	20,082
Unconditional Promises to give (net) (Note 4)	<u>156,892</u>
Total Current Assets	<u>331,736</u>
Endowment Investments	
Investments (Note 5)	<u>2,061,343</u>
Total Endowment Investments	<u>2,061,343</u>
Property and Equipment (Net) (Note 6)	<u>172,147</u>
Loans Receivable (Note 3)	4,508
Long-Term Unconditional Promises to Give (Note 4)	<u>382,030</u>
Total Assets	<u><u>2,951,764</u></u>

Liabilities

Current Liabilities:	
Accounts Payable	<u>3,277</u>
Total Current Liabilities	<u>3,277</u>

Net Assets

Unrestricted net assets	(13,726)
Temporarily restricted net assets	889,914
Permanently restricted assets	<u>2,072,299</u>
Total Net Assets	<u><u>\$ 2,948,487</u></u>

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

Northeast Mississippi Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009

Operating Revenues	
Tuition and fees (Net of Scholarship Allowance of \$2,714,065)	\$ 4,100,300
Federal grants and contracts	11,181,870
State grants and contracts	3,724,468
Nongovernmental grants and contracts	532,058
Sales and services of educational departments	806,546
Auxiliary enterprises:	
Student Housing (Net of Scholarship Allowances of \$387,646)	581,470
Food Services (Net of Scholarship Allowances of \$381,865)	597,221
Bookstore (Net of Scholarship Allowances of \$1,051,539)	1,611,969
Other auxiliary revenues	520,238
Total Operating Revenues	<u>23,656,140</u>
Operating Expenses	
Salaries and wages	15,887,558
Fringe benefits	4,051,322
Travel	408,168
Contractual services	3,919,458
Utilities	1,602,047
Scholarships and fellowships	6,577,672
Commodities	4,798,335
Depreciation	1,390,776
Total Operating Expenses	<u>38,635,336</u>
Operating Income (Loss)	<u>(14,979,196)</u>
Nonoperating Revenues (Expenses)	
State appropriations	12,048,265
Local appropriations	1,447,640
Investment income	95,616
Interest expense on capital asset-related debt	(130,149)
Other nonoperating revenue	32,349
Total Net Nonoperating Revenues (Expenses)	<u>13,493,721</u>
Income (Loss) before Other Revenues, Expenses and Liabilities	<u>(1,485,475)</u>
State appropriations restricted for capital purposes	404,641
Local appropriations for capital purposes	1,751,436
Change in Net Assets	<u>670,602</u>
Net Assets	
Net Assets - Beginning of Year, as Originally Reported	39,399,355
Prior period adjustments (Note 3)	75,913
Net Assets - Beginning of Year, as Restated	<u>39,475,268</u>
Net Assets - End of Year	<u>\$ 40,145,870</u>

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

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Activities
For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Contributions	\$ 68,926	197,436	124,839	391,201
Dividends	7,550	25,399	-	32,949
Interest	9,693	37,075	-	46,768
Administrative fee income	86,998	-	-	86,998
Grants revenue	5,000	-	-	5,000
Gain (loss) sale of assets	(4,243)	(35,712)	-	(39,955)
Unrealized gain(loss) on assets	(306,239)	-	-	(306,239)
Total Public Support and Revenues	(132,315)	224,198	124,839	216,722
Expenses and Losses				
Program Expense	70,521	701,071	-	771,592
Management & General Expense	105,368	-	-	105,368
Fund Raising Expense	81,550	-	-	81,550
Bad Debt Expense	-	2,215	-	2,215
Total expenses and losses	257,439	703,286	-	960,725
Other Revenues and (Expense)				
Transfers	12,343	(4,343)	(8,000)	-
Change in Net Assets	(377,411)	(483,431)	116,839	(744,003)
Net assets Beginning of year	363,685	1,373,345	1,955,460	3,692,490
Net assets end of year	\$ (13,726)	889,914	2,072,299	2,948,487

