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**COAHOMA COMMUNITY COLLEGE
AND AGRICULTURAL HIGH SCHOOL
FINANCIAL AUDIT REPORT
YEAR ENDED JUNE 30, 2008**

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
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INDEPENDENT AUDITORS' REPORT ON THE BASIC FIANACIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

To the President and Board of Trustees
Coahoma Community College and Agricultural High School
Clarksdale, Mississippi 38614

We have audited the accompanying financial statements of the business-type activities of Coahoma Community College and Agricultural High School as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Coahoma Community College and Agricultural High School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Coahoma Community College and Agricultural High School, as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2009, on our consideration of Coahoma Community College and Agricultural High School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Tupelo, Mississippi
April 23, 2009

J E Vance + Company

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

This section of the Coahoma Community College and Agricultural High School annual financial report represents our discussion and analysis of the financial performance of the college and high school during the fiscal year ended June 30, 2008. 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 annual report consists of three basic financial statements that provide information on the college and high school as a whole: 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. These statements are 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 and high school's net assets (the difference between assets and liabilities) are one indicator of the college and high school's financial health. Over time, increases or decreases in net assets are one indicator of improvement or erosion of the college and high school's financial health when considered along with non-financial factors such as enrollment levels and the condition of the facilities of the college and high school.

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 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.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Another important factor to consider when evaluating financial viability is the college and high school'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.

Financial and Enrollment Highlights

- Revenue from Tuition and Fees remained essentially unchanged from the prior year.
- Enrollment increased for fiscal year 2008 by 8.8% based on headcount.

Year	Total Students Enrolled in Fall
2000	1,260
2001	1,322
2002	1,633
2003	1,794
2004	1,964
2005	1,946
2006	1,838
2007	2,036
2008	2,216

- The value of the endowment fund decreased by 3.9%.
- Appropriations from the Coahoma County Board of Supervisors and the Mississippi Legislature have provided for the construction of the Coahoma County Higher Education Center, a partnership between Coahoma Community College and Delta State University.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Condensed Statement of Net Assets

	For the year ended:	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets		
Current Assets	\$ 9,158,042	\$ 8,667,637
Noncurrent Assets:		
Capital Assets, Net	24,386,046	22,985,238
Other Assets	<u>4,858,452</u>	<u>4,934,016</u>
Total Assets	<u>38,402,540</u>	<u>36,586,891</u>
Liabilities		
Current Liabilities	952,969	1,571,030
Noncurrent Liabilities	<u>1,261,751</u>	<u>1,499,394</u>
Total Liabilities	2,214,720	3,070,424
Net Assets		
Invested in Capital Assets, Net of Debt	22,887,901	21,262,468
Restricted:		
Nonexpendable	3,481,657	3,624,791
Expendable	423,500	423,500
Capital projects	1,900,000	-0-
Unrestricted	<u>7,494,762</u>	<u>8,205,708</u>
Total Net Assets	<u>\$ 36,187,820</u>	<u>\$ 33,516,467</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the college and high school's bank accounts. The total amount of cash and cash equivalents reported as current assets on the college and high school's financial statements was \$7,060,423 at June 30, 2008 compared to \$6,055,567 at June 30, 2007.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations and student tuition and fee billings. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowances for doubtful accounts. The college and high school's receivables totaled \$1,696,754 at June 30, 2008 compared to \$2,169,981 at June 30, 2007.

Inventories

The college and high school maintains inventories of resale merchandise as well as items of food purchased for the cafeteria. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$400,865 at June 30, 2008 compared to \$442,089 at June 30, 2007.

Noncurrent Assets

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those funds that are held in the bank accounts and certificates of deposit, which are restricted for specific purposes. Restricted cash and cash equivalents primarily consist of federal funds and agency funds held for others. The amount of restricted cash and cash equivalents at June 30, 2008 was \$45,882 compared to \$305,733 at June 30, 2007.

Prepaid Construction

Prepaid construction consists of amounts paid to the Mississippi Office of Buildings, Grounds and Real Property Management for the cost of electrical utility upgrades, a structural analysis of Gambrell Hall and renovations to Reid Gymnasium and The Pinnacle to be completed during the 2008/2009 school year. Prepaid construction at June 30, 2007 was \$1,322,178. Prepaid construction at June 30, 2007 was \$1,000,000.

Endowment Investments

Endowment investments include marketable securities held and managed by investment managers. These investments are recorded at their fair market value. The fair market value at June 30, 2008 was \$3,481,657 compared to \$3,624,791 at June 30, 2007.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Capital Assets, Net

Capital assets, net consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2008. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$24,386,046 at June 30, 2008, in comparison to \$22,985,238 at June 30, 2007.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2008 for goods and services received before the end of the fiscal year. Accounts payable and accrued liabilities totaled \$614,123 at June 30, 2008, in comparison to \$1,299,342 at June 30, 2007.

Deferred Revenues

Deferred revenues represent tuition and fees received during the fiscal year but were not earned until the next fiscal year. Deferred revenues totaled \$62,427 at June 30, 2008. There were no deferred revenues at June 30, 2007.

Long-Term Liabilities - Current Portion

Long-term liabilities – current portion represents the portion of principal payments for long-term debt that is due within one year. The current portion of bonds and notes due at June 30, 2008 was \$236,394, in comparison to \$224,634, due at June 30, 2007.

Noncurrent Liabilities

Deposits Refundable

Deposits refundable consist of student housing deposits to be refunded to students. No deposits were refundable at June 30, 2008 in comparison to \$1,258 at June 30, 2007.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Long-Term Liabilities

Long-term liabilities represent long-term debt acquired by the institution for capital construction totaling \$1,261,751 as of June 30, 2008, in comparison to \$1,498,136 at June 30, 2007. The schedule of long-term debt are (1) Coahoma Agricultural High School state aid capital improvement bonds, series 1998, \$314,000, (2) Department of Environmental Quality state revolving fund loan, \$87,751, and (3) Educational facilities note, series 1998, \$860,000.

Net Assets

Net assets represent the difference between the college and high school's assets and its liabilities. Total net assets at June 30, 2008 were \$36,187,820, compared to \$33,516,467 at June 30, 2007.

Restricted Net Assets

Restricted nonexpendable net assets consist of endowment gifts, gifts with specific restrictions, grants from third party agencies with expenditure restrictions and loan funds. Restricted expendable net assets represent fund balances designated for scholarships and fellowships, capital projects and debt service. Restricted net assets at June 30, 2008 were \$5,805,157 of which \$3,481,657 was nonexpendable. Restricted net assets at June 30, 2007 were \$4,048,291 of which \$3,624,791 was nonexpendable.

