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**EAST CENTRAL COMMUNITY COLLEGE**

**DECATUR, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2008**

## **EAST CENTRAL COMMUNITY COLLEGE**

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**EAST CENTRAL COMMUNITY COLLEGE**

**FINANCIAL AUDIT REPORT**



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Stagg, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA  
R. Steve Sinclair, CPA  
Michael L. Pierce, CPA

Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Schivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON  
THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

Board of Trustees of East Central Community College  
P. O. Box 129  
Decatur, Mississippi 39327

We have audited the accompanying primary government financial statements of East Central Community College as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of East Central Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the Community College's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Community College's primary government unless the Community College also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Community College has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of East Central Community College, as of June 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of East Central 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 December 9, 2009, on our consideration of East Central Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 9, is not a required part of the primary government financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Watkins, Ward and Stafford, PLLC  
December 9, 2009

*Watkins, Ward and Stafford, PLLC*

**EAST CENTRAL COMMUNITY COLLEGE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## ***EAST CENTRAL COMMUNITY COLLEGE***

P.O BOX 129

DECATUR, MISSISSIPPI 39327-0129

TELEPHONE: 601-635-6208

FAX: 601-635-4011

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of East Central Community College ("ECCC") provides this Management's Discussion and Analysis for readers of the College's financial statements. This narrative overview and analysis of the financial activities of ECCC is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the additional information that is furnished in the College's financial statements.

#### **Overview of the Financial Statements**

The College's financial statements included three components: 1) Statement of Net Assets; 2) Statement of Revenues, Expenses, and Changes in Net Assets; and 3) Statement of Cash Flows.

As required by GASB 34 and the Office of the State Controller, Statement of Net Assets replaces the Balance Sheet presented in prior years. The term "Net Assets" replaces "Fund Equity." The College's net assets are classified as Invested in Capital Assets, Net of Related Debt; Restricted Net Assets – Nonexpendable; Restricted Net Assets – Expendable; and Unrestricted Net Assets. Significant changes in capital asset valuation includes the application of accumulated depreciation.

The Statement of Revenues, Expenses, and Changes in Net Assets replaces the Statement of Changes in Fund Equity and the Statement of Current Funds Revenues, Expenditures, and Other Changes presented in prior years. As previously stated, depreciation is now presented as an operating expense under the new format.

The Statement of Cash Flows using the direct method is a new statement mandated by GASB 34. This statement measures cash flows from operating activities, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. Supplemental disclosures include a reconciliation of operating loss to net cash used by operating activities and non-cash investing capital, and financing activities.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Comparative Data**

Comparative analysis of key elements of the financial statements is presented in the following discussion.

### **Analysis of Financial Position**

#### **Condensed Statement of Net Assets**

June 30, 2008 and 2007

	<u>June 30, 2008</u> <u>Amount</u>	<u>June 30, 2007</u> <u>Amount</u>
<b>Assets</b>		
Current Assets	\$5,287,803	\$5,300,006
Noncurrent Assets:		
Capital, Net	15,894,691	15,685,896
Other	<u>966,913</u>	<u>1,685,551</u>
Total Assets	<u>22,149,407</u>	<u>22,671,453</u>
<b>Liabilities</b>		
Current Liabilities	1,347,625	1,615,098
Noncurrent Liabilities	<u>2,541,409</u>	<u>2,857,475</u>
Total Liabilities	<u>3,889,034</u>	<u>4,472,573</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net	13,319,548	12,753,387
Restricted:		
Expendable	2,100,374	1,756,761
Unrestricted	<u>2,840,451</u>	<u>3,688,732</u>
Total Net Assets	<u>\$18,260,373</u>	<u>\$18,198,880</u>

For the year ended June 30, 2008, the College had a net decrease in cash and cash equivalents of \$532,103.00, representing an 13.1% decrease in cash and cash equivalents compared to the July 1, 2007, cash and cash equivalents balance.

Net Current Receivables decreased by \$171,965 or 9.5% from the previous year.

Total Net assets increased by \$61,493 a .34% increase from Net Assets as of June 30, 2007.