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

Northeast Mississippi Community College
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows from Operating Activities:	
Tuition and fees	\$ 4,231,348
Grants and contracts	15,469,251
Sales and services of educational departments	862,788
Payments to suppliers	(8,079,121)
Payments to employees for salaries and benefits	(20,308,842)
Payments for utilities	(1,593,346)
Payments for scholarships and fellowships	(6,577,672)
Auxiliary enterprise charges:	
Student housing	515,742
Food service	597,221
Bookstore	1,585,320
Other auxiliary enterprises	552,587
	<u>(12,744,724)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	11,709,383
Local appropriations	1,445,374
	<u>13,154,757</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	1,748,188
Cash paid for capital assets	(1,431,005)
Principal paid on capital debt and leases	(316,793)
Interest paid on capital debt and leases	(157,838)
	<u>(157,448)</u>
Cash Flows from Investing Activities:	
Investment in certificate of deposits	(5,000)
Interest received on investments	108,761
	<u>103,761</u>
Net Increase (Decrease) in Cash and Cash Equivalents	356,346
Cash and Cash Equivalents - Beginning of the Year	6,727,580
Cash and Cash Equivalents - End of the Year	<u>\$ 7,083,926</u>

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

Northeast Mississippi Community College
Statement of Cash Flows
For the Year Ended June 30, 2009

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

Operating income (loss) \$ (14,979,196)

Adjustments to reconcile net income (loss) to net cash
 provided (used) by operating activities

Depreciation Expense	1,390,776
Repairs paid directly by state	335,530
Bad Debt Expense	225,209
Changes in assets and liabilities	
(Increase) decrease in assets:	
Receivables	158,117
Inventories	37,786
Prepaid expenses	(560)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	55,079
Deferred revenues	50,755
Deposits refundable	5,400
Accrued leave liability	(23,620)

Total adjustments 2,234,472

Net Cash Provided (Used) by Operating Activities \$ (12,744,724)

Noncash Investing, Capital, and Financing Activities:

Payments by State on construction	\$ 404,641
Total	<u><u>\$ 404,641</u></u>

Cash and cash equivalents classified as current assets \$ 6,921,734

Cash and cash equivalents classified as noncurrent assets 162,192

Total cash and cash equivalents \$ 7,083,926

Northeast Mississippi Community College
Development Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2009

Operating Activities	
Change in Net Assets	\$ (744,003)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non Cash Contributions	(5,009)
Depreciation	7,054
Bad Debts	2,215
Other Receivables	(301)
Net Unconditional promise to give	160,721
Accounts Payable	(6,261)
Loans receivable	3,430
Unrealized losses on Investments	288,534
Net cash used by operating activities	<u>(293,620)</u>
 Investing Activities	
Sale of Investments	1,906,026
Purchase of investments	<u>(1,925,642)</u>
Net cash provided by investing activities	<u>(19,616)</u>
 Net Increase(decrease) in cash and cash equivalents	 (313,236)
Cash and cash equivalents Beginning of year	<u>467,697</u>
Cash and cash equivalents End of year	<u>\$ 154,461</u>

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

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

1. Summary of Significant Accounting Policies

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

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

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

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

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

During the year ended June 30, 2009, the Foundation distributed \$306,648 to the College and reimbursed the College for \$161,642 in Foundation expenses.

- B. Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public Colleges and Universities*, issued June and November, 1999, respectively. The College now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College’s financial activities.
- C. Basis of Accounting – The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

1. Summary of Significant Accounting Policies (continued)

- D. Cash Equivalents – For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net – Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments, and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories – Inventories consist of bookstore supplies and supplies of Crows Neck Educational Center. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.
- H. Prepaid Expenses – Prepaid expenses include insurance premiums paid during the current fiscal year which are applicable to the succeeding fiscal year.
- I. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation- Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

1. Summary of Significant Accounting Policies (continued)
 - K. Deferred Revenues – Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
 - L. Compensated Absences – The Northeast Community College Board of Trustees adopted an employee medical leave policy. The policy provides for the payment of up to ten accumulated leave days at the time of an employee’s termination. To be eligible for this payment, the employee must have been employed for five years and must have accumulated leave time. At termination, a qualified employee may receive pay for their accumulated leave time up to a maximum of ten days. Additionally, any leave certified toward retirement with the Public Employee’s Retirement System of Mississippi will not be subject to payment. The total accrued leave for all employees as of June 30, 2009, was \$459,877. The vacation leave time of applicable employees cannot be accumulated beyond one fiscal year.
 - M. Classification of Revenues – The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