Unrestricted Net Assets

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the college and high school such as donors and grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. Unrestricted net assets at June 30, 2008 were \$7,494,762 compared to \$8,205,708 at June 30, 2007.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended:	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating Revenues:		
Tuition and Fees	\$ (112,596)	\$ (154,463)
Grants and Contracts	16,995,245	14,333,183
Sales and Services	29,747	24,873
Auxiliary Enterprises	825,852	823,679
Other Operating Revenues	<u>600,815</u>	<u>233,923</u>
Total Operating Revenues	18,339,063	15,261,195
Operating expenses	<u>27,804,967</u>	<u>25,009,829</u>
Operating loss	<u>(9,465,904)</u>	<u>(9,748,634)</u>
Nonoperating Revenues:		
State Appropriations	8,739,571	7,615,484
Local Appropriations	2,538,094	2,551,427
Investment Income, Net	74,091	57,917
Interest Expense on Capital Asset Related Debt	<u>(105,666)</u>	<u>(89,116)</u>
Net Nonoperating Revenues	<u>11,246,090</u>	<u>10,135,712</u>
Income (Loss) Before Other Revenues	1,780,186	387,078
Capital Grants	1,204,777	6,089,786
Other Additions (Deletions), Net	<u>(313,610)</u>	<u>706,711</u>
Total Other Revenues	<u>891,167</u>	<u>6,796,497</u>
Increase (Decrease) in Net Assets	2,671,353	7,183,575
Net Assets at Beginning of Year	33,516,467	26,332,892
Net Assets at End of Year	<u>\$ 36,187,820</u>	<u>\$ 33,516,467</u>

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Total operating loss for fiscal year 2008 was \$9,465,904, compared to \$9,748,634 for fiscal year 2007. Since the state of Mississippi appropriations are not included within operating revenue per GASB No. 35, the college and high school shows a significant operating loss.

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

The college and high school strives to provide students with the opportunity to obtain quality education. Future enrollment 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 2008 were \$18,339,063 compared to \$15,261,195 for fiscal year 2007. Tuition and fees for fiscal year 2008 were \$3,899,947 compared to \$3,642,809 for fiscal year 2007. Operating expenses, including depreciation of \$903,542, totaled \$27,804,967 for fiscal year 2008. Operating expenses for fiscal year 2007, including depreciation of \$839,047, totaled \$25,009,829.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,899,947 for fiscal year 2008, in comparison to \$3,642,809 for fiscal year 2007.

Grants and Contracts

This category includes all restricted revenues made available by government agencies as well as by 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.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

The following table details the college and high school's grant and contract awards.

	For the year ended:	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Federal Sources:		
Department of Education	\$ 12,506,413	\$ 10,620,375
State Sources:		
State Board for Community Colleges	1,675,276	1,531,620
Other Sources	<u>2,813,556</u>	<u>2,181,188</u>
Total All Sources	<u>\$ 16,995,245</u>	<u>\$ 14,333,183</u>

Sales and Services

Sales and services consist of income from athletic activities that totaled \$29,747 for fiscal year 2008 and \$24,873 for fiscal year 2007.

Auxiliary Enterprises

Auxiliary enterprises consists of various enterprise entities that exist primarily to furnish goods and services to students, faculty, staff or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self supporting.

Auxiliary enterprises primarily include the college bookstore, college housing, and the cafeteria and snack bar. Total auxiliary service revenues totaled \$825,852 for fiscal year 2008, compared to \$823,679 for fiscal year 2007.

Operating Expenses

Operating expenses for fiscal year 2008 totaling \$27,804,967, include salaries and benefits of \$14,857,542, scholarships and fellowships of \$2,944,998, utilities of \$883,247, supplies of \$4,305,640, services of \$3,335,845, travel of \$574,153 and depreciation of \$903,542. Operating expenses for fiscal year 2007 totaling \$25,009,829 include salaries and benefits of \$13,768,113, scholarships and fellowships of \$2,467,159, utilities of \$825,813, supplies of \$3,053,975, services of \$3,503,535, travel of \$552,187 and depreciation of \$839,047.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

	For the Year Ended	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Expenses by Function:		
Instruction	\$ 11,223,830	\$ 10,437,423
Academic Support	2,758,547	2,213,442
Student Services	3,292,525	3,100,471
Institutional Support	2,726,580	2,694,222
Operations and Maintenance of Plant	2,485,213	1,999,965
Student Financial Aid	3,552,131	2,946,119
Auxiliary Enterprises	862,599	779,140
Depreciation	903,542	839,047
Total Operating Expenses by Function	<u>\$ 27,804,967</u>	<u>\$ 25,009,829</u>

Nonoperating Revenues (Expenses)

State Aid

The college and high school's largest source of nonoperating revenue is the State of Mississippi appropriations. The college and high school received \$8,739,571 for the 2008 fiscal year, which was for operations; \$1,204,777 was received in state capital grants for the purchase, construction, renovation and repair of fixed assets. For the 2007 fiscal year, the college and high school received \$7,615,484 in state appropriations and \$6,089,786 in state capital grants for the purchase, construction, renovation and repair of fixed assets.

County Appropriations

The college receives revenue from the five counties in the district in which it resides. The high school also receives revenue from the county in which it resides. Funding received by the college and high school is used for salaries and benefits and for operational purposes. These appropriations are received as monthly payments, beginning in July of each year. A portion of the support received from the counties is specifically restricted for capital improvements and the reduction of debt. The college and high school received \$2,538,094 for fiscal year 2008 compared to \$2,551,427 for fiscal year 2007. These appropriations were fully recorded by the college and high school during the fiscal year.

Investment Income, Net

Investment income includes interest income from the college and high school's cash and investments held by an outside agency. Investment income for the year ending June 30, 2008 was \$74,091 compared to \$57,917 at June 30, 2007.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows - Direct Method

	For the year ended:	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating activities	\$ (8,726,439)	\$ (9,241,090)
Noncapital financing activities	11,230,805	9,914,848
Capital financing activities	(1,177,926)	65,900
Investing activities	<u>(581,435)</u>	<u>184,233</u>
Net Increase (Decrease) in Cash and Cash Equivalents	745,005	923,891
Cash and Cash Equivalents - Beginning of the Year	<u>6,361,300</u>	<u>5,437,409</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 7,106,305</u>	<u>\$ 6,361,300</u>

The major sources of funds included in operating activities include grants and contracts of \$17,188,056 and auxiliary enterprise revenues of \$886,838. The major uses of funds were payments of \$14,857,542 to employees, payments of \$9,119,180 to suppliers and payments of \$2,944,998 for scholarships. During the 2007 fiscal year, the major sources of funds included in operating activities include grants and contracts of \$14,230,547 and auxiliary enterprise revenues of \$871,889. The major uses of funds during the 2007 fiscal year were payments of \$13,767,833 to employees and payments of \$7,551,013 to suppliers and payments of \$2,423,989 for scholarships.

The largest inflow of cash for the 2008 fiscal year in the noncapital activities group is state appropriations of \$8,704,001 compared to \$7,413,183 for the 2007 fiscal year.

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Selected Financial Analyses

Current Ratio

	06/30/08	06/30/07	06/30/06
Current Assets	9,158,042	8,667,637	7,480,370
Current Liabilities	952,969	1,571,030	914,956
Current Ratio	9.61	5.52	8.18

Operational Income Excluding Depreciation

	06/30/08	06/30/07	06/30/06
Operating Revenues	18,339,063	15,261,195	15,029,762
Nonoperating Revenues	11,246,090	10,135,712	9,064,539
Less: Operating Expenses	(27,804,967)	(25,009,829)	(23,728,911)
Operational Income Including Depreciation	1,780,186	387,078	365,390
Depreciation Expense	903,542	839,047	789,310
Operational Income Excluding Depreciation	2,683,728	1,226,125	1,154,700

Cash Flows Before Capital Items

	06/30/08	06/30/07	06/30/06
Net Cash Used by Operations	(8,726,439)	(9,241,090)	(8,767,573)
Net Cash Provided by Non Capital Financing	11,230,805	9,914,848	9,189,739
Cash Flows Before Capital Items	2,504,366	673,758	422,166

Unrestricted Net Assets Excluding Property, Plant and Equipment and Debt

	06/30/08	06/30/07	06/30/06
Unrestricted Net Assets	30,382,663	29,468,176	21,930,947
Less: Property, Plant & Equipment	(24,386,046)	(22,985,238)	(17,306,248)
Add: Plant Related Debt	1,498,145	1,722,770	1,935,675
Unrestricted Net Assets Excluding Property, Plant and Equipment and Debt	7,494,762	8,205,708	6,560,374

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Selected Financial Analyses (Continued)

Change in Unrestricted Net Assets Excluding Property, Plant and Equipment and Debt

	06/30/08	06/30/07	06/30/06
Revenues			
Net Tuition	(112,596)	(154,463)	(32,703)
Federal Grants and Contracts	14,685,746	12,253,325	11,460,335
State Grants and Contracts	1,682,677	1,531,620	1,722,655
Nongovernmental Grants and Contracts	626,822	548,238	771,250
Sales and Services	29,747	24,873	27,400
Auxiliary Enterprises	825,852	823,679	754,923
Other Operating Revenues	600,815	233,923	325,902
State Appropriations	8,739,571	7,615,484	6,656,156
Local Appropriations	2,538,094	2,551,427	2,463,955
Investment Income	74,091	57,917	42,655
Capital Grants and Gifts	1,204,777	6,089,786	1,522,669
Other Additions	-0-	706,711	456,382
Total Revenues	30,895,596	32,282,520	26,171,579
Expenses			
Instruction	11,223,830	10,437,423	10,090,657
Academic Support	2,758,547	2,213,442	2,503,958
Student Services	3,292,525	3,100,471	2,435,975
Institutional Support	2,726,580	2,694,222	2,329,221
Operation of Plant	2,485,213	1,999,965	1,687,718
Student Aid	3,552,131	2,946,119	3,072,769
Auxiliary Enterprises	862,599	779,140	819,303
Depreciation	903,542	839,047	789,310
Interest Expense on Capital Debt	105,666	89,116	98,227
Other Deletions	313,610	-0-	-0-
Add: Capital Additions Net of Debt	2,687,232	6,415,570	1,911,082
Add: Reduction of Capital Debt	200,565	214,845	182,204
Less: Depreciation	(903,542)	(839,047)	(789,310)
Total Expenses	30,208,498	30,890,313	25,131,114
Change in Unrestricted Net Assets Excluding Property, Plant and Equipment and Debt	687,098	1,392,207	1,040,465

Coahoma Community College and Agricultural High School

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Significant Capital Asset Transactions

Appropriations from the Coahoma County Board of Supervisors, the State of Mississippi and the Title III HBCU Grant are funding the current construction of the Allied Health Training Facility, which will house the Associate Degree Nursing, Licensed Practical Nursing, Respiratory Care and other certificate of health programs. The Coahoma County Board of Supervisors has donated 4.25 acres to build this 25,900 square foot facility at an estimated cost of \$5,007,627.

In fiscal 2008, Title III HBCU grant funds totaling \$1,176,391 were forwarded to the Mississippi Office of Buildings, Grounds and Real Property Management to fund a structural analysis of Gambrell Hall, repairs to the Pinnacle and electrical utility upgrades.

The Marion Reid Gymnasium is currently being renovated at an estimated total cost of \$1,043,821; funding for this project was provided by the college's endowment fund. Repairs are currently being made to Whiteside Hall dormitory at an estimated total cost of \$909,062 and are being funded through the Title III HBCU grant.

In fiscal year 2008, funds appropriated through the State of Mississippi Office of Buildings, Grounds and Real Property Management funded repairs to the Sandy Bayou high school building at a total cost of \$437,876. Also in fiscal year 2008, a press box for the athletic field was completed and funded through local funds at a cost of \$183,559. Renovation of Friends Hall dormitory was completed in fiscal year 2007 and funded through state appropriations at a cost of \$1,477,900.

Factors Impacting Future Periods

There are a number of issues of importance community college-wide that directly impacted the fiscal year 2008 financial situation. The level of State support, compensation increases, student tuition and fee increases, insurance and energy cost increases impact the college's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

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

Various committees, partnerships and individuals are assessing the college and high school's performance toward identified goals and avenues to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting future challenges.

AUDITED FINANCIAL STATEMENTS

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 7,060,423
Accounts receivable, net	1,696,754
Inventories	<u>400,865</u>

Total current assets	<u>9,158,042</u>
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Noncurrent assets

Restricted cash and cash equivalents	45,882
Prepaid construction	1,322,178
Endowment investments	3,481,657
Student notes receivable, net	8,735
Capital assets, net of accumulated depreciation	<u>24,386,046</u>

Total noncurrent assets	<u>29,244,498</u>
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Total assets	<u><u>\$ 38,402,540</u></u>
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LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	\$ 614,123
Deferred revenues	62,427
Long-term liabilities - current portion	236,394
Other current liabilities	<u>40,025</u>

Total current liabilities	952,969
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Noncurrent liabilities

Long-term liabilities	<u>1,261,751</u>
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Total noncurrent liabilities	<u>1,261,751</u>
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Total liabilities	<u><u>\$ 2,214,720</u></u>
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The notes to the financial statements are an integral part of this statement.

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2008

NET ASSETS

Invested in capital assets, net of related debt	\$ 22,887,901
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Restricted for:

Nonexpendable:

Scholarships and fellowships	3,481,657
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Expendable:

Scholarships and fellowships	423,500
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Capital projects	1,900,000
------------------	-----------

Unrestricted:	<u>7,494,762</u>
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Total net assets	<u>36,187,820</u>
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Total liabilities and net assets	<u>\$ 38,402,540</u>
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The notes to the financial statements are an integral part of this statement.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

Operating revenues:		
Tuition and fees (net of scholarship allowances of \$4,012,543)	\$	(112,596)
Federal grants and contracts		14,685,746
State grants and contracts		1,682,677
Nongovernmental grants and contracts		626,822
Sales and services		29,747
Auxiliary enterprises:		
Student housing (net of scholarship allowances of \$287,643)		(8,072)
Food services (net of scholarship allowances of \$498,165)		(13,979)
Bookstore		824,145
Other auxiliary revenues		23,758
Other operating revenues		<u>600,815</u>
Total operating revenues		<u>18,339,063</u>
Operating expenses		
Salaries and wages		11,607,313
Fringe benefits		3,250,229
Travel		574,153
Contractual services		3,335,845
Utilities		883,247
Scholarships and fellowships		2,944,998
Commodities		4,305,640
Depreciation expense		<u>903,542</u>
Total operating expenses		<u>27,804,967</u>
Operating income (loss)		<u>(9,465,904)</u>