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

	June 30, 2008 <u>Amount</u>	June 30, 2007 <u>Amount</u>
<b>Operating Revenues:</b>		
Tuition and Fees	\$ 1,647,701	\$ 2,817,230
Grants and Contracts	8,249,329	8,084,825
Auxiliary Enterprises	3,054,940	2,606,434
Other Operating Revenue	<u>199,158</u>	<u>219,869</u>
Total Operating Revenues	<u>13,151,128</u>	<u>13,728,358</u>
Operating Expenses	<u>25,480,687</u>	<u>25,229,199</u>
Operating Loss	<u>(12,329,559)</u>	<u>(11,500,841)</u>
<b>Nonoperating Revenues:</b>		
State Appropriations	9,922,172	9,162,209
Local Appropriations	2,016,761	1,931,340
Investment Income	181,803	167,710
Interest Expense on Capital Asset- Related Debt	(113,892)	(134,496)
Other Nonoperating Revenues (Expenses)	<u>(199,634)</u>	<u>(9,603)</u>
Net Nonoperating Revenues	<u>11,807,210</u>	<u>11,117,160</u>
Income (Loss) Before Other Revenues	(522,349)	(383,681)
Appropriations restricted for Capital Purposes	353,601	330,155
Capital Grants and Gifts	<u>230,241</u>	<u>51,450</u>
Total Other Revenues	<u>583,842</u>	<u>381,605</u>
Total Increase (Decrease in Net Assets	<u>61,493</u>	<u>(2,076)</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year, As Restated	<u>18,198,880</u>	<u>18,200,956</u>
Net Assets at End of Year	<u>\$18,260,373</u>	<u>\$18,198,880</u>

Total Operating Revenues and Non-operating Revenues combined for an increase of \$42,820, or .45% from the previous year. This change was primarily due to increases in state and local appropriations and state grants and contracts.

Total Operating Expenses increased by \$251,488, or 1.0% as compared to the previous year. A summary of these expenses is as follows:

	June 30, 2008 <u>Amount</u>	June 30, 2007 <u>Amount</u>
Expenses by Function:		
Instruction	\$10,564,718	\$10,426,089
Public Service	689,396	918,836
Academic Support	467,699	408,966
Student Services	2,118,410	1,837,126
Institutional Support	2,098,535	1,824,042
Operations and Maintenance Of Plant	2,769,114	2,474,524
Student Financial Aid	3,481,900	4,430,861
Auxiliary Enterprises	2,529,208	2,169,060
Depreciation	<u>761,707</u>	<u>739,695</u>
Total Operating Expenses By Function	<u>25,480,687</u>	<u>25,229,199</u>

Management concludes that the College's financial position has remained stable during the past fiscal year. However, due to the instability of the national and local economy, reductions in state funding sources are anticipated for the near term. The College is planning for reduced expenditures in order to insure the stability of operations. In addition, increases in revenue sources such as tuition and fees will be considered.

### **Capital Asset Activity**

ECCC's capital assets as of June 30, 2008, totaled \$25,647,805, with accumulated depreciation of \$9,753,114

### **Economic Factors and Next Year's Budget**

The State of Mississippi has experienced a revenue shortfall during the past several years and this may have a significant impact on future budgets. The college anticipates that revenue from state sources will decrease for the near term. This revenue shortfall also directly affects the potential funding of the counties of ECCC's support district. It is further anticipated that Federal ARRA funds will be received by the College to offset some of the decreases in state funding.

### **Contacting East Central Community College's Management**

If there are any questions regarding this report, please contact ECCC's business office at Post Office Box 129, Decatur, MS. 39327.