1. Summary of Significant Accounting Policies (continued)

- N. State Appropriations – The Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighed by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- O. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student’s account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- P. Net Assets-GASB Statement No. 34 reports equity as “Net Assets” rather than “Fund Balance”. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net assets balance of \$7,105,448 at June 30, 2009, includes \$1,233,415 reserved for auxiliaries, and a remaining amount of \$5,872,033.

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

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

**Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009**

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

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

B. Investments

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

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

	June 30, 2009
Investments	\$ 10,000

The following table summarized the categorization of investments at June 30, 2009

Investment Type	Maturities (in Years)	Fair Value	Rating
Certificate of Deposit	1	\$ 10,000	FDIC Insured

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

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

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

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

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

Concentration of Credit risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investment is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2009, the college did not have any investments to which this would apply.

3. Prior Period Adjustments

For the year ended June 30, 2009, the College recorded prior period adjustments of \$75,913 which included:

Adjustments for:	
Correction of prior year accounts payable	\$ 59,711
Correction of prior year receivables	<u>16,202</u>
	<u><u>\$ 75,913</u></u>

4. Accounts receivable

Accounts receivable consist of the following at June 30, 2009:

Student tuition	\$ 365,155
Auxiliary enterprises and other operating activities	193,186
Federal, state, and private grants and contracts	1,059,893
State appropriations	163,150
Local appropriations	98,539
Accrued interest	148
Other	<u>3,573</u>
Total Accounts Receivable	1,883,644
Less allowance for doubtful accounts	<u>409,543</u>
Net Accounts Receivable	<u><u>\$ 1,474,101</u></u>

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009, is presented as follows:

	Beginning Balance 7/1/2008	Additions	Dispositions	Completed Construction/ Adjustments	Ending Balance 6/30/2009
Nondepreciable Capital Assets:					
Land	\$ 1,841,068	25,000	-	-	1,866,068
Construction in progress	68,448	1,265,801	-	(1,265,138)	69,111
Total Nondepreciable Capital Assets	<u>1,909,516</u>	<u>1,290,801</u>	<u>-</u>	<u>(1,265,138)</u>	<u>1,935,179</u>
Depreciable Capital Assets:					
Improvements other than Buildings	4,390,942	-	-	-	4,390,942
Buildings	49,962,239	50,000	-	1,265,138	51,277,377
Equipment	5,366,945	213,083	548,753	-	5,031,275
Library Books	1,123,849	21,231	-	-	1,145,080
Total Depreciable Capital Assets	<u>60,843,975</u>	<u>284,314</u>	<u>548,753</u>	<u>1,265,138</u>	<u>61,844,674</u>
Less Accumulated Depreciation for:					
Improvements other than Buildings	2,211,011	154,880	-	(745,451)	1,620,440
Buildings	20,098,623	918,227	-	745,451	21,762,301
Equipment	4,147,245	305,473	508,218	-	3,944,500
Library Books	1,075,630	12,196	-	-	1,087,826
Total Accumulated Depreciation	<u>27,532,509</u>	<u>1,390,776</u>	<u>508,218</u>	<u>-</u>	<u>28,415,067</u>
Total Depreciable Capital Assets, Net	<u>33,311,466</u>	<u>(1,106,462)</u>	<u>40,535</u>	<u>1,265,138</u>	<u>33,429,607</u>
Capital Assets, Net	<u>\$ 35,220,982</u>	<u>184,339</u>	<u>40,535</u>	<u>-</u>	<u>35,364,786</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%	-

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

6. Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2009. The various leases cover a period not to exceed ten years. The College has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Description and Purpose	Original Issue	Interest Rate	Maturity	Balance 7/1/2008	Additions	Payments	Balance 6/30/2009	Due Within One Year
Capital Leases:								
State of MS Energy Lease	\$ 2,603,772	4.15%	12/12	\$ 1,307,291	-	269,994	1,037,297	281,315
Notes Payable:								
Housing Facility Note	2,000,000	4.75%	12/28	1,804,447		46,799	1,757,648	55,171
Total Notes Payable				1,804,447		46,799	1,757,648	55,171
Total Long-Term Debt				3,111,738		316,793	2,794,945	336,486
Other Long-Term Liabilities								
Accrued Leave Liability				483,497	-	23,620	459,877	-
Deposits Refundable				62,500	5,400	-	67,900	-
Total Other Liabilities				545,997	5,400	23,620	527,777	-
Total				\$ 3,657,735	5,400	340,413	3,322,722	-
Due Within One Year							336,486	
Total Long-term Liabilities							\$ 2,986,236	

	Capital Leases	Notes Payable	Interest	Total
2010	\$ 281,315	55,171	123,369	459,855
2011	293,111	57,791	108,952	459,854
2012	305,401	60,536	93,917	459,854
2013	157,470	63,412	78,236	299,118
2014-2018	-	365,205	326,695	691,900
2019-2023	-	460,582	231,319	691,901
2024-2028	-	580,867	111,033	691,900
2029	-	114,084	5,140	119,224
Totals	\$ 1,037,297	1,757,648	1,078,661	3,873,606

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

7. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2009:

Functional Classifications	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 11,377,249	2,762,782	162,447	863,752	-	-	1,144,773	-	16,311,003
Academic support	314,425	64,593	7,157	7,380	-	-	60,362	-	453,916
Student services	1,068,208	366,387	97,832	193,127	-	-	169,447	-	1,895,002
Institutional support	1,614,664	488,501	106,731	814,051	-	-	552,446	-	3,576,393
Operation of plant	936,434	200,271	545	874,915	1,464,204	-	825,656	-	4,302,025
Student aid	-	-	-	-	-	6,577,672	-	-	6,577,672
Auxiliary enterprises	576,578	168,788	33,456	1,166,233	137,843	-	2,045,651	-	4,128,549
Depreciation	-	-	-	-	-	-	-	1,390,776	1,390,776
Total Operating Expenses	15,887,558	4,051,322	408,168	3,919,458	1,602,047	6,577,672	4,798,335	1,390,776	38,635,336

Northeast Mississippi Community College
Notes to the Financial Statements
For the Year Ended June 30, 2009

8. Construction Commitments and Financing

The College has engaged an architect firm for the Student Services Building and has incurred cost of \$69,111. The construction contract was not awarded at June 30, 2009.

9. Pension Plan

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

Funding policy- PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.85% 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, 2009, 2008, and 2007, were \$1,687,449, \$1,641,856, and \$1,424,402, respectively, equal to the required contributions for each year.

10. Risk Management.

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2009

Note 1: Summary of Significant Accounting Policies

A. Organization and Nature of Activities

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

B. Basis of Accounting

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

C. Basis of Presentation

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

D. Investments

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

E. Property and Equipment

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

F. Public Support and Revenue

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2009

Note 1: Summary of Significant Accounting Policies- Continued

F Public Support and Revenue - Continued

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

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

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

G. Investment Earnings Allocation

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

H. Donated Services

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

I. Income Taxes

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

J. Estimates

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2009

Note 1: Summary of Significant Accounting Policies- Continued

K. Cash and Cash Equivalents

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

L. Net Assets

Net assets of the Foundation consist of the following:

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

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

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

Note 2: Economic Dependence and Concentration

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

Note 3: Loans Receivable

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

Loans Receivable	\$ 9,008
Allowance for Bad Debts	4,500
Net Loans Receivable	<u><u>\$ 4,508</u></u>

No loans receivable are considered current.

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended. June 30, 2009

Note 4. Promises to give

Unconditional promises to give			Reported As
Temporarily restricted	\$ 529,115	Current	\$ 156,892
Permanently restricted	9,807	Long-term	382,030
Total	\$ 538,922		\$ 538,922

These pledges are due as follows:

Due in less than one year	\$ 156,892
Due in one to five years	327,930
Due in six to ten years	163,000
Total	647,822
Less discounts to present value	(79,641)
Less allowances	(29,259)
Net unconditional promises to give at June 30, 2008	\$ 538,922

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

Note 5: Investments

Investments as of June 30 are summarized as follows:

	Cost	Fair Value
BancorpSouth Certificate of Deposit	\$ 109,685	\$ 109,685
Federal Home Loans Bank	673,552	682,611
DWS Dreman Small Cap	66,586	51,089
Fidelity Low Price Stock Fund	94,950	88,860
Federated Intercontinental Inst	77,342	48,693
Franklin Mutual Discovery Z Fund	137,919	107,736
T Rowe Price Mid Cap Growth Fund	161,238	158,141
Goldman Sachs Money Market	258,449	258,449
T Rowe Price Growth Stock	330,491	274,929
Dodge & Cox Stock Fund	91,392	59,367
Royce Pennsylvania Mutual	127,175	101,073
Fidelity Advisor New Insight	110,369	83,792
T. Rowe Price Equity Income	81,252	57,000
	\$ 2,320,400	\$ 2,081,425
Unrestricted & Temporarily Restricted		\$ 20,082
Permanently Restricted		2,061,343
Total		\$ 2,081,425

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2009

Note 5: Investments-Continued

Unrealized losses are reflected in the unrestricted funds. As the market improves and losses are regained, the gains will be recovered in the unrestricted funds.

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

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividend and Interest Income	\$ 79,717.00	\$ 17,243.00	\$ 62,474.00
Realized Gain (Loss) on Assets	(39,955)	(4,243)	(35,712)
Total	<u>\$ 39,762</u>	<u>\$ 13,000</u>	<u>\$ 26,762</u>

Note 6. Property and equipment

The following is a summary of property and equipment:

Land	\$ 147,500
Office Equipment	60,260
Less: Accumulated Depreciation	(35,613)
	<u>\$ 172,147</u>

Depreciation expense totaled \$7,054 for the year.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Scholarships	\$ 185,840
Athletics	27,388
College Employee Enhancement	51,084
College Programs	27,579
Operations	28,861
Northeast at Corinth	375,356
Northeast at New Albany	193,806
	<u>\$ 889,914</u>

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2009

Note 8: Permanently Restricted Net Assets

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

Scholarships - Stockton	\$ 25,015
Scholarships - Street	25,000
Scholarships - Miller, Shannon, Taylor	283,562
Scholarships - Haney Endowment	1,037,833
Scholarships - Rotary Endowment	22,966
Scholarships - Various	677,923
	<u>\$ 2,072,299</u>

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

Note 9: Financial Instruments with off Balance Sheet Risk

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

Cash and Cash Equivalents	\$ 154,461
	<u>\$ 154,461</u>

The bank balances at June 30 were:

Cash in Bank	\$ 156,649
FDIC Insurance	156,649
	<u>156,649</u>
Uninsured	<u>\$ -</u>

Note 10: Fair Value of Financial Instruments

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

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

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

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

Northeast Mississippi Community College Development Foundation Inc.
Notes to Financial Statements
Year Ended June 30, 2009

Note 10: Fair Value of Financial Instruments- Continued

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

Financial Assets	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 154,461	\$ 154,461
Investments	20,082	20,082
Unconditional promises to give	538,922	538,922
Endowment Investments:		
Investments	2,061,343	2,061,343

Note 11: Related Party Transactions

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

Salary & fringe benefits	\$ 156,110
Supplies	789
Postage	3,086
Printing	1,651
Miscellaneous	6
	\$ 161,642

The members of the Foundation Board of Directors contributed \$7,354 to the Foundation during this fiscal year.

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

Note 12: Compensated Absences

The Foundation does not have a policy for compensated absences.

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Federal Expenditures</u>
U. S. Department of Education		
Student Financial Assistance Cluster		
Direct:		
Federal Supplemental Education Opportunity Grant	84.007	\$ 64,321
Federal Family Education Loans	84.032	2,156,850
Federal Work Study Programs	84.033	105,765
Federal Pell Grant Program	84.063	5,591,929
Academic Competitiveness Loans	84.375	180,207
Total Student Financial Assistance Cluster		<u>8,099,072</u>
Direct:		
TRIO Student Support Services	84.042	243,418
Total Direct Funding		<u>8,342,490</u>
Passed Through MS Department of Education		
Tech Prep Education	84.243	97,272
Career and Technical Basic Grants to States	84.048	145,522
Leveraging Educational Assistance Partnership	84.069	16,027
		<u>258,821</u>
Passed Through MS State Board for Community and Junior Colleges		
Adult Basic Education - State Grants Programs	84.002	190,727
		<u>190,727</u>
Total U. S. Department of Education		<u>8,792,038</u>
U. S. Department of Labor		
Passed Through Three Rivers Planning & Development District		
Workforce Investment Act Cluster		
WIA Adult Program	17.258	598,795
ARRA WIA Adult Program	17.258	52,739
WIA Youth Activities	17.259	232,109
WIA Dislocated Workers	17.260	354,972
ARRA WIA Dislocated Workers	17.260	26,189
Total Three Rivers Planning and Development District		<u>1,264,804</u>
Passed Through Mississippi State Board for Community and Junior Colleges		
Workforce Investment Act Cluster	17.260	6,866
Total Workforce Investment Act Cluster		<u>6,866</u>
Passed Through Mississippi State Board for Community and Junior Colleges		
WIA, Pilots, Demonstrations, and Research Projects	17.261	56,525

NORTHEAST MISSISSIPPI COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U. S. Department of Labor (continued)		
Passed Through Mississippi Employment Security Commission		
Employment Service/ Wagner Peyser Funded Activities	17.207	32,402
Trade Adjustment Assistance	17.245	269,239
Total Passed Through Mississippi Employment Security Commission		301,641
Passed Through Mississippi Consortium of Colleges		
Community Based Job Training Grant (NEON)	17.269	326,103
Total U. S. Department of Labor		1,955,939
U.S. Department of Agriculture		
Passed Through MS Department of Education		
Child and Adult Food Care Program	10.558	2,428
Total U.S. Department of Agriculture		2,428
Department of Housing and Urban Development		
Passed Through Programs from :		
Mississippi Development Authority - The Montgomery Institute		
Community Development Block Grants	14.228	38,234
National Aeronautics and Space Administration		
Aerospace Education Services Program	43.001	4,449
National Endowment for the Humanities		
Federal/State Partnerships	45.129	641
Appalachian Regional Commission		
Appalachian Area Development	23.002	100,000
 Total Expenditures of Federal Awards		 \$ 10,893,729

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

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

Northeast Mississippi Community College
Development Foundation, Inc.
Schedule of Functional Expenses
For the Year Ending June 30, 2009

	Program Expenses			Support Services			
	Unrestricted	Temporarily Restricted	Total Program Services	Management & General	Fund Raising	Total Support Services	Total Expenses
Awards	\$ 7,140	\$ 9,945	\$ 17,085	\$ 139	\$ -	\$ 139	\$ 17,224
Professional Development	-	-	-	5,099	-	5,099	5,099
College Support	-	25,756	25,756	-	-	-	25,756
Scholarships	-	142,926	142,926	-	-	-	142,926
Program Expense:							
Fine Art	-	2,934	2,934	-	-	-	2,934
College Employee Enhancement	-	11,821	11,821	-	-	-	11,821
College Sports	-	37,816	37,816	-	-	-	37,816
Grants and Training	4,724	1,600	6,324	-	-	-	6,324
NE at New Albany	-	19,000	19,000	-	-	-	19,000
Nursing	-	43,750	43,750	-	-	-	43,750
NE at Corinth	-	312,454	312,454	-	-	-	312,454
Administrative:							
Salaries	27,836	-	27,836	41,325	63,223	104,548	132,384
Payroll Taxes	1,969	-	1,969	2,667	4,588	7,255	9,224
Retirement	2,114	-	2,114	4,897	7,492	12,389	14,503
Printing & Advertising	8,633	-	8,633	829	58	887	9,520
Meals & Entertainment	4,310	-	4,310	1,430	-	1,430	5,740
Office Supplies	2,074	-	2,074	2,494	425	2,919	4,993
Postage	-	-	-	1,275	1,852	3,127	3,127
Travel	-	-	-	2,067	-	2,067	2,067
Car Allowance	1,500	-	1,500	900	3,600	4,500	6,000
Dues & Subscriptions	781	-	781	931	-	931	1,712
Administrative Fee	-	85,931	85,931	-	-	-	85,931
Investment Management Fees	-	7,138	7,138	1,979	-	1,979	9,117
Telephone	312	-	312	817	312	1,129	1,441
Legal & Accounting	350	-	350	24,837	-	24,837	25,187
Miscellaneous	8,034	-	8,034	6,128	-	6,128	14,162
Depreciation	-	-	-	7,054	-	7,054	7,054
Insurance	744	-	744	500	-	500	1,244
	<u>\$ 70,521</u>	<u>\$ 701,071</u>	<u>\$ 771,592</u>	<u>\$ 105,368</u>	<u>\$ 81,550</u>	<u>\$ 186,918</u>	<u>\$ 958,510</u>

The allocation of functional expenses is made by the organization based upon time spent by employees, with travel, meals and other expenses as applicable to each function.



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

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

We have audited the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2009, as listed in the table of contents and have issued our report thereon dated August 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 that are 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, others within the entity, entities with accreditation overview, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution not limited.

Pyroner, Vanstony & Co. P.A

August 11, 2010
Booneville, Mississippi



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

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

Compliance

We have audited the compliance of the Northeast Mississippi Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, Northeast Mississippi Community College, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider that deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-1 to be a material weakness.

Northeast Mississippi Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Northeast Mississippi Community College's response and accordingly, we express no opinion on it.

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.

Pyrower, Vanstony & Co. P.A.

August 11, 2010
Booneville, Mississippi



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of Northeast Mississippi Community College as of and for the year ended June 30, 2009, which collectively comprise Northeast Mississippi Community College's basic financial statements and have issued our report thereon dated August 18, 2010. We conducted our audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Northeast Mississippi Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

Brawner, Vanstory & Co. P.A.

August 11, 2010
Booneville, Mississippi

**Northeast Mississippi Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. Any audit findings reported as required by Section _____.510(a) of OMB Circular A-133? | Yes |
| 7. Federal programs identified as major programs: | |
| a. <u>Student Financial Assistance Cluster</u>
CFDA #84.007
84.032
84.033
84.063
84.375 | |
| b. <u>Leveraging Educational Assistance Partnership</u>
CFDA #84.069 | |
| c. <u>TRIO Student Support Services</u>
CFDA #84.042 | |

**Northeast Mississippi Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section 1: Summary of Auditors' Results (continued)

d. Workforce Investment Act Cluster:

**CFDA #17.258
17.258 ARRA
17.259
17.260
17.260ARRA**

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

**Leveraging Educational Assistance Partnership CFDA# 84.069
Internal Controls Over Compliance Requirement – Eligibility**

FINDING 2009-1

Eligibility

Sufficient internal controls were not in place to insure that only eligible students were served by this program. A student was on probation and then suspension, which made the student ineligible to receive an award but did receive the award.

RECOMMENDATION

We recommend additional controls be put in place to verify that only eligible students receive these funds.

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101 Cunningham Boulevard
Booneville, MS 38829

Corrective Action Plan

As required by U. S. Office of Management and Budget A-133, Northeast Mississippi Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2009:

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

- B. Northeast Mississippi Community College will develop and implement controls to monitor the awarding of funds to students. The controls will be utilized to ensure all funds are awarded in accordance with required criteria.

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



101 Cunningham Boulevard
Booneville, MS 38829

Prior Audit Findings:

As required by Section___.315(c) of OMB Circular A-133, the Northeast Mississippi Community College has prepared and hereby submits the following status of findings as of June 30, 2009:

FINDING	STATUS
2008-1	Corrected