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**COPIAH - LINCOLN
COMMUNITY COLLEGE**
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

Copiah - Lincoln Community College
TABLE OF CONTENTS

PAGE #

FINANCIAL AUDIT REPORT

Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	4
Management's Discussion and Analysis	6

FINANCIAL STATEMENTS

Statement of Net Assets	19
Statement of Financial Position - Copiah - Lincoln Community College Foundation, Inc.	20
Statement of Revenues, Expenses and Changes in Net Assets	21
Statement of Activities - Copiah - Lincoln Community College Foundation, Inc.	22
Statement of Cash Flows	23
Statement of Cash Flows - Copiah - Lincoln Community College Foundation, Inc.	25
Notes to the Financial Statements	26
Notes to the Financial Statements - Copiah - Lincoln Community College Foundation, Inc.	38

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards	45
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REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	49
Independent Auditor's Report on Compliance with State Laws and Regulations	51
Schedule of Findings and Questioned Costs	53
Auditee's Corrective Action Plan	57
Auditee's Summary Schedule of Prior Audit Findings	60

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited the accompanying financial statements of the business-type activities of the Copiah - Lincoln Community College as of and for the year ended June 30, 2008, which collectively comprise the Copiah - Lincoln Community College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Copiah - Lincoln Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Copiah - Lincoln Community College Foundation, Inc., a discretely presented component unit of the college, which statements reflect total assets of \$4,256,263 as of June 30, 2008, and total revenues of \$177,592 for the year then ended. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component unit is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Copiah - Lincoln Community College Foundation, Inc., which were audited by another auditor upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and discretely presented component unit of Copiah - Lincoln Community College, 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 August 27, 2010 on our consideration of the Copiah - Lincoln Community College'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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copley - Lincoln Community College's basic financial statements. The accompanying 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 supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, P.C.
August 27, 2010

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

This section of the Copiah Lincoln Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2008 (with comparative financial data for the year ended June 30, 2007). This discussion and analysis has been prepared by management and it focuses primary on the operation of the College. The College's foundation, Copiah Lincoln Community College Foundation, issues separately audited financial statements which can be obtained directly from the Foundation's administrative office.

Using the Annual Report

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

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

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

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

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007	Increase (Decrease)
Current Assets	4,396,259	\$ 3,440,690	955,569
Noncurrent Assets:			
Capital, Net	35,047,197	31,387,809	3,659,388
Total Assets	39,443,456	34,828,499	4,614,955
Liabilities			
Current Liabilities	2,926,676	3,161,740	(235,066)
Noncurrent Liabilities	6,996,414	5,178,705	1,817,709
Total Liabilities	9,923,090	8,340,445	1,582,643
Net Assets			
Invested in Capital Assets, Net	27,094,421	25,130,051	1,964,370
Restricted:			
Expendable-Capital Projects	604,408	604,408	0
Expendable-Debt service	29,144	29,144	0
Expendable-Other Purposes	0	0	0
Unrestricted	1,792,393	724,451	1,067,942
Total Net Assets	\$ 29,520,366	\$ 26,488,054	\$ 3,032,312

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts and various petty cash accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$1,764,855 at June 30, 2008, representing a \$1,456,610 increase in cash and cash equivalent compared to the June 30, 2007 cash and cash equivalents balance.

Short Term Investments

There were no short term investments at June 30, 2008 which represented no change from the previous year.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$1,977,674 at June 30, 2008. Accounts receivable decreased by \$576,596 from the previous year.

Inventories

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, golf supplies, and food service supplies make up the majority of the resale inventory. Inventories maintained for internal departmental use include office and copier supplies which make up the balance of the recorded inventory. Inventories totaled \$497,153 at June 30, 2008, representing a \$67,536 increase in inventories compared to the June 30, 2007 inventories balance.

Prepaid Expenses

Prepaid expenses consist of transactions such as membership renewal, maintenance agreements, and other payments for the 2009 Fiscal Year but required payment to vendors before July 1, 2008. Prepaid expenses totaled \$156,577 at June 30, 2008, representing a \$8,019 increase in prepaid expenses compared to the June 30, 2007 prepaid expense balance.

Noncurrent Assets

Cash and Cash Equivalents

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered noncurrent are cash in restricted funds. The amount of cash and cash equivalents considered noncurrent at June 30, 2008 totaled \$17,799 representing a \$801 decrease in cash and cash equivalents compared to the June 30, 2007 cash and cash equivalent balance.

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 \$35,029,398 at June 30, 2008, representing a \$3,660,189 increase in net capital assets compared to the June 30, 2007 net capital asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

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. The accounts payable and accrued liabilities totaled \$1,530,994 at June 30, 2008 representing a \$146,861 decrease in accounts payable and accrued liabilities compared to the June 30, 2007 accounts payable and accrued liabilities balance.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but is actually revenue that will be recorded in the College's 2009 Fiscal Year. The deferred revenues totaled \$103,842 at June 30, 2008, representing a \$27,645 decrease in deferred revenue compared to the June 30, 2007 deferred revenue balance.

Accrued Leave Liabilities

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2008. The amount of the current portion of compensated absences at June 30, 2008 was \$122,348, representing a \$12,346 decrease in accrued leave liabilities compared to the June 30, 2007 accrued leave liabilities balances.

Housing Deposits

Housing deposits represents funds belonging to individuals for which the college requires in order to secure housing on campus. The current portion of these deposits at June 30, 2008 was \$26,692 representing a \$10,521 increase in housing deposits (current portion) compared to the June 30, 2007 housing deposits balances.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of the bonds payable and obligations under capital lease that would be payable by the end of the June 30, 2008 Fiscal Year. The amount at June 30, 2008 was \$1,033,200, representing a \$84,586 decrease in the current portion of long-term liabilities compared to the June 30, 2007 long-term liabilities (current portion) balance.

Other Current Liabilities

Other Current Liabilities represents the balances due depositors such as clubs and campus organizations at the end of June 30, 2008. This amount at June 30, 2008 was \$109,600 representing a \$25,853 increase in other current liabilities compared to the June 30, 2007 balance.

Noncurrent Liabilities

Deposits Refundable

Deposits Refundable represents the balances due students for housing deposits at the end of June 30, 2008. This amount at June 30, 2008 was \$94,637 representing a \$37,303 increase in deposits refundable compared to the June 30, 2007 deposits refundable balance.

Long-Term Liabilities

This liability consists of the noncurrent portion of the bonds payable balances at the end of June 30, 2008. The total amount of the noncurrent portion of bonds payable was \$4,035,000 at June 30, 2008 representing a \$830,000 decrease in the long-term liabilities compared to the June 30, 2007 long-term liabilities balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Other Noncurrent Liabilities

This liability consists of obligations under capital lease balances at the end of June 30, 2008. The total amount of other noncurrent liabilities was \$2,866,777 at June 30, 2008 representing a \$2,610,406 increase compared to the June 30, 2007 other noncurrent liabilities balance.

Net Assets

Net Assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2008 were \$29,520,366 representing a \$3,032,312 increase in net assets compared to the June 30, 2007 net assets balance.

Analysis of Net Assets

The concept of fund balance is no longer appropriate for financial statement presentation and the term net assets replaces fund balances.

The following is a breakdown of net capital assets:

	June 30, 2008	June 30 2007	Increase (Decrease)
Capital Assets, Net of Accumulated Depreciation	\$ 35,029,398	\$31,369,209	\$3,660,189
Long-Term Liabilities-Current	(1,033,200)	(1,117,786)	(84,586)
Long-Term Liabilities-Noncurrent	(4,035,000)	(4,865,000)	(830,000)
Other Liabilities-Noncurrent	<u>(2,866,777)</u>	<u>(256,371)</u>	<u>2,610,406</u>
Net Capital Assets	\$ 27,094,421	\$ 25,130,052	\$1,964,370

Restricted expendable net assets consist of funds with specific restrictions and grants from third party agencies with expenditure restrictions.

The following is a breakdown of the restricted net assets:

	June 30, 2008	June 30, 2007	Increase (Decrease)
Debt Service	\$ 29,144	\$29,144	\$ 0
Capital Projects	604,408	604,408	0
Other Grants and Contracts	<u>0</u>	<u>0</u>	<u>0</u>
Total Restricted Net Assets	\$633,552	\$633,552	\$ 0

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. Total unrestricted net assets at June 30, 2008 were \$1,792,393 representing a \$1,067,942 increase in unrestricted net assets compared to the June 30, 2007 unrestricted net asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

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

Operating Revenues:	June 30, 2008	June 30, 2007	Increase (Decrease)
Tuition and Fees	\$ 3,796,868	\$ 3,407,315	\$ 389,553
Grants and Contracts	14,433,009	12,322,810	2,110,199
Auxiliary Enterprises	2,872,093	2,585,239	286,854
Other Operating Revenues	496,240	242,095	254,145
 Total Operating Revenues	 21,598,210	 18,557,459	 3,040,751
Operating Expenses	(33,876,526)	(29,456,210)	4,420,316
 Operating Loss	 (12,278,316)	 (10,898,751)	 1,379,565
Non-operating Revenues:			
State Appropriations	11,418,859	8,460,448	2,958,411
Local Appropriations	4,156,960	4,273,147	(116,187)
Fees on Bonds Issuance	-0-	-0-	-0-
Loss on Disposal of Capital Assets	-0-	-0-	-0-
Proceeds from Sale of Assets	205	6,351	(6,146)
Interest Income	54,452	3,721	50,731
Interest Expense on Capital Debt	(319,848)	(256,512)	(63,336)
 Net Non-operating Revenues	 15,310,628	 12,487,155	 2,823,473
Net Increase (Decrease) in Net Assets	3,032,312	1,588,404	1,443,908
 Net Assets:			
 Net Assets at Beginning of Year	 26,488,054	 24,899,650	 1,588,404
 Net Assets at End of Year	 <u>\$ 29,520,366</u>	 <u>\$ 26,488,054</u>	 3,032,312

Total operating loss for the Fiscal Year 2008 was \$12,278,316. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College shows a significant operating loss.

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

Total operating revenues for Fiscal Year 2008 were \$21,598,210 which was a \$3,040,751 increase over Fiscal Year 2007. Tuition and fees were \$3,796,868. Operating expenses, including depreciation of \$1,245,636, totaled \$33,876,526. Of this total \$12,512,949 or 36.94% was for instruction, \$812,496 or 2.40% for academic support, \$2,967,241 or 8.76% for student services, \$5,438,749 or 16.05% for institutional support, \$3,647,293 or 10.77% for physical plant operations, \$3,941,601 or 11.64% for auxiliary enterprises, \$3,310,561 or 9.77% for student aid, and \$1,245,636 or 3.68% for depreciation.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,796,868 representing a \$389,553 increase in tuition and fees compared to June 30, 2007. The college does not offer tuition discounting.

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Revenues from grants and contracts totaled \$14,433,009 representing a \$2,110,199 increase compared to the grants and contracts for June 30, 2007.

Auxiliary Enterprises

Auxiliary Enterprises consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The college's auxiliary enterprises are food service, student and faculty housing, bookstore, and the golf course. Revenues from auxiliary enterprises totaled \$2,872,093 for June 30, 2008 representing a \$286,854 increase compared auxiliary enterprises at June 30, 2007.

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$496,240 for the 2008 Fiscal Year, representing a \$254,145 increase in other revenues compared to June 30, 2007.

Operating Expenses

Operating expenses **totaling** \$33,876,526 include salaries **and** benefits of \$18,586,787; **scholarships and** fellowships of \$3,310,561; utilities of \$1,134,087; commodities of \$6,348,584; services of \$2,700,056; travel of \$550,815; **and** depreciation of \$1,245,636.

COPIAH LINCOLN COMMUNITY COLLEGE

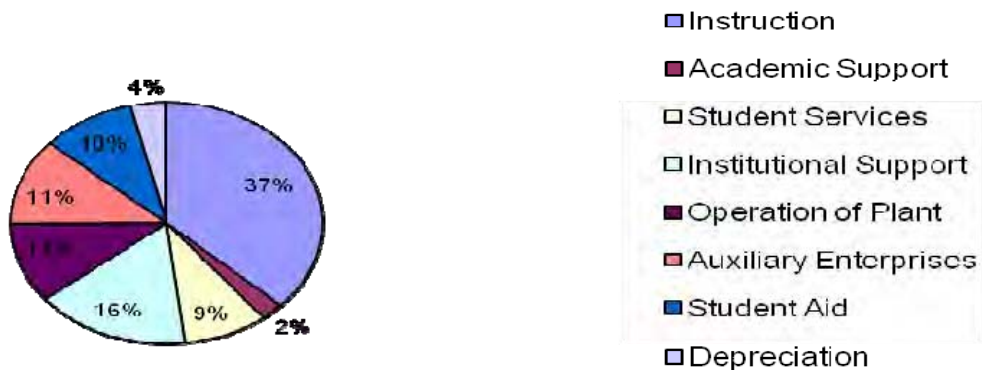
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total	
Instruction	\$ 8,702,228	\$ 2,343,814	\$ 299,177	\$ 487,127	\$ -	\$ -	\$ 680,603	\$ -	\$ 12,512,949	36.94%
Academic Support	494,678	146,482	4,902	123,844	-	-	42,590	-	812,496	2.40%
Student Services	1,573,258	550,062	187,813	279,090	-	-	377,018	-	2,967,241	8.76%
Institutional Support	1,864,197	627,373	66,901	1,063,000	(3,000)	-	1,820,278	-	5,438,749	16.05%
Operation of Plant	807,653	315,162	(10,340)	529,169	976,494	-	1,029,155	-	3,647,293	10.77%
Auxiliary Enterprises	970,833	191,047	2,362	217,826	160,593	-	2,398,940	-	3,941,601	11.64%
Student Aid	-	-	-	-	-	3,310,561	-	-	3,310,561	9.77%
Depreciation	-	-	-	-	-	-	-	1,245,636	1,245,636	3.68%
Total Operating Expenses	\$ 14,412,847	\$ 4,173,940	\$ 550,815	\$ 2,700,056	\$ 1,134,087	\$ 3,310,561	\$ 6,348,584	\$ 1,245,636	\$ 33,876,526	100.00%

Operating Expenses By Function



COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$11,418,859 for the 2008 Fiscal Year, representing a \$2,958,411 increase in state appropriation compared to June 30, 2007. State appropriations are nonoperating revenues since they are provided by the State of Mississippi Legislature to the State Board for Community and Junior Colleges without the Legislature requiring a direct service in return.

Local Appropriations

The College also receives revenue from Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson Counties. The College uses these funds for operational purposes. The College receives the appropriations beginning in October of each year. The College received \$4,156,960 for the 2008 Fiscal Year from these counties. This amount represents a \$116,187 decrease compared to June 30, 2007. Since the county's fiscal year runs from October to September, this appropriation was fully recorded by the College during its 2008 Fiscal Year.

Fees on Bonds Issuance

There weren't any fees associated with bond issuances during the 2008 and 2007 Fiscal Years.

Loss on Disposal of Capital Assets

The College incurred no loss in the disposal of capital assets during the Fiscal Years of 2008 and 2007.

Proceeds From Sale of Assets

The college disposed of items that were no longer needed or replaced by newer items. The proceeds associated with the sale of these items totaled \$205 for the 2008 Fiscal Year which represented a \$6,146 decrease from the 2007 Fiscal Year.

Interest Income

This includes the interest income from the cash in the bank accounts. The interest income at June 30, 2008 was \$54,452 representing a \$50,731 increase in interest income compared to June 30, 2007.

Interest Expense on Capital Debt

The College previously issued bonds to finance construction projects. The interest payments associated with those bond issuances totaled \$319,848.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows

	June 30, 2008	June 30, 2007	Increase (Decrease)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$(10,729,382)	\$ (9,771,633)	\$ 957,747
Non-capital Financing Activities	15,660,384	12,718,016	2,942,368
Capital and Related Financing Activities	(3,529,647)	(2,955,634)	574,014)
Investing Activities	54,454	3,721	50,731
Net Increase in Cash and Cash Equivalents	1,455,808	\$ (5,530)	\$ 1,461,338
Cash and Cash Equivalents -- Beginning of the Year	\$ 326,845	\$ 332,375	\$ (5,530)
Cash and Cash Equivalents - End of the Year	\$ 1,782,654	\$ 326,845	\$ 1,455,808

The major sources of funds included in operating activities include student tuition and fees \$4,890,889; auxiliary enterprises \$3,002,510; grants and contracts \$13,746,634; sales and services of educational departments \$71,937; and other receipts \$424,301. The major uses of funds were payments made to employees \$18,670,363; to suppliers \$9,750,642; to scholarships \$3,310,561; and to utility providers \$1,134,087.

The largest inflow of cash for noncapital financing activities was the State appropriation of \$11,418,858 and local (county) appropriations of \$4,215,673.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2008

Significant Capital Asset Transactions

The College has engaged in several transactions regarding capital assets during the 2008 Fiscal Year. These transactions were:

• Completed Construction of Stone Stadium Restrooms	\$ 74,750
• Construction of Football Weight Room	137,901
• Purchased Equipment for the Science Division	9,160
• Repaired Roof at the Natchez Campus	118,074
• Completed Smith Hall Renovation	2,406,499
• Purchased a ID Machine for the Wesson Campus	9,227
• Energy Management System and Improvements	2,704,307
• Replaced and Upgraded Computers	378,131

TOTAL	\$5,838,049
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Factors Impacting Future Periods

The national economic view at this time is for a continued slow recovery from the recession. Mississippi has been significantly impacted by the economic recession and the recovery in the state will likely occur after the national recovery. Direct state appropriations to support the College have decreased or been cut as a result of less than expected sales tax collections. The expectation is sales tax collections will begin to level and possibly begin moving upward in future periods. Federal stabilization funds have been committed by the Governor to Mississippi community colleges, but will be a short term solution to the state budget shortfall. Increased state appropriations to Mississippi community colleges are not expected at this time. Local county support to the college is expected to move upward slightly in the coming years.

Although the report of the state's economy looks challenging, the hope is there will be a robust recovery that will provide funding needed for educational programs in the state.

The population demographics for entering college freshmen who graduate from high school the next four years indicate very little growth. However, job layoffs, under employment, and personal finances will result in an increase in enrollment at community colleges. This enrollment increase will likely continue until the end of the economic recession. Good recruitment and retention programs will result in higher student enrollment at community colleges. Enrollment growth for the College is expected to be 5-15% during this economic period. Tuition is expected to increase to help offset budget shortfalls.

The challenge to the fifteen public community colleges in Mississippi is to continue to provide access to higher education at a reasonable cost to students from low income families, and to continue to provide quality education and workforce training programs to an ever increasing enrollment with reduced funding.

FINANCIAL STATEMENTS

COPIAH - LINCOLN COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2008

Assets

Current Assets:

Cash and cash equivalents	\$	1,764,855
Accounts receivable, (net of allowance of \$2,920,897)		1,977,674
Inventories		497,153
Prepaid expenses		156,577
Total Current Assets		<u>4,396,259</u>

Non-Current Assets:

Restricted cash and cash equivalents		17,799
Capital assets, net of accumulated depreciation		35,029,398
Total Non-Current Assets		<u>35,047,197</u>

Total Assets		<u>39,443,456</u>
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Liabilities

Accounts payable and accrued liabilities		1,530,994
Deferred revenues		103,842
Accrued leave liabilities - current portion		122,348
Housing Deposits		26,692
Long-term liabilities - current portion		1,033,200
Other current liabilities		109,600
Total Current Liabilities		<u>2,926,676</u>

Non-Current Liabilities:

Deposits refundable		94,637
Long-term liabilities		4,035,000
Other non-current liabilities		2,866,777
Total Non-Current Assets		<u>6,996,414</u>

Total Liabilities		<u>9,923,090</u>
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Net Assets

Invested in capital assets, net of related debt		27,094,421
Restricted net assets:		
Expendable:		
Debt service		29,144
Capital projects		604,408
Unrestricted		<u>1,792,393</u>
Total Net Assets	\$	<u>29,520,366</u>

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

Copiah-Lincoln Community College Foundation, Inc.
Statement of Financial Position
June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets				
Cash	\$ 43,896	\$ 3,630	\$ 50,047	\$ 97,573
Investments	476,703	248,988	3,432,999	4,158,690
Total Assets	<u>\$ 520,599</u>	<u>\$ 252,618</u>	<u>\$ 3,483,046</u>	<u>\$ 4,256,263</u>
Liabilities				
Present Value of Annuities	\$ 119,935	\$ -	\$ -	\$ 119,935
Total Liabilities	<u>119,935</u>	<u>-</u>	<u>-</u>	<u>119,935</u>
Net Assets				
Unrestricted	400,664	-	-	400,664
Temporarily Restricted	-	252,618	-	252,618
Permanently Restricted	-	-	3,483,046	3,483,046
Total Net Assets	<u>400,664</u>	<u>252,618</u>	<u>3,483,046</u>	<u>4,136,328</u>
Total Liabilities & Net Assets	<u>\$ 520,599</u>	<u>\$ 252,618</u>	<u>\$ 3,483,046</u>	<u>\$ 4,256,263</u>

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

COPIAH - LINCOLN COMMUNITY COLLEGE
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 \$2,668,857)	\$	3,796,868
Federal grants and contracts		9,358,839
State grants and contracts		4,390,951
Local grants and contracts		683,219
Sale and services of educational departments		71,937
Auxiliary enterprises (net of scholarship allowances of \$1,779,238)		2,872,093
Other operating revenues		424,303
Total Operating Revenues		<u>21,598,210</u>

Operating Expenses:

Salaries and wages	14,412,847
Fringe benefits	4,173,940
Travel	550,815
Contractual services	2,700,056
Utilities	1,134,087
Scholarships and fellowships	3,310,561
Commodities	6,348,584
Depreciation	1,245,636
Total Operating Expenses	<u>33,876,526</u>

Operating Income (Loss) (12,278,316)

Non-Operating Revenues (Expenses):

State appropriations	11,418,859
Local appropriations	4,156,960
Proceeds from sale of assets	205
Interest income	54,452
Interest expense	(319,848)
Total Non-Operation Revenues (Expenses)	<u>15,310,628</u>

Income (Loss) Before Other Revenues, Expenses, Gains and Losses 3,032,312

Net Increase (Decrease) in Net Assets 3,032,312

Net Assets

Net Assets, Beginning of Year	<u>26,488,054</u>
Net Assets, End of Year	<u>\$ 29,520,366</u>

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

Copiah-Lincoln Community College Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains and Support				
Contributions	\$ 164,734	\$ 13,835	\$ 103,500	\$ 282,069
Investment Income	(8,885)	(5,993)	(89,599)	(104,477)
Net Assets Released from Restrictions	154,608	-	(154,608)	-
Total Revenues, Gains and Support	310,457	7,842	(140,707)	177,592
Expenses				
Program Services				
Scholarships	154,608	250		154,858
Payments Directly to the College				-
Special Events	4,312			4,312
Athletic Expenses		8,200		8,200
Alumni Operations		2,917		2,917
Golf Course Expenses				
Other Expenses				
Change in Annuity	61,676			61,676
Management and General	16,972			16,972
Total Expenses	237,568	11,367	-	248,935
Increase in Net Assets before Other Sources/Uses	72,889	(3,525)	(140,707)	(71,343)
Other Sources/Uses				
Transfers from Other Funds	20,553			20,553
Transfers to Other Funds			(20,553)	(20,553)
Total Other Sources/Uses	20,553	-	(20,553)	-
Increase in Net Assets	93,442	(3,525)	(161,260)	(71,343)
Net Assets at Beginning of Year	307,222	256,143	3,644,306	4,207,671
Net Assets at End of Year	\$ 400,664	\$ 252,618	\$ 3,483,046	\$ 4,136,328

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

COPIAH - LINCOLN COMMUNITY COLLEGE
Statement of Cash Flows
June 30, 2008

Cash Flows From Operating Activities

Tuition and fees	\$ 4,890,889
Grants and contracts	13,746,634
Sales and services of educational departments	71,937
Payments to suppliers	(9,750,642)
Payments to employees for salaries and benefits	(18,670,363)
Payments for utilities	(1,134,087)
Payments for scholarships and fellowships	(3,310,561)
Auxiliary enterprise charges	3,002,510
Other receipts	424,301

Net Cash Provided (Used) by Operating Activities (10,729,382)

Cash Flows From Non-Capital Financing Activities

State appropriations	11,418,858
Local appropriations	4,215,673
Federal loan program receipts	3,404,800
Federal loan program disbursements	(3,404,800)
Other sources	25,853

Net Cash Provided (Used) by Non-Capital Financing Activities 15,660,384

Cash Flows From Capital Financing Activities

Proceeds from Notes	2,814,170
Cash paid for capital assets	(4,905,825)
Proceeds from sale of capital assets	206
Principal paid on capital debt and leases	(1,118,350)
Interest paid on capital debt and leases	(319,848)

Net Cash Provided (Used) by Capital and Related Financing Activities (3,529,647)

Cash Flows From Capital Investing Activities

Interest received on investments	54,454
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Net Cash Provided (Used) by Investing Activities 54,454

Net Increase (Decrease) in Cash and Cash Equivalents 1,455,809

Cash and Cash Equivalents, Beginning of the Year 326,845

Cash and Cash Equivalents, End of the Year \$ 1,782,654

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

COPIAH - LINCOLN COMMUNITY COLLEGE

Statement of Cash Flows

June 30, 2008

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

Operating Income (Loss)	\$ (12,278,316)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	1,245,636
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables, Net	517,884
Inventories	(67,536)
Prepaid Expenses	(8,019)
Increase (Decrease) in Liabilities:	
Accounts payable and accrued liabilities	(146,864)
Deferred revenues	(27,645)
Deposits refundable	47,824
Accrued leave liability	(12,346)
Total Adjustments	<u>1,548,934</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(10,729,382)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS

Cash and cash equivalents classified as current assets	\$ 1,764,855
Cash and cash equivalents classified as non-current assets	<u>17,799</u>
	\$ <u>1,782,654</u>

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

Copiah-Lincoln Community College Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2008

Cash Flows From Operating Activities:	
Increase in net assets	\$ (71,343)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Net unrealized (gains) losses on investments	415,600
Increase (decrease) in:	
Annuity Liability	(24,309)
Contributions restricted for permanent investment	<u>(109,081)</u>
Net cash provided by operating activities	<u>210,867</u>
Cash Flows From Investing Activities:	
Purchases of Investments	(4,174,223)
Sales of Investments	<u>3,881,906</u>
Net cash used by investing activities	<u>(292,317)</u>
Cash Flows From Financing Activities:	
Contributions restricted for permanent investment	<u>109,081</u>
Net Increase in Cash	27,631
Cash Balance	
Beginning of Year	<u>69,942</u>
End of Year	<u><u>\$ 97,573</u></u>

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

Notes to the Financial Statements

For the year ended
June 30, 2008

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies.

A. Reporting Entity.

Copiah-Lincoln Community College was founded in 1928 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Copiah-Lincoln Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Copiah-Lincoln Community College is governed by a twenty-seven (27) member board of trustees, selected by the Boards of Supervisors of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson 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, Copiah-Lincoln Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

Copiah-Lincoln Community College reports the following discretely presented component unit: Copiah-Lincoln Community College Foundation, Inc. (Foundation). The Foundation is a legally separate, tax-exempt nonprofit organization. The Foundation acts primarily as a fund raising organization to supplement the resources available to Copiah-Lincoln Community College (College) in support of its programs.

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

During the year ended June 30, 2008, the Foundation distributed no dollars directly to the college.

B. Basis of Presentation.

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

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

provides a comprehensive one-line look at the college's financial activities.

C. Basis of Accounting.

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

D. Cash Equivalents.

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

E. Short-term Investments.

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

F. Accounts Receivables.

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

G. Student Notes Receivables.

Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances are expected to be paid during the next fiscal year and are presented on the statement of net assets as current assets net of allowances. 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.

H. Inventories.

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

I. Restricted Cash and Cash Equivalents.

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.

J. Capital Assets, Net of Accumulated Depreciation.

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. 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.

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 4 for additional details concerning useful lives, salvage values and capitalization thresholds.

K. Deferred Revenues.

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

L. Compensated Absences.

Twelve month employees receive 12 days of annual leave per year. Ten-month employees receive no annual leave. Annual leave earned in one fiscal year must be taken by December 31 of the following fiscal year. Up to five days of unused annual leave may be added to an employee's sick leave accumulation upon written request and approval of the president. The liability for accrued leave at June 30, 2008 was \$122,348.

M. Classification of Revenues.

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

- 1) 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.

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

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

N. State Appropriations.

Copiah-Lincoln Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2006 fiscal year, a new funding formula was phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.

O. Scholarship Discounts and Allowances.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

P. Net Assets.

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net assets are reported in three categories:

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

- 1) 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.
- 2) Restricted assets are divided in two (2) categories: Expendable and Non-expendable. Non-expendable 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.
- 3) Unrestricted net assets are amounts that remained available for spending for other purposes.

Q. Impairment of Capital Assets.

GASB Statement No. 42, *Accounting and Financial Reporting of Impairment of Capital Assets and for Insurance Recoveries* was adopted by the College. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.

(2) Cash and Cash Equivalents.

A. Policies for Cash, Cash Equivalents and Short-term Investments.

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

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

(3) Accounts Receivable.

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

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

Student tuition	\$	3,149,936
Local appropriations		171,239
Other		<u>1,577,396</u>
Total Accounts Receivable		4,898,571
Less allowance for doubtful accounts		<u>(2,920,897)</u>
Net Accounts Receivable	\$	<u><u>1,977,674</u></u>

(4) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2008, is presented as follows:

	Beginning Balance	Additions	Completed Construction	Ending Balance
Non-depreciable Capital Assets:				
Land	\$ 715,118			715,118
Construction in progress	<u>1,028,922</u>	<u>1,376,020</u>	<u>(2,404,942)</u>	<u>0</u>
Total Non-depreciable Capital Assets	<u>1,744,040</u>	<u>1,376,020</u>	<u>(2,404,942)</u>	<u>715,118</u>
Depreciable Capital Assets:				
Buildings	36,247,677	426,124	2,404,942	39,078,743
Improvements other than buildings	4,710,782	2,830,797		7,541,579
Equipment	5,008,793	219,573		5,228,366
Library books	<u>2,673,853</u>	<u>53,311</u>		<u>2,727,164</u>
Total Depreciable Capital Assets	<u>48,641,105</u>	<u>3,529,805</u>	<u>2,404,942</u>	<u>54,575,852</u>
Less Accumulated Depreciation for:				
Buildings	11,046,221	745,217		11,791,438
Improvements other than buildings	1,790,355	183,465		1,973,820
Equipment	3,996,036	222,353		4,218,389
Library books	<u>2,183,324</u>	<u>94,601</u>		<u>2,277,925</u>
Total Accumulated Depreciation	<u>19,015,936</u>	<u>1,245,636</u>	<u>0</u>	<u>20,261,572</u>
Total Depreciable Capital Assets, Net	<u>29,625,169</u>	<u>2,284,169</u>	<u>2,404,942</u>	<u>34,314,280</u>
Capital Assets, Net	\$ <u><u>31,369,209</u></u>	<u><u>3,660,189</u></u>	<u><u>0</u></u>	<u><u>35,029,398</u></u>

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:

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

	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

(5) Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2008. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

A schedule detailing the beginning balances, changes to the long-term liabilities as well as the outstanding debt balances is provided in the schedule below.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
A. Campus Improvement Bonds	\$ 370,000		115,000	255,000	125,000
B. Educational Facilities Bond	3,400,000		220,000	3,180,000	230,000
C. Refunding Bonds Series A	230,000		230,000	0	0
D. Refunding Bonds Series B	725,000		355,000	370,000	370,000
E. Dorm Construction	1,160,000		100,000	1,060,000	105,000
F. Capital Lease - Buses	308,666		71,570	237,096	75,178
G. Capital Lease - IBM	45,491		7,066	38,425	33,942
H. Energy Management Lease	0	2,814,170	19,714	2,794,456	94,080
I. Accrued Leave	134,694		12,346	122,348	122,348
J. Deposits Refundable	73,505	47,824		121,329	26,692
Total	\$ 6,447,356	2,861,994	1,130,696	8,178,654	1,182,240

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities is listed in the following schedule.

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2008

Bonded Debt:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Bonded Debt				
Campus Improvement Bond	5.5 - 6.5%	2010	\$ 1,200,000	255,000
Educational Facilities Bond	3 - 4.25%	2019	4,000,000	3,180,000
Refunding Bonds Series A	1.4 - 3%	2008	1,110,000	0
Refunding Bonds Series B	1.4 - 3.2%	2009	2,050,000	370,000
Total Bonded Debt			\$ <u>8,360,000</u>	<u>3,805,000</u>

Revenue Bond:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Revenue Bond				
Dorm Construction	3.0%	2016	\$ 2,554,000	1,060,000
Total Revenue Bond			\$ <u>2,554,000</u>	<u>1,060,000</u>

Capital Leases:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Capital Leases				
Buses	4.98%	2011	\$ 379,000	237,096
Energy Management	3.25%	2022	2,814,170	2,794,456
IBM iSeries Computer	5.98%	2009	93,958	38,425
Total Capital Leases			\$ <u>3,287,128</u>	<u>3,069,977</u>

Other Long-Term Liabilities:

<u>Description</u>	<u>Amount Outstanding</u>
Other Long-Term Liabilities	
Accrued Leave	\$ 122,348
Deposits Refundable	<u>121,329</u>
Total Other Long-Term Liabilities	\$ <u>243,677</u>

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

Long-term debt will mature as follows:

Year Ending June 30	General Obligation Bonds	Revenue Bond	Capital Leases	Interest	Total
2009	\$ 725,000	105,000	203,200	306,528	1,339,728
2010	370,000	110,000	192,082	268,325	940,407
2011	250,000	110,000	186,014	240,901	786,915
2012	260,000	115,000	122,387	220,359	717,746
2013	275,000	115,000	134,307	201,748	726,055
2014-2018	1,565,000	505,000	876,657	683,578	3,630,235
2019-2023	<u>360,000</u>	<u>0</u>	<u>1,355,330</u>	<u>169,604</u>	<u>1,884,934</u>
Total	\$ <u><u>3,805,000</u></u>	<u><u>1,060,000</u></u>	<u><u>3,069,977</u></u>	<u><u>2,091,043</u></u>	<u><u>10,026,020</u></u>

(6) Operating Leases.

Leased property under operating leases is composed of copiers, one building, golf carts, and software. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30,	Amount
2009	\$ 148,294
2010	114,064
2011	111,715
2012	78,170
2013	78,170
2014	<u>78,170</u>
Total Minimum Payments Required	\$ <u><u>608,583</u></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 ending June 30, 2008, was \$273,200.

(7) Pension Plan.

Plan description. The Copiah-Lincoln Community College participates in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2008

Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2008, 2007 and 2006 were \$1,513,684, \$1,387,594, and \$1,228,900, respectively, equal to the required contributions for each year.

COPIAH - LINCOLN COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2008

(8) Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 8,702,228	\$ 2,343,814	\$ 299,177	\$ 487,127	\$ -	\$ -	\$ 680,603	\$ -	\$ 12,512,949
Academic Support	494,678	146,482	4,902	123,844	-	-	42,590	-	812,496
Student Services	1,573,258	550,062	187,813	279,090	-	-	377,018	-	2,967,241
Institutional Support	1,864,197	627,373	66,901	1,063,000	(3,000)	-	1,820,278	-	5,438,749
Operation of Plant	807,653	315,162	(10,340)	529,169	976,494	-	1,029,155	-	3,647,293
Auxiliary Enterprises	970,833	191,047	2,362	217,826	160,593	-	2,398,940	-	3,941,601
Student Aid	-	-	-	-	-	3,310,561	-	-	3,310,561
Depreciation	-	-	-	-	-	-	-	1,245,636	1,245,636
Total Operating Expenses	\$ 14,412,847	\$ 4,173,940	\$ 550,815	\$ 2,700,056	\$ 1,134,087	\$ 3,310,561	\$ 6,348,584	\$ 1,245,636	\$ 33,876,526

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements

For the Year Ended June 30, 2008

Note 1 Summary of Significant Accounting Policies

Statement of Organizational Activities

The purpose of the Foundation is to operate exclusively for educational and scientific purposes, all for the public welfare, and to this end to promote, encourage, and assist all forms of education and research at Copiah-Lincoln Community College. The Foundation is an auxiliary organization of the College and administers scholarships to both students and faculty members and raises funds to supplement different areas of the entire college.

Basis of Presentation

The Foundation prepares its financial statements on the accrual basis of accounting. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. In accordance with SFAS No. 117, fund balances are classified on the statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets, based on the absence or existence and type of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose having been accomplished and/or the stipulated time period having elapsed, are reported as transfers between the applicable classes of net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts, unconditional promises to give, trusts and remainder interests, income, and gains which can be expended but for which restrictions have not yet been met. Examples of such restrictions would be where donors have specified the purpose for which the net assets are to be spent such as for capital projects, golf course or athletic programs.

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2008

Permanently Restricted Net Assets

Permanently restricted net assets include gifts required by donors to be permanently retained. The Foundation's permanently restricted net assets consist primarily of endowed scholarship funds. Typically these scholarships award annual earnings on the funds up to five percent and all earnings over five percent are added back to the principal of the endowed scholarship.

Income Taxes

The Copiah-Lincoln Community College Foundation, Inc. is a not-for-profit organization exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(2).

Donated Assets

Donated marketable securities are disposed of upon receipt and are then recorded as contributions at the amount of proceeds received from the sale. Donations of equipment are not recorded in the financial statements. These items are recorded in a separate ledger with no value assigned to them. These items are distributed to the department within the College as designated by the donor, or if undesignated, to the department of the College that has the greatest need for the donated assets as determined by the Board of Directors.

Donated Services and Facilities

The Foundation receives a substantial amount of services donated by citizens interested in the Foundation's programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in the accompanying financial statements. The Foundation also receives office space from Copiah-Lincoln Community College and a substantial amount of services donated by employees of the College. No amount for rent expense has been included in these financial statements and these employees' salaries and related expenses are not included in the Foundation's financial statements but are included in the College's financial statements.

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2008

Investments

The Foundation has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all highly liquid investments with maturities of three months or less at the time of acquisition.

Fixed Assets

The Foundation has no fixed assets. All fixed assets are owned by the College.

Pledges Receivable

Unconditional pledges receivable are recognized as revenues in the period the pledge is received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges receivable at June 30, 2008.

Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2008

Note 2 Charitable Gift Annuities

In 1997, the Foundation received a gift annuity of \$250,823. The gift annuity agreement requires monthly payments of \$2,216 for the lifetime of the annuitant and his spouse. In 1998, the Foundation received a second irrevocable annuity gift from the same person in the amount of \$540,000. The second gift annuity agreement requires monthly payments of \$4,950 for the lifetime of the annuitant and his spouse. The Foundation had a related annuity payment liability of \$144,244 at June 30, 2007. The Change in Annuity presented in the financial statements is calculated as follows:

Payments to annuitants	\$ 85,992
Less decrease in annuity liability	(24,309)
Net Change in Annuity	\$ <u>61,683</u>

Note 3 Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable. The Foundation places its cash and temporary investments with creditworthy, high quality financial institutions. Cash deposits in excess of \$100,000 are not insured by the FDIC.

The Foundation has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment managers who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to contributions receivable is limited due to the credit worthiness of the individual who has made the pledge.

The Foundation receives a substantial amount of support from Copiah Lincoln Community College. A significant reduction in the level of this support, if it were to occur, would have an affect on the Foundation's programs and activities.

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2008

Note 4 Investments

Investments of all funds are included in a pooled investment fund. The pool is operated on a "market value" basis whereby each addition to the pool is assigned a number of units based on the market value per fund at the beginning of the month within which the addition takes place.

Pooled investments at June 30, 2008 consist of the following:

	<u>Cost</u>	<u>Market</u>
<u>U.S. Government Obligations/Agencies</u>	<u>3,057,573</u>	<u>3,036,796</u>
<u>Mutual Funds</u>		
Dodge and Cox Stock Fund	151,460	138,530
IShares S&P 500 Value Index Fund	68,113	55,982
IShares S&P Midcap 400 Value Index Fund	65,756	60,622
Franklin Mutual Discovery Z	83,523	78,204
J P Morgan Mid Cap Value Fund – In	50,706	44,582
Goldman Sachs Structured International		
Equity	123,168	120,728
Performance Strategic Dividend Fund		
Institutional Class	325,646	323,573
Performance Leaders Equity Fund	99,359	87,029
Performance Large Cap Equity Fund	61,550	56,210
Performance Mid Cap Equity Fund	<u>158,975</u>	<u>156,437</u>
<u>Total Mutual Funds</u>	<u>1,188,256</u>	<u>1,121,897</u>
Total Investments	<u>\$4,245,829</u>	<u>\$4,158,693</u>

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2008

Investment Income for the year ended June 30, 2008 was calculated as follows:

Interest and Dividends	\$278,031
Realized Gains and Losses	41,160
Unrealized Gains and Losses	<u>(415,600)</u>
Subtotal	(96,409)
Less Investment Fees	<u>(8,068)</u>
Net Investment Income	<u><u>\$ (104,477)</u></u>

SUPPLEMENTAL INFORMATION

COPIAH - LINCOLN COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Student Financial Aid-Cluster		
U.S. Department of Education		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 135,256
Federal Family Education Loans (FFEL)	84.032	4,512,488 (1)
Federal Work-Study Programs (FWS)	84.033	239,019
Federal Pell Grant Program	84.063	6,106,175
Federal Academic Competitive Grant (FACG)	84.375	131,573
Total U.S. Department of Education		<u>11,124,511</u>
Total Student Financial Aid Cluster		<u>11,124,511</u>
U.S. Department of Labor		
Passed through programs from:		
Senior Service America, Inc. - Senior Community Service Employment Program	17.235	694,041
Central Mississippi Planning and Development District		
WIA Adult Program	17.258	70,727
WIA Youth Activities	17.259	45,309
WIA Dislocated Worker	17.260	70,411
Total WIA Cluster		<u>186,447</u>
Total U.S. Department of Labor		<u>880,488</u>
U.S. Department of Education		
TRIO - Student Support Services	84.042	309,959
TRIO - Upward Bound	84.047	321,813
Total TRIO Cluster		<u>631,772</u>
Pass through programs from:		
Mississippi State Board for Community & Junior Colleges		
Adult Education - Basic Grants to States	84.002	465,615
Mississippi Department of Education		
Career and Technical Education - Basic Grants to States	84.048A	274,172
Tech-Prep Education	84.243	82,685
Sub-total pass-through programs		<u>822,472</u>
Total U.S. Department of Education		<u>1,454,244</u>
Small Business Administration		
Pass-through programs from:		
Small Business Development Centers	59.037	15,179
Total Small Business Administration		<u>15,179</u>
Total Expenditures of Federal Awards		<u>\$ 13,474,422</u>

Notes to the Schedule of Federal Awards

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

- (1) For purposes of this schedule, loans made to students under the Federal Family Educational Loan Program (CFDA # 84.032) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FORTENBERRY & BALLARD, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited the financial statements of the business-type activities of the Copiah - Lincoln Community College as of and for the year ended June 30, 2008, which collectively comprise the Copiah - Lincoln Community College's basic financial statements and have issued our report thereon dated August 27, 2010. We did not audit the financial statements of the Copiah - Lincoln Community College Foundation, Inc., a discretely presented component unit of the college, which statements reflect total assets of \$4,256,263 as of June 30, 2008, and total revenues of \$177,592 for the year then ended. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component unit is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Copiah - Lincoln Community College Foundation, Inc., which were audited by another auditor upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

Our consideration of the 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

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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 finding 2008-1, 2008-2 and 2008-3 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's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 2008-1, 2008-2 and 2008-3 to be material weaknesses.

Compliance and Other Matters

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

Copiah - Lincoln Community College'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's responses and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 27, 2010

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

Compliance

We have audited the compliance of the Copiah - Lincoln Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The college's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

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

In our opinion, the Copiah - Lincoln Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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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 combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 27, 2010

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited the financial statements of the business-type activities of the Copiah - Lincoln Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated August 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 27, 2010

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Copiah - Lincoln Community College

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? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Student Financial Aid Cluster:

Federal Supplemental Education Opportunity Grants (FSEOG)
CFDA # 84.007
Federal Family Education Loans (FFEL)
CFDA # 84.032
Federal Work-Study Programs (FWS)
CFDA # 84.033
Federal Pell Grant Program
CFDA # 84.063
Federal Academic Competitive Grant (FACG)
CFDA # 84.375
 - b. Senior Service America - Senior Community Service Employment Program
CFDA # 17.235
8. The dollar threshold used to distinguish between Type A and Type B programs:

\$300,000.

9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weaknesses

Finding 2008-1:

The college implemented a new software system in January of 2008. Internal controls were not in place to ensure that general ledger balances from the old system were accurately brought forward and reflected in the new system upon conversion. In addition, internal controls were not in place to ensure that transactions being generated by and through the new software system were being accurately recorded and adequately reflected in the general ledger balances of the new system.

Internal control weaknesses of this nature increase the risk of the financial statements being materially misstated. Extensive audit analysis was performed and numerous adjustments were proposed to management, agreed to by management and recorded as audit adjustments in order to properly reflect the balances presented in this report.

Recommendation:

Internal controls should be in place to ensure that transactions being generated by and through the new software system are accurately recorded and adequately reflected in the general ledger.

College's Response:

Problems with the initial setup of the new administrative software has been identified. Working with the software vendor and an outside consultant; we have corrected these problems. We have made the necessary adjustments to the general ledger for FY 2008. We will continue to work with the software company to ensure that we eliminate all problems (and any potential problems) associated with this conversion.

Finding 2008-2:

As a result of the issues discussed in Finding 2008-1 above, the college did not perform bank reconciliations in a timely manner. Bank reconciliations were prepared just prior to the audit engagement. Failure to reconcile bank statements upon receipt from the bank in a timely manner throughout the year increases the risk that material transactions that have occurred may be unrecorded and/or not accurately reflected in the general ledger. This also increases the risk that fraud or other irregularities could occur and not be detected by college business office personnel during the normal course of their duties.

Recommendation:

Bank reconciliations should be performed upon receipt from the bank in a timely manner.

College's Response:

The Vice President of Business Affairs will work directly with the Assistant Business Manager to reconcile all bank statements with the general ledger on a monthly basis. The college will make the necessary modifications in the software system to eliminate the need of adjusting entries in order to reconcile the college's bank accounts.

Finding 2008-3:

As a result of the issues discussed in Finding 2008-1 above, year end accruals of receivables and payables were not timely and were incomplete and/or inaccurate in many instances. Failure to record year end accruals of receivables and payables in a timely and accurate manner increases the risk of the financial statements being materially misstated.

Recommendation:

Year end accruals of receivables and payables should be performed in a timely and accurate manner.

College's Response:

The Assistant Business Manager has been assigned the task of assisting the Payroll/Benefits Manager with reconciling all payroll receivables and payables on a monthly basis. This working arrangement together with a better understanding of the new software system should eliminate this problem from occurring in the future.

Section 3: Findings and Questioned Costs for Federal Awards

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

AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOLLOW-UP

Copiah - Lincoln Community College
PO Box 649
Wesson, MS 39191
Telephone (601) 643-5101, Fax (601) 643-8212

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Copiah - Lincoln Community College has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<u>Finding</u>	<u>Status</u>
2007-1	Not Corrected
2007-2	Not Corrected
2007-3	Not Corrected