**EAST CENTRAL COMMUNITY COLLEGE**

**AUDITED FINANCIAL STATEMENTS**

**EAST CENTRAL COMMUNITY COLLEGE****Statement of Net Assets****June 30, 2008****Assets****Current Assets:**

Cash and cash equivalents	3,056,721
Accounts receivable, net	1,639,788
Inventories and prepaid items	591,294

Total Current Assets	<u>5,287,803</u>
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**Noncurrent Assets:**

Restricted cash and cash equivalents	479,050
Long-term investments	487,838
Student notes receivable, net	25
Capital assets, net of accumulated depreciation	15,894,691

Total Noncurrent Assets	<u>16,861,604</u>
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Total Assets	<u>22,149,407</u>
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**Liabilities****Current Liabilities:**

Accounts payable and accrued liabilities	1,068,880
Deferred revenue	12,718
Accrued interest payable	63,346
Long-term liabilities - current portion	202,681

Total Current Liabilities	<u>1,347,625</u>
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**Noncurrent Liabilities:**

Deposits refundable	168,947
Long-term liabilities	2,372,462

Total Noncurrent Liabilities	<u>2,541,409</u>
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Total Liabilities	<u>3,889,034</u>
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**Net Assets**

Invested in capital assets, net of related debt	13,319,548
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**Restricted for:****Expendable:**

Scholarships and fellowships	284,228
Capital projects	1,328,269
Debt service	487,877

Unrestricted	2,840,451
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Total Net Assets	<u>18,260,373</u>
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**EAST CENTRAL COMMUNITY COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2008**

<b>Operating Revenues:</b>	
Tuition and fees (net of scholarship allowances of \$2,163,649)	\$ 1,647,701
Federal grants and contracts	5,945,116
State grants and contracts	2,268,213
Non-governmental grants and contracts	36,000
Sales and services of educational departments	198,558
<b>Auxiliary enterprises:</b>	
Student housing (net of scholarship allowances of \$76,378)	450,305
Food services (net of scholarship allowances of \$93,520)	773,896
Bookstore	1,634,092
Athletics	11,744
Other auxiliary enterprises	184,903
Other operating revenues	600
<b>Total Operating Revenues</b>	<b>13,151,128</b>
<b>Operating Expenses:</b>	
Salaries and wages	10,744,954
Fringe benefits	2,790,781
Travel	271,636
Contractual services	2,954,673
Utilities	1,079,968
Scholarships and fellowships	3,481,900
Commodities	3,395,068
Depreciation expense	761,707
<b>Total Operating Expenses</b>	<b>25,480,687</b>
<b>Operating Income(Loss)</b>	<b>(12,329,559)</b>
<b>Nonoperating Revenues (Expenses)</b>	
State appropriations	9,922,172
Local appropriations	2,016,761
Investment income	181,803
Interest expense on capital asset-related debt	(113,892)
Other uses	(199,634)
<b>Total Net Nonoperating Revenues(Expenses)</b>	<b>11,807,210</b>
<b>Income(Loss) before Other Revenues, Expenses, Gains and Losses</b>	<b>(522,349)</b>
State appropriations restricted for capital purposes	63,494
Local appropriations restricted for capital purposes	290,107
Capital asset donations	230,241
<b>Change in Net Assets</b>	<b>61,493</b>
<b>Net Assets:</b>	
Net Assets - Beginning of Year	18,198,880
<b>Total Net Assets</b>	<b>\$ 18,260,373</b>



**EAST CENTRAL COMMUNITY COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

<b>Cash Flows from Operating Activities:</b>	
Tuition and fees	\$ 1,578,929
Grants and contracts	8,312,753
Sales and services of educational departments	198,558
Payments to suppliers	(6,753,690)
Payments to employees for salaries and benefits	(13,564,940)
Payments for utilities	(1,079,968)
Payments for scholarship and fellowships	(3,493,644)
<b>Auxilliary enterprise charges:</b>	
Student housing	450,305
Food services	773,896
Bookstore	1,634,092
Athletics	11,744
Other auxilliary enterprises	184,903
Other receipts(payments)	1,057
<b>Net Cash Provided(Used) by Operating Activities</b>	<b><u>(11,746,005)</u></b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
State appropriations	9,922,172
Local appropriations	1,993,593
Federal loan program receipts	2,191,116
Federal loan program disbursements	(2,179,192)
<b>Net Cash Provided(Used) by Noncapital Financing Activities</b>	<b><u>11,927,689</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Cash paid for capital assets	(679,380)
Capital appropriations received	290,107
Principal paid on capital debt and leases	(357,367)
Interest paid on capital debt and leases	(122,523)
<b>Net Cash Provided(Used) by Capital and Related Financing Activities</b>	<b><u>(869,163)</u></b>
<b>Cash Flows from Investing Activities:</b>	
Interest received	155,376
<b>Net Cash Provided(Used) by Investing Activities</b>	<b><u>155,376</u></b>
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	<b>(532,103)</b>
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<b>4,067,874</b>
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$ <u>3,535,771</u></b>