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

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

Nonoperating revenues (expenses)	
State appropriations	8,739,571
Local appropriations	2,538,094
Investment income	74,091
Interest expense on capital asset-related debt	<u>(105,666)</u>
Total nonoperating revenues (expenses)	<u>11,246,090</u>
Income (loss) before other revenues, expenses, gains and losses	<u>1,780,186</u>
Capital grants and gifts	1,204,777
Other additions (deletions), net	<u>(313,610)</u>
Change in net assets	2,671,353
Net assets:	
Net assets - beginning of year	<u>33,516,467</u>
Net assets - end of year	\$ <u><u>36,187,820</u></u>

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

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:

Tuition and fees	\$ 98,916
Grants and contracts	17,188,056
Sales and services of educational departments	29,747
Payments to suppliers	(9,119,180)
Payments to employees for salaries and benefits	(14,857,542)
Payments for utilities	(883,247)
Payments for scholarships and fellowships	(2,944,998)
Auxiliary enterprise charges:	
Student housing	22,475
Food services	38,925
Bookstore	824,155
Other auxiliary enterprises	23,758
Other receipts	<u>852,496</u>
Net cash used by operating activities	<u>(8,726,439)</u>

Cash flows from noncapital financing activities:

State appropriations	8,704,001
Local appropriations	<u>2,526,804</u>
Net cash provided by noncapital financing activities	<u>11,230,805</u>

Cash flows from capital and related financing activities:

Cash paid for capital assets	(2,076,472)
Capital grants and contracts received	1,204,777
Principal paid on capital debt and leases	(200,565)
Interest paid on capital debt and leases	<u>(105,666)</u>
Net cash used by capital and related financing activities	<u>(1,177,926)</u>

Cash flows from investing activities:

Proceeds from sales and maturities of investments	39,412
Interest received on investments	74,091
Purchases of investments	<u>(694,938)</u>
Net cash used by investing activities	<u>(581,435)</u>

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

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

Net increase (decrease) in cash and cash equivalents	<u>745,005</u>
Cash and cash equivalents - beginning of the year	<u>6,361,300</u>
Cash and cash equivalents - end of the year	\$ <u><u>7,106,305</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (9,465,904)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	903,542
Other	186,863
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	238,915
Inventories	41,224
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(685,219)
Deferred revenues	62,427
Deposits refundable	(1,258)
Other liabilities	<u>(7,029)</u>
Total adjustments	<u>739,465</u>
Net cash provided by operating activities	\$ <u><u>(8,726,439)</u></u>

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

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Coahoma Community College and Agricultural High School was founded in 1949 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Coahoma Community College and Agricultural High School is found in Section 37-29-31, Miss. Code Ann. (1972).

Coahoma Community College and Agricultural High School is governed by a 14-member board of trustees, selected by the board of supervisors of Bolivar, Coahoma, Quitman, Tallahatchie and Tunica 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, Coahoma Community College and Agricultural High School 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.

Coahoma Community College and Agricultural High School Foundation, Inc. (The Foundation) – The Foundation is a legally separate, tax-exempt nonprofit organization founded in 1981. The Foundation acts primarily as a fund raising and public relations organization to supplement the resources available to Coahoma Community College in support of its programs. The Foundation does not meet the significance requirement of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14, and, therefore, has not been incorporated into the financial statements and accompanying notes.

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 in June and November, 1999, respectively. Coahoma Community College and Agricultural High School now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college and high school's financial activities.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the institution 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 a contractual obligation to pay.

Cash Equivalents

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

Accounts Receivable, Net

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

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 on the average cost basis.

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are internally or externally restricted for specific purposes are classified as restricted cash and cash equivalents on the Statement of Net Assets.

Prepaid Construction

Prepaid construction includes payments to the Mississippi Office of Buildings, Grounds and Real Property Management and reflects construction costs that are applicable to a subsequent accounting period.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

Endowment Investments

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

The institution accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of Other Additions and Deletions on the Statement of Revenues, Expenses and Changes in Net Assets.

Student Notes Receivable, Net

Student notes receivable consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the Statement of Net Assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.

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 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.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Revenues

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year but relate to the subsequent accounting period.

Compensated Absences

Coahoma Community College and Agricultural High School does not provide for the accumulation of annual leave or major medical leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

Classification of Revenues

The college and high school has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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 No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, local appropriations and investment income.

State Appropriations

Coahoma Community College and Agricultural High School 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 is being phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special considerations given only to high cost programs.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 and high school obligations. Net assets invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$7,494,762 at June 30, 2008 includes \$400,865 reserved for inventories, and \$7,093,897 remaining for other purposes.

Note 2: Cash and Cash Equivalents and Investments

Cash and Cash Equivalents:

Policies:

The Coahoma Community College and Agricultural High School follows the practice of aggregating the cash assets of its various funds to maximize cash management efficiency and returns.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 2: Cash and Cash Equivalents and Investments (continued)

The collateral pledged for the college and high school's 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 and high school'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 those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

As of June 30, 2008, the total carrying value of the college and high school's deposits with financial institutions reported in all of its funds was \$7,106,305, which includes \$550 in petty cash.

Custodial Credit Risk – Deposits – Custodial credit risk is defined as risk that, in the event of the failure of a financial institution, the college and high school will not be able to recover deposits or collateral securities that are in the possession of an outside party. The college and high school does not have a formal deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the college and high school. Deposits above FDIC coverage are collateralized by the pledging institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the college and high school. As of June 30, 2008, none of the college and high school's bank balance of \$8,328,892 was exposed to custodial credit risk.

Investments:

Investment policies as set forth by board policy and by Section 37-101-15, Miss. Code Ann. (1972), authorizes the college and high school to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

As of June 30, 2008, Coahoma Community College and Agricultural High School held the investments shown in the table on the following page.

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2: Cash, Cash Equivalents and Investments (Continued)

<u>Investment Type</u>	<u>Maturity (Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Money Market Funds	< 1	\$ 28,181	Not Rated
Equity Securities	< 1	290,784	Not Rated
Mutual Funds	< 1	2,417,756	Not Rated
Debt Securities	0-25	<u>744,936</u>	AAA to BBB
Total Investments		<u>\$ 3,481,657</u>	

Interest Rate Risk – Interest rate risk is the risk that the college and high school may face should interest rate variances affect the fair value of its investments. Coahoma Community College and Agricultural High School 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 credit risk ratings listed above are based upon the standards set by Standard and Poor's or Moody's rating services. Coahoma Community College and Agricultural High School does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the college and high school will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Coahoma Community College and Agricultural High School does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, none of the \$3,481,657 investment balance was exposed to custodial credit risk since the investment company held all investments in the name of the college and high school.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 2: Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk – Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. Coahoma Community College and Agricultural High School does not have a formal investment policy that addresses concentration of credit risk. As of June 30, 2008, the college and high school did not have any investments requiring disclosure in accordance with the disclosure requirements described above.

Note 3: Accounts Receivable

Accounts receivable consisted of the following at June 30, 2008:

	Balance 6/30/08
Student tuition	\$ 2,865,913
Federal, state, and private grants and contracts	1,052,984
State appropriations	150,145
Local appropriations	51,418
Other	12,320
Total accounts receivable	4,132,780
Less: Allowance for doubtful accounts	(2,436,026)
Net accounts receivable	\$ 1,696,754

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4: Notes Receivable from Students

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the college. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the college at June 30, 2008:

	<u>Interest Rates</u>	<u>June 30, 2008</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Perkins student loans	3% to 9%	\$ 150,912	\$ -0-	\$ 150,912
Total notes receivable		150,912	-0-	150,912
Less: Allowance for doubtful accounts		(142,177)	-0-	(142,177)
Net notes receivable		\$ 8,735	\$ -0-	\$ 8,735

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5: Capital Assets

A summary of the college and high school's changes in capital assets for the year ended June 30, 2008, is presented as follows:

	Balance 07/01/07	Additions	Deletions	Adjustments	Balance 06/30/08
Nondepreciable capital assets					
Land	\$ 305,558	\$	\$	\$	\$ 305,558
Construction in progress	4,868,258	1,902,058	(183,559)	(45,491)	6,541,266
Total cost of nondepreciable capital assets	5,173,816	1,902,058	(183,559)	(45,491)	6,846,824
Depreciable capital assets					
Improvements other than buildings	1,511,659	183,559			1,695,218
Buildings	25,945,338			45,491	25,990,829
Equipment	2,604,394	379,565			2,983,959
Library books	933,883	24,547			958,430
Total depreciable capital assets	30,995,274	587,671		45,491	31,628,436
Less accumulated depreciation for:					
Improvements other than buildings	455,750	67,809			523,559
Buildings	9,736,485	607,791		1,820	10,346,096
Equipment	2,150,143	201,453			2,351,596
Library books	841,474	26,489			867,963
Total accumulated depreciation	13,183,852	903,542		1,820	14,089,214
Total depreciable capital assets - net	17,811,422	(315,871)		43,671	17,539,222
Total capital assets, net	\$ 22,985,238	\$ 1,586,187	\$ (183,559)	\$ (1,820)	\$ 24,386,046

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 5: Capital Assets (Continued)

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

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

Note 6: Long-term Liabilities

Long-term liabilities of the college and high school 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, 2008. The various leases cover a period not to exceed five years. The college and high school has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation.

Information regarding original issue amounts, interest rates, and maturity dates for bonds, notes, and capital leases included in the long-term liabilities balance at June 30, 2008, is listed in the schedule on the following page. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 6: Long-term Liabilities (Continued)

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Balance 07/01/07	Additions	Deletions	Balance 06/30/08	Current Portion
Bonded debt:								
Coahoma County Agricultural High School, State aid capital improvement bonds, Series 1998	\$ 541,000	5.00%	2018	\$ 367,000	\$ -0-	\$ 26,000	\$ 341,000	\$ 27,000
Total Bonded Debt				367,000	-0-	26,000	341,000	27,000
Notes payable:								
Education facilities notes, Series 1998	\$ 2,500,000	4.625%-6.10%	2013	1,230,000	-0-	180,000	1,050,000	190,000
Department of Environmental Quality State Revolving Fund Loan Program	\$ 318,144	4.00%	2014	125,770	-0-	18,625	107,145	19,394
Total notes payable				1,355,770	-0-	198,625	1,157,145	209,394
Other long-term liabilities:								
Deposits refundable				1,258	-0-	1,258	-0-	-0-
Total other long-term liabilities				1,258	-0-	1,258	-0-	-0-
Total				<u>\$ 1,724,028</u>	<u>\$ -0-</u>	<u>\$ 225,883</u>	<u>\$ 1,498,145</u>	<u>\$ 236,394</u>
Due within one year							236,394	
Total long-term liabilities							<u>\$ 1,261,751</u>	

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6: Long-term Liabilities (Continued)

Annual requirements to amortize outstanding long-term liabilities are as follows:

<u>Fiscal Year</u>	<u>Bonded Debt</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2009	27,000	209,394	72,807	309,201
2010	29,000	220,184	62,987	312,171
2011	30,000	231,006	52,075	313,081
2012	31,000	241,862	40,412	313,274
2013	33,000	252,753	27,980	313,733
2014-2018	191,000	1,946	29,557	222,503
Totals	\$ <u>341,000</u>	\$ <u>1,157,145</u>	\$ <u>285,818</u>	\$ <u>1,783,963</u>

Note 7: Operating Leases

Leased property under operating leases is composed of photocopiers. The following is a schedule by years of the future minimum rental payments required under those operating leases.

<u>Year Ending June 30:</u>	<u>Amount</u>
2009	37,108
2010	26,378
2011	819
Total minimum payments required	\$ <u>64,305</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ended June 30, 2008, was \$38,948.

Note 8: Natural Classifications with Functional Classifications

The table on the following page lists the institution's operating expenses by functional classification:

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8: Natural Classifications with Functional Classifications (Continued)

Year Ended June 30, 2008

Functional Classification	Natural Classification							
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation
Instruction	\$ 6,988,271	\$ 1,964,050	\$ 239,774	\$ 724,022	\$ -0-	\$ -0-	\$ 1,307,713	\$ -0-
Academic Support	1,172,748	310,966	201,173	657,447	-0-	-0-	416,213	-0-
Student Services	1,316,366	377,464	112,352	396,551	-0-	-0-	1,089,792	-0-
Institutional Support	1,379,443	346,803	17,046	372,043	-0-	-0-	611,245	-0-
Operation of Plant	561,916	179,742	2,846	583,918	883,247	-0-	273,544	-0-
Student Aid	-0-	-0-	-0-	-0-	-0-	2,944,998	607,133	-0-
Auxiliary Enterprises	188,569	71,204	962	601,864	-0-	-0-	-0-	-0-
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	903,542
Total Operating Expenses	\$ 11,607,313	\$ 3,250,229	\$ 574,153	\$ 3,335,845	\$ 883,247	\$ 2,944,998	\$ 4,305,640	\$ 903,542
								\$ 27,804,967

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 9: Construction Commitments and Financing

Coahoma Community College and Agricultural High School has contracted for various construction projects as of June 30, 2008. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

<u>Project</u>	<u>Total Costs to Complete</u>	<u>State Sources</u>	<u>Other Sources</u>
Allied Health Building	\$ 5,007,627	\$ 765,000	\$ 4,242,627
Whiteside Hall Repairs	959,359	959,359	-0-
Reid Gym Renovations	1,043,821	43,821	1,000,000
Totals	<u>\$ 7,010,807</u>	<u>\$ 1,768,180</u>	<u>\$ 5,242,627</u>

Note 10: Pension Plan

Plan Description. Coahoma Community College and Agricultural High School contributes to 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees' Retirement System of Mississippi, 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 institution's rate for the fiscal year ending June 30, 2008 was 11.85% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 2008, 2007, and 2006, were \$1,221,299, \$1,070,167 and \$999,284, respectively, which equaled the required contributions for each year.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 11: Insurance Recoveries

Coahoma Community College and Agricultural High School received insurance recoveries in the amount of \$225,000 during the year as a result of a claim filed for wind damage to Coahoma Agricultural High School. This amount is included as a component of Other Operating Revenues in the Statement of Revenues, Expenses and Changes in Net Assets.

Note 12: Contingencies

Federal Grants – Coahoma Community College and Agricultural High School has received federal grants for specific purposes that are subject to audit by grantor agencies. Entitlements to those resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the college and high school.

Litigation – The institution is a party to various legal proceedings, which occurred in the normal course of its operations. It is not possible at the present time to estimate the outcome or liability, if any, of the institution with respect to the various proceedings. However, the institution's legal counsel believes the ultimate outcome from these proceedings will not have a material adverse effect on the financial condition of the institution.

Note 13: Risk Management

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

Note 14: Subsequent Events

There have been no events subsequent to June 30, 2008, which would materially affect the financial statements as presented.

SUPPLEMENTAL INFORMATION

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Pass-through Programs From:		
Mississippi Department of Education - School Breakfast Program	10.553	\$ 39,730
Mississippi Department of Education - National School Lunch Program	10.555	115,238
Total Child Nutrition Cluster		154,968
Total U.S. Department of Agriculture		154,968
<u>U.S. Department of Justice</u>		
Public Safety Partnership and Community Policing Grants	16.710	87,951
Pass-through Programs From:		
Mississippi Department of Public Safety - Juvenile Accountability Block Grants	16.523	7,877
Total U.S. Department of Justice		95,828
<u>U.S. Department of Labor</u>		
WIA Pilots, Demonstrations, and Research Projects - Mississippi Delta Rural Healthcare Training Partnership	17.261	819,825
WIA Cluster:		
Pass-through Programs From:		
Delta Workforce Investment Area - WIA Adult Program	17.258	38,515
Delta Workforce Investment Area - WIA Youth Activities	17.259	272,931
South Delta Planning and Development District - WIA Dislocated Workers	17.260	38,515
Total WIA Cluster		349,961
Total U.S. Department of Labor		1,169,786

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>National Aeronautics and Space Administration</u>		
Pass-through Programs From:		
University of Mississippi - Aerospace Education Services Program	43.001	3,141
Total National Aeronautics and Space Administration		3,141
<u>National Endowment for the Humanities</u>		
Pass-through Programs From:		
Mississippi Humanities Council - Promotion of the Humanities - Federal/State Partnership	45.129	5,000
Total National Endowment for the Humanities		5,000
<u>U.S. Department of Education</u>		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	258,419
Federal Work-Study Program (FWS)	84.033	284,518
Federal Pell Grant Program (PELL)	84.063	6,990,423
Academic Competitiveness Grants (ACG)	84.375	45,900
Total Student Financial Aid Cluster		7,579,260
TRIO Cluster:		
TRIO - Talent Search	84.044	232,176
TRIO - Upward Bound	84.047	227,409
Total TRIO Cluster		459,585
Higher Education - Institutional Aid	84.031	3,140,715
Career and Technical Education - Basic Grants to States	84.048	257,358
Tech-Prep Education	84.243	50,120
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	758,784
Rural Education	84.358	5,391

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Pass-through Programs From:		
Mississippi State Board for Community and Junior Colleges - Adult Education - Basic Grants to States	84.002	126,471
Mississippi Department of Education - Title I Grants to Local Educational Agencies	84.010	168,303
Mississippi Department of Education - Special Education - Grants to States	84.027	53,355
Mississippi Post-Secondary Education Financial Assistance Board - Leveraging Educational Assistance Partnership (LEAP)	84.069	2,441
Mississippi Department of Education - Safe and Drug- Free Schools and Communities - State Grants	84.186	1,114
West Tallahatchie School District - Twenty-First Century Community Learning Centers	84.287	70,299
Mississippi Department of Education - State Grants for Innovative Programs	84.298	308
Mississippi Department of Education - Education Technology State Grants	84.318	3,549
Mississippi Department of Education - Improving Teacher Quality State Grants	84.367	31,489
Total U.S. Department of Education		<u>12,708,542</u>
<u>U. S. Department of Health and Human Services</u>		
Pass-through Programs From:		
Mississippi Department of Human Services - Temporary Assistance for Needy Families (TANF)	93.558	184,585
Total U. S. Department of Health and Human Services		<u>184,585</u>
Total Expenditures of Federal Awards		<u><u>\$ 14,321,850</u></u>

Notes to 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 general purpose financial statements.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the President and Board of Trustees
Coahoma Community College and Agricultural High School
Clarksdale, Mississippi 38614

We have audited the financial statements of the business-type activities of Coahoma Community College and Agricultural High School as of and for the year ended June 30, 2008, as listed in the table of contents and have issued our report thereon dated April 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the college and high school'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 and high school's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college and high school's internal control over financial reporting.

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2008-1 to 2008-5 to be significant deficiencies in internal control over financial reporting.

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 and high school's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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. However, of the significant deficiencies described above, we consider Finding 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the college and high school'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 are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to the management of the college and high school in a separate letter dated April 23, 2009, which is included in this report.

The college and high school's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the college and high school's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the college and high school's board 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 specified parties. However, this report is a matter of public record and its distribution is not limited.

Tupelo, Mississippi
April 23, 2009

J E Vance + Company

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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

To the President and Board of Trustees
Coahoma Community College and Agricultural High School
Clarksdale, Mississippi 38614

Compliance

We have audited the compliance of Coahoma Community College and Agricultural High School 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, 2008. The college and high school'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 and high school's management. Our responsibility is to express an opinion on the college and high school'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 and high school'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 and high school's compliance with those requirements.

In our opinion, Coahoma Community College and Agricultural High School 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, 2008.

Internal Control Over Compliance

The management of the Coahoma Community College and Agricultural High School 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 and high school'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 and high school'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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the 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 the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-6 to 2008-8 to be significant deficiencies.

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 any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The college and high school's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the college and high school's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the college and high school board 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.

Tupelo, Mississippi
April 23, 2009

J E Vance + Company

J.E. VANCE & COMPANY, P.A.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the President and Board of Trustees
Coahoma Community College and Agricultural High School
Clarksdale, Mississippi 38614

We have audited the financial statements of the business-type activities of Coahoma Community College and Agricultural High School as of and for the year ended June 30, 2008, and have issued our report thereon dated April 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other 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 performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding – Compliance Requirement: Public Employees' Retirement System, Miss. Code Ann. (1972), § 25-11-127.

Condition – During our review of the state legal compliance requirements for the Public Employees' Retirement System we noted that the authorized full-time salary and the salary to be earned for the fiscal year were incorrectly reported on PERS Form 4B for one re-employed retiree.

Recommendation – The college and high school should initiate procedures that will help ensure compliance with the state legal requirements for the Public Employees' Retirement System, which requires proper reporting of re-employed retirees.

Response – The college and high school has established procedures to review the accuracy of the salary reported on PERS Form 4B for re-employed retirees at the time the retiree signs their employment contract or has returned their letter of intent at the beginning of each fiscal year.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

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

Tupelo, Mississippi
April 23, 2009

J. E. Vance & Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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? | Yes |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major 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? | Yes |
| 6. Any audit finding(s) reported as required by Section ____ .510(a) of OMB Circular A-133? | Yes |
| 7. Federal programs identified as major programs: | |
| a. Student Financial Assistance Cluster: | |
| CFDA 84.007 | |
| CFDA 84.033 | |
| CFDA 84.063 | |
| CFDA 84.375 | |
| b. TRIO Cluster: | |
| CFDA 84.044 | |
| CFDA 84.047 | |
| c. WIA Pilots, Demonstrations and Research Projects | |
| CFDA 17.261 | |
| d. Higher Education – Institutional Aid | |
| CFDA 84.031 | |
| e. Gaining Early Awareness and Readiness for Undergraduate Programs | |
| CFDA 84.334 | |

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

- | | |
|---|-----------|
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$429,656 |
| 9. Auditee qualified as 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

Significant Deficiency/Material Weakness

2008-1 Finding

Management of the college and high school is responsible for establishing an effective internal control system to ensure accurate and timely preparation of its financial statements, including the notes related to those financial statements. However, as part of our audit, management requested us to prepare the college and high school's financial statements and the related notes. Generally accepted accounting principles require management to accept responsibility for those financial statements and the related notes. Accordingly, management has reviewed, approved and accepted responsibility for the financial statements and the related notes prior to their issuance. Since generally accepted auditing standards preclude external auditors from being a part of an entity's internal control structure, the foregoing circumstances represent a weakness in the controls surrounding the preparation of the entity's financial statements. The absence of management preparation of the financial statements and the related notes creates the potential that a misstatement could occur in them and not be prevented or detected by the entity's internal control system.

Recommendation

For future audit periods, the management of the college and high school should prepare the entity's financial statements, including the notes related to those financial statements, in accordance with generally accepted accounting principles and make the financial statements and the related notes available to the auditor upon the commencement of audit field work.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings (continued)

Significant Deficiency Not Considered To Be Material Weakness

2008-2 Finding

Management of the college and high school is responsible for establishing an effective internal control system to ensure strong financial accountability and safeguarding of capital assets. A critical aspect of effective financial management and accountability of capital assets is the maintenance of accurate accounting records. During our review of the college and high school's capital equipment totaling \$2,351,596, we noted that one of the eleven assets selected to verify the physical existence of recorded assets had been traded for a similar asset; the trade was not reported or recorded. The original cost of the asset traded was \$21,550. An audit adjustment was made and approved by management to remove this asset from the accounting records. Improper recording of capital equipment affects the total cost of capital assets, along with the related depreciation expense, reported under the requirements of Governmental Accounting Standards Board Statements No. 34 and 35. This situation represents a weakness in the controls surrounding the accountability and valuation of the college and high school's capital assets. This weakness, if not corrected, could allow capital assets to be misappropriated and/or cause the financial statements to be misstated.

Recommendation

The college and high school should initiate procedures to help ensure that all capital asset disposals are properly recorded. All capital assets recorded in the accounting records should be physically inspected annually to verify their existence and location.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings (continued)

Significant Deficiency Not Considered To Be Material Weakness

2008-3 Finding

Management of the college and high school is responsible for establishing an effective internal control system to ensure strong financial accountability and safeguarding of capital assets. A critical aspect of effective financial management and accountability of capital assets is the maintenance of accurate accounting records. During our review of the college and high school's capital equipment totaling \$2,351,596, we noted that one of the eleven assets selected to verify the physical existence of recorded assets could not be located. The original cost of the unlocated asset was \$11,000. An audit adjustment was made and approved by management to remove this asset from the accounting records. Improper recording of capital equipment affects the total cost of capital assets, along with the related depreciation expense, reported under the requirements of Governmental Accounting Standards Board Statements No. 34 and 35. This situation represents a weakness in the controls surrounding the accountability and valuation of the college and high school's capital assets. This weakness, if not corrected, could allow capital assets to be misappropriated and/or cause the financial statements to be misstated.

Recommendation

The college and high school should initiate procedures to help verify the existence and location of all capital assets. All capital assets recorded in the accounting records should be physically inspected annually to verify their existence and location.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings (continued)

Significant Deficiency Not Considered To Be Material Weakness

2008-4 Finding

Management of the college and high school is responsible for establishing an effective internal control system to ensure strong financial accountability and safeguarding of capital assets. A critical aspect of effective financial management and accountability of capital assets is the maintenance of accurate accounting records. During our review of the college and high school's capital equipment totaling \$2,351,596, we noted that one of the eleven assets selected to verify the completeness of accounting records could not be located on the college and high school's depreciation schedule. We subsequently identified two additional assets purchased during the year that also were not included on the depreciation schedule. The total cost of these three assets was \$106,754. An audit adjustment was made and approved by management to add these assets to the accounting records. Improper recording of capital equipment affects the total cost of capital assets, along with the related depreciation expense, reported under the requirements of Governmental Accounting Standards Board Statements No. 34 and 35. This situation represents a weakness in the controls surrounding the accountability and valuation of the college and high school's capital assets. This weakness, if not corrected, could allow capital assets to be misappropriated and/or cause the financial statements to be misstated.

Recommendation

The college and high school should initiate procedures to help ensure that all capital assets requiring depreciation are properly recorded on the depreciation schedule by comparing all asset acquisitions for the year to the entity's depreciation schedule; GASB thresholds should be used to determine whether or not inclusion is appropriate.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings (continued)

Significant Deficiency Not Considered To Be Material Weakness

2008-5 Finding

Management of the college is responsible for establishing an effective internal control system to ensure that only eligible students receive financial aid in the form of institutional scholarships. The 2007-2009 Coahoma Community College catalog outlines the college's scholarship policies for institutional scholarships on pages 41 and 42. During our review of financial aid, we noted that seventeen of the forty students selected for review received one or more institutional scholarships. Of these seventeen students, we noted one student who received a band scholarship for one semester but was not making satisfactory academic progress as defined in the college's scholarship policies resulting in a payment of \$460 to this ineligible student. This situation represents a weakness in the controls surrounding the college's scholarship policies. This weakness, if not corrected, could cause ineligible students to receive institutional scholarship funds.

Recommendation

The college should initiate procedures to help ensure compliance with the college's scholarship requirements, which require that scholarship funds be disbursed to students only when they are making satisfactory academic progress as defined in the college's catalog.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency/Immaterial Weakness/Immaterial Noncompliance

2008-6 Student Financial Aid Cluster – Expenditures

Program: Federal Work-Study Program, CFDA Number 84.033, Department of Education, Award Number P033A072232

Compliance Requirement: Allowable Costs/Cost Principles

Finding

Management of the college is responsible for establishing an effective internal control system to ensure that work-study students receive the amount of financial aid to which they are entitled. Title 34 CFR 675.16 (a) (10) requires that regardless of who employs the student, the institution is responsible for ensuring that the student is paid for work performed. Additionally, Title 34 CFR 675.16 (a) (11) states that student's Federal Work Study compensation is earned when the student performs the work. During our review of the Federal Work-Study Program, we noted that one of the ten students selected for review was underpaid by \$30.80 for the work performed during one month of the student's contract. This situation represents a weakness in the controls surrounding the Allowable Costs/Cost Principles requirements of this federal program. This weakness, if not corrected, could cause students to receive improper payments for the number of hours worked.

Recommendation

The college should initiate procedures that would require verification of the student's pay entitlement and scheduled payment for each period that the student is employed before the payment is disbursed to the student.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 3: Federal Award Findings and Questioned Costs (continued)

Significant Deficiency/Immaterial Weakness/Immaterial Noncompliance

2008-7 Student Financial Aid Cluster – Expenditures

Program: Federal Pell Grant Program, CFDA Number 84.063, Department of Education, Award Number P063071698

Compliance Requirement: Allowable Costs/Cost Principles

Finding

Management of the college is responsible for establishing an effective internal control system to ensure that students receive only the amount of financial aid, in the form of Pell Grants, to which they are entitled. Title 34 CFR 690.62 (a) requires Pell Grant payments to students to be based upon the payment and disbursement schedule published annually by the Secretary of Education. Additionally, Title 34 CFR 690.63 (b) requires Pell Grant payments to students to be based upon the student's enrollment status for the term enrolled. During our review of the Federal Pell Grant Program, we noted that one of the forty students selected for review had received payment as a full-time student for one semester but the student was only enrolled three-quarter-time for that semester resulting in a \$538 overpayment for the semester. This situation represents a weakness in the controls surrounding the Allowable Costs/Cost Principles requirements of this federal program. This weakness, if not corrected, could cause students to receive payments in excess of prescribed allowable amounts.

Recommendation

The college should initiate procedures that would require verification of the student's enrollment status and scheduled Pell Grant payment for each term before the payment is disbursed to the student.

**COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

Section 3: Federal Award Findings and Questioned Costs (continued)

Significant Deficiency/Immaterial Weakness/Immaterial Noncompliance

2008-8 Student Financial Aid Cluster – Expenditures

Program: Academic Competitiveness Grant Program, CFDA Number 84.375,
Department of Education, Award Number P375A71698

Compliance Requirement: Allowable Costs/Cost Principles

Finding

Management of the college is responsible for establishing an effective internal control system to ensure that only eligible students receive financial aid in the form of Academic Competitiveness Grants. Title 34 CFR 691.15 (b) (iii) (D) requires the student to have obtained a grade point average (GPA) of 3.0 or higher on a 4.0 scale, or the numeric equivalent, consistent with other institutional measures for academic and title IV, HEA program purposes for the first academic year of his or her eligible program to be eligible to receive the grant in their second academic year. During our review of the financial aid, we noted that three of the forty students reviewed were eligible for participation in the Academic Competitiveness Grant Program. Two of the three students reviewed were second year students. We noted that both second year students received Academic Competitiveness Grant payments but did not meet the prescribed eligibility criteria, as described above, for second year payments resulting in overpayments totaling \$2,050. This situation represents a weakness in the controls surrounding the Allowable Costs/Cost Principles requirements for this federal program. This weakness, if not corrected, could cause students to receive payments in excess of prescribed allowable amounts.

Recommendation

The college should initiate procedures that would require verification of the student's eligibility and scheduled payment for each term before payment is disbursed to the student.

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL

3240 Friars Point Road
Clarksdale, Mississippi 38614-9799
662-627-2571



Auditee's Corrective Action Plan For the Year Ended June 30, 2008

As required by Section __.315 (b) of OMB Circular A-133, Coahoma Community College and Agricultural High School 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, 2008:

Finding Corrective Action Plan Details

2008-1 Name of Contact Person Responsible for Corrective Action:

Deborah S. McNeal, (662) 621-4124

Corrective Action Planned:

Due to timing and conversion issues associated with the implementation of the college's new administrative and accounting software, the college requested assistance with preparation of the college and high school's financial statements. In accordance with generally accepted accounting principles, management has implemented procedures and timelines to prepare its own financial statements and the related notes for future audits.

Anticipated Completion Date:

June 30, 2009

2008-2 Name of Contact Person Responsible for Corrective Action:

Damandrick Taylor, Inventory Control, (662) 621-4084

Corrective Action Planned:

Based upon the findings relating to the college and high school's capital asset disposal and replacement procedures, the institution has implemented procedures requiring proper documentation for the disposal and/or replacement of capital assets. All capital assets recorded in the accounting records will be physically inspected on an annual basis.

Anticipated Completion Date:

April 1, 2009

Finding Corrective Action Plan Details

2008-3 Name of Contact Person Responsible for Corrective Action:

Damandrick Taylor, Inventory Control, (662) 621-4084

Corrective Action Planned:

The institution has implemented procedures to properly record the arrival and delivery of capital assets. All capital assets recorded in the accounting records will be physically inspected on an annual basis.

Anticipated Completion Date:

April 1, 2009

2008-4 Name of Contact Person Responsible for Corrective Action:

Deborah S. McNeal, Director of Fiscal Affairs, (662) 621-4124

Corrective Action Planned:

The college has implemented procedures to review and reconcile all capital asset acquisitions with the depreciation schedule on a monthly basis, adding any newly acquired assets requiring depreciation to the schedule upon acquisition.

Anticipated Completion Date:

June 30, 2009

2008-5 Name of Contact Person Responsible for Corrective Action:

William Harrison, III, Band Director, (662) 621-4147

Corrective Action Planned:

The Department of Fine Arts has implemented procedures to review all students receiving band and choir scholarships at the end of each semester to ensure compliance with the satisfactory academic progress policy as defined in the college catalog.

Anticipated Completion Date:

August 1, 2009

Finding Corrective Action Plan Details

2008-6 Name of Contact Person Responsible for Corrective Action:

Patricia A. Brooks, Director of Financial Aid, (662) 624-4168

Correction Action Planned:

Procedures have been implemented to ensure time sheets are verified by the Financial Aid Office prior to disbursement of payments to students.

Anticipated Completion Date:

June 1, 2009

2008-7 Name of Contact Person Responsible for Corrective Action:

Patricia A. Brooks

Correction Action Planned:

Procedures have been implemented to verify student enrollment information and provide evidence to substantiate the number of enrollment hours used to determine each student's enrollment status for purpose of calculating the amount of financial aid to be awarded to the student before payment is disbursed to the student.

Anticipated Completion Date:

June 1, 2009

2008-8 Name of Contact Person Responsible for Corrective Action:

Patricia A. Brooks, Director of Financial Aid, (662) 621-4124

Correction Action Planned:

Procedures have been implemented to ensure the Registrar's Office verifies students' ACG eligibility prior to the Financial Aid Office awarding grants to students.

Anticipated Completion Date:

June 1, 2009

COAHOMA COMMUNITY COLLEGE AND AGRICULTURAL HIGH SCHOOL

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Summary Schedule of Prior Audit Findings For the Year Ending June 30, 2007

As required by Section __.315 (b) of OMB Circular A-133, Community College has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2007:

<u>Finding</u>	<u>Status</u>
2007-1	Corrective action taken. In order to strengthen our control over deleting, trading and relocating equipment, employees have been advised of the importance of completing the asset deletion/relocation form correctly and on a timely basis. Procedures have been put in place to verify the accuracy of inventory records when equipment is disposed or traded or when equipment leases expire and a new lease contract is initiated.
2007-02	Corrective action taken. Reimbursement requests for federal grants and contracts are submitted on a monthly basis following board approval and payment of claims. Procedures have been implemented to perform a quarterly review of each month's expenditures and request for funds to ensure accuracy and completeness and to reconcile any adjustments made after the monthly drawdown.
2007-03	Corrective action taken. The college has strengthened procedures to ensure that all invoices are stamped paid upon payment.
2007-04	Corrective action taken. The college has implemented procedures to review, at the end of each semester, all students receiving academic scholarships to ensure compliance with the satisfactory academic progress policy as defined in the college catalog.