**EAST CENTRAL COMMUNITY COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

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

Operating income(loss)	\$ (12,329,559)
Adjustments to reconcile net income(loss) to net cash provided(used) by operating activities:	
Depreciation expense	761,707
Other	11,836
Changes in assets and liabilities:	
(Increase)decrease in assets:	
Receivables, net	(25,055)
Inventories	52,607
Increase(decrease) in liabilities:	
Accounts payables and accrued liabilities	(225,867)
Deferred revenues	(459)
Deposits refundable	8,785
Total adjustments	<u>583,554</u>
Net Cash Provided(Used) by Operating Activities	\$ <u>(11,746,005)</u>

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

1. Summary of Significant Accounting Policies.

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

East Central Community College is governed by a 29-member board of trustees, selected by the board of supervisors of Leake, Neshoba, Newton, Scott and Winston 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, East Central 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.

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the community college. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

East Central Community College Foundation – The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501 (c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to East Central Community College in support of its programs.

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

- 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 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.

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

- E. Long-term Investments – Investments that are not cash equivalents that mature in a period beyond the next fiscal year are classified as long-term investments.
- F. Accounts Receivables, Net – 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, Net – Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.
- H. Inventories – Inventories consist of bookstore and printing 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 other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- 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 earn annual personal leave at a rate of 10 days per year. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 30 days of accrued leave. The liability for accrued leave at June 30, 2008, as reported in the Statement of Net Assets is \$231,465.

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

- M. Classification of Revenues – The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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 – East Central Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to 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 not considered to be third party aid.

- P. Net Assets – GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$2,840,451 at June 30, 2008, includes \$1,764,236 reserved for auxiliaries, and a remaining amount of \$1,076,215.

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

2. Cash and Cash Equivalents and Cash with Fiscal Agents.

Policies:

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

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 Depository Insurance Corporation.

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

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

	<u>June 30, 2008</u>
Long-term Investments	\$ <u>487,838</u>

The following table summarizes the categorization of investments at June 30, 2008:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	1 to 5	\$ <u>487,838</u>	Not Rated
Total Investments		\$ <u>487,838</u>	

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college will not be able to recover the value of its investment. The college does not have a formal investment policy that addresses custodial credit risk.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the college did not have any investments to which this would apply.

3. Accounts Receivable.

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

Student tuition	\$ 2,088,553
Auxiliary enterprises and other operating activities	8,822
Federal, state, and private grants and contracts	930,089
Local appropriations	97,745
Accrued interest	17,918
Other	<u>50</u>
Total Accounts Receivable	3,143,177
Less allowance for doubtful accounts	( <u>1,503,389</u> )
Net Accounts Receivable	\$ <u>1,639,788</u>

4. Notes Receivable from Students.

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

	<u>Interest Rates</u>	<u>June 30, 2008</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Perkins student loans	3% to 9%	\$ <u>32,261</u>	-	<u>32,261</u>
Total Notes Receivable		32,261	-	32,261
Less allowance for doubtful accounts		<u>32,236</u>	-	<u>32,236</u>
Net Notes Receivable		\$ <u>25</u>	-	<u>25</u>

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**5. Capital Assets.**

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

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	258,770	15,800			274,570
Construction in progress	-	249,086		( 185,592 )	63,494
Total Nondepreciable Capital Assets	258,770	264,886	-	( 185,592 )	338,064
<b>Depreciable Capital Assets:</b>					
Improvements other than buildings	1,387,159	228,605		185,592	1,801,356
Buildings	19,245,626	205,069			19,450,695
Equipment	3,121,337	259,334	( 28,140 )		3,354,531
Library books	587,953	20,847	( 5,425 )		603,175
Assets under capital lease	99,984				99,984
Total Depreciable Capital Assets	24,442,059	713,655	( 31,565 )	185,592	25,309,741
<b>Less: Accumulated Depreciation for:</b>					
Improvements other than buildings	389,041	69,370			458,411
Buildings	5,958,832	355,136			6,313,968
Equipment	2,114,700	288,674	( 23,526 )		2,379,848
Library books	519,365	15,532			534,897
Assets under capital lease	32,995	32,995			65,990
Total Depreciable Capital Assets:	9,014,933	761,707	( 23,526 )		9,753,114
Total Depreciable Capital Assets:	15,427,126	( 48,052 )	( 8,039 )	185,592	15,556,627
Total Capital Assets, net	15,685,898	216,834	( 8,039 )		15,894,691

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

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



**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**6. Long-term Liabilities.**

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

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

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Interest Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<b>Bonded Debt</b>								
Dormitory Revenue Bond Series 1989	\$ 1,115,000	3%	2018	\$ 720,000		( 55,000)	665,000	60,000
Dormitory Revenue Bond Series 1999	\$ 3,000,000	4.75%	2024	<u>2,075,812</u>	<u>-</u>	<u>(232,904)</u>	<u>1,842,908</u>	<u>121,231</u>
<b>Total Bonded Debt</b>				<u>2,795,812</u>	<u>-</u>	<u>(287,904)</u>	<u>2,507,908</u>	<u>181,231</u>
<b>Capital Leases</b>								
DBM A5/400 270 Series				52,023		( 52,023)	-	-
IBM Computer Equipment				<u>84,674</u>	<u>-</u>	<u>( 17,439)</u>	<u>67,235</u>	<u>21,450</u>
<b>Total Capital Leases</b>				<u>136,897</u>	<u>-</u>	<u>( 69,462)</u>	<u>67,235</u>	<u>21,450</u>
<b>Total</b>				<u>\$ 2,932,509</u>	<u>-</u>	<u>(357,366)</u>	<u>2,575,143</u>	<u>202,681</u>
Due within one year							( 202,681 )	
<b>Total Long-term Liabilities</b>							<u>2,372,462</u>	

Annual requirements to amortize outstanding debt:

	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2009	181,231	21,450	108,776	311,457
2010	185,790	20,640	101,385	307,815
2011	191,765	21,481	92,769	306,015
2012	203,024	3,664	84,114	290,802
2013	209,580	-	75,590	285,170
2014-2018	1,187,677	-	237,574	1,425,251
2019-2023	<u>348,841</u>	<u>-</u>	<u>24,067</u>	<u>372,908</u>
	<u>2,507,908</u>	<u>67,235</u>	<u>724,275</u>	<u>3,299,418</u>

# EAST CENTRAL COMMUNITY COLLEGE

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

### 7. Natural Classifications with Functional Classifications

The community colleges operating expenses by functional classifications were as follows for the year ended June 30, 2008:

<u>Functional Classification</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Total</u>
Instruction	6,536,324	1,631,112	141,156	829,558	25,848		1,400,720		10,564,718
Public service	563,678	105,473	1,224	7,488	97		11,436		689,396
Academic support	299,763	85,226	8,617	10,721	77		63,295		467,699
Student services	1,341,399	365,488	72,222	125,523	2,604		211,174		2,118,410
Institutional support	996,193	272,720	44,906	682,555	622		101,539		2,098,535
Operation of plant	763,198	267,121	1,403	345,519	997,171		394,702		2,769,114
Student aid						3,481,900			3,481,900
Auxiliary enterprises	244,399	63,641	2,108	953,309	53,549		1,212,202		2,529,208
Depreciation								761,707	761,707
<b>Total Operating Expenses</b>	<b>10,744,954</b>	<b>2,790,781</b>	<b>271,636</b>	<b>2,954,673</b>	<b>1,079,968</b>	<b>3,481,900</b>	<b>3,395,068</b>	<b>761,707</b>	<b>25,480,687</b>

**EAST CENTRAL COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**8. Construction Commitments and Financing.**

The college has contracted the Davis Science/Laboratory Building and various roof and HVAC renovating projects. The estimated costs to complete these projects and the source of funding are presented below:

<u>Project Title</u>	<u>Total Costs To Complete</u>	<u>Funded By Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>	<u>Other</u>
Davis Science/Laboratory Building	\$ 2,688,225	-	2,688,225	-	-
Roof & Hvac Renovations	975,000	-	975,000	-	-
Total	<u>\$ 3,663,225</u>	<u>-</u>	<u>3,663,225</u>	<u>-</u>	<u>-</u>

**9. Pension Plan.**

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

Funding policy – PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The rate as of the end of June 30, 2008 fiscal year is 11.85% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2008, 2007, and 2006 were \$1,167,004, \$1,041,604, and \$922,255, respectively, equal to the required contributions for each year.

**10. Risk Management**

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

**EAST CENTRAL COMMUNITY COLLEGE**

**SUPPLEMENTAL INFORMATION**

**EAST CENTRAL COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster:			
U.S. Department of Education			
Federal PELL Grant Program	84.063		\$ 4,077,289
Federal Supplemental Education Opportunity Grant Program (FSEOG)	84.007		81,272
Federal Family Educational Loan Program (FFEL)*	84.032		1,568,836
Federal Work-Study Program (FWS)	84.033		76,662
Academic Competitiveness Grants	84.375		99,189
Total Student Financial Aid			<u>5,903,228</u>
U.S. Department of Education:			
Pass-through programs from:			
State Department of Education - Vocational Education			
Basic Grant	84.048		292,899
State Department of Education - Tech-Prep Education	84.243		80,148
State Department of Education - Vocational Rehabilitation			
Grants to States	84.126		23,701
State Department of Education Adult Education -			
State Grant Programs	84.002		245,055
State of Mississippi Institutions of Higher Learning -			
Leveraging Educational Assistance Partnership (LEAP)	84.069		2,323
Total U.S. Department of Education			<u>6,547,354</u>

**EAST CENTRAL COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2008**

WIA Cluster

U.S. Department of Labor

Pass-through program from:

MS Employment Security Commission - WIA Adult Program	17.258	411,646
Southern Mississippi Planning & Development District - WIA Dislocated Workers	17.260	<u>51,831</u>

Total WIA Cluster		<u>463,477</u>
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State of Alabama Department of Economic & Community Affairs

W/A Pilots, Demonstrations and Research Projects	17.261	<u>415,870</u>
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Total U.S. Department of Labor		<u>879,347</u>
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Department of Homeland Security

Pass-through Program from:

MS Emergency Management Agency - Disaster Grants -

Public Assistance (Presidentially Declared Disasters)	97.036	<u>76,776</u>
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Total Department of Homeland Security		<u>76,776</u>
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Total Expenditures of Federal Awards		\$ <u>7,503,477</u>
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**EAST CENTRAL COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2008**

Notes to Schedule of Expenditures of Federal Awards

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

\*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.

**EAST CENTRAL COMMUNITY COLLEGE**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**





**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mori Stroud, CPA  
Gary C. Hamilton, CPA  
R. Steve Sinclair, CPA  
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Wanda S. Holley, CPA  
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J. Randy Schriener, CPA  
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Susan M. Lummas, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA

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

Board of Trustees of East Central Community College  
P. O. Box 129  
Decatur, Mississippi 39327

We have audited the primary government financial statements of East Central Community College as of and for the year ended June 30, 2008, which collectively comprise the college's primary government financial statements and have issued our report thereon dated December 9, 2009. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the college's primary government unless the college also issues financial statements for the reporting entity that include the financial data for its component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered East Central Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Central Community 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 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 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 college's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the college's financial statements that is more than inconsequential will not be prevented or detected by the college's internal control. However, of the deficiencies described in the accompanying schedule of findings and questioned costs, we consider items 2008-1, 2008-2, 2008-3, and 2008-4 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 items 2008-1, 2008-2 and 2008-3 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central Community College's primary government 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*.

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.

Watkins, Ward and Stafford, PLLC  
December 9, 2009

*Watkins, Ward and Stafford, PLLC*



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

Board of Trustees of East Central Community College  
P. O. Box 129  
Decatur, Mississippi 39327

Compliance

We have audited the compliance of East Central 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. East Central Community College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of East Central Community College's management. Our responsibility is to express an opinion on East Central Community College's compliance based on our audit.

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

In our opinion, East Central 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 East Central 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 East Central Community 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A control deficiency in a college'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 college's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the college's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that 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 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 oversight, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC  
December 9, 2009

*Watkins, Ward and Stafford, PLLC*

**EAST CENTRAL COMMUNITY COLLEGE**

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



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

Board of Trustees of East Central Community College  
P. O. Box 129  
Decatur, Mississippi 39327

We have audited the primary government financial statements of East Central Community College as of and for the year ended June 30, 2008, which collectively comprise the college's primary government financial statements and have issued our report thereon dated December 9, 2009. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the college's primary government unless the college also issues financial statements for the reporting entity that include the financial data for its component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

Watkins, Ward and Stafford, PLLC  
December 9, 2009

*Watkins, Ward and Stafford, PLLC*

**EAST CENTRAL COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**EAST CENTRAL 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:

Business-type activities	Unqualified
Aggregate discretely presented component unit.	Adverse

2. Internal control over financial reporting:

a. Material weaknesses identified	Yes
b. Significant deficiencies identified that are not considered to be a material weakness	Yes

3. Noncompliance material to the financial statements? No

**Federal Awards:**

4. Internal control over major programs:

a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)?	None Reported

5. Type of auditor's report issued on compliance for major federal programs: Unqualified

6. Any audit finding(s) reported as required by Section\_\_\_\_.510(a) of Circular A-133? No

7. Federal programs identified as major programs:

a. Student financial aid cluster:  
CFDA #84.007  
CFDA #84.032  
CFDA #84.033  
CFDA #84.063  
CFDA #84.375

b. WIA Cluster:  
CFDA #17.258  
CFDA #17.260

c. WIA pilots, demonstrations and research projects  
CFDA #17.261

8. The dollar threshold used to distinguish between type A and B programs: \$300,000

9. Auditee qualified as a low-risk auditee? No

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



## **Section 2: Financial Statement Findings**

### **Material Weakness**

#### **2008-1 Finding**

Generally accepted accounting principles require the financial data for the community college's component unit to be reported with the financial data of the community college's primary government unless the community college also issues financial statements for the financial reporting entity that include the financial data for its component unit. The financial statements do not include the financial data for the community college's legally separate component unit. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

#### **Recommendation**

Management should provide the financial data for its discretely presented component unit for the inclusion in the community college's financial statements.

#### **Response**

We will follow the recommendation and include the financial data for the foundation on our financial statements.

### **Material Weakness**

#### **2008-2 Finding**

Management is responsible for the preparation of financial statements prepared in accordance with generally accepted accounting principles. This would include the preparation of financial statements with footnote disclosures.

These financial statements were not prepared as of the beginning of audit field work. We assisted the client with conversion entries and prepared financial statements from the converted information.

#### **Recommendation**

We recommend that the college prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work.

#### **Response**

We will prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work.

## **Material Weakness**

### **2008-3 Finding**

Management is responsible for the preparation of financial statements prepared in accordance with generally accepted accounting principles. This would include fund financial statements that include all amounts that should be reported as liabilities at fiscal year end. During our testing of the cutoff of purchases we noted that several liabilities were not recorded at year end. We also noted that some estimates used in recording liabilities associated with workforce development projects were incorrect and had to be corrected with audit adjustments.

#### **Recommendation**

We recommend that client establish procedures at year end to ensure there is a proper cutoff of expenditures and accurate estimates are made regarding liabilities associated with the workforce development projects.

#### **Response**

We will establish procedures at year end to ensure there is a proper cutoff of expenditures and accurate estimates are made regarding liabilities associated with the workforce development projects.

## **Significant Deficiency**

### **2008-4 Finding**

We noted the following internal control deficiencies in our testing of purchasing and general disbursements:

- a. We noted eight instances where a purchase order/requisition was dated after the applicable invoice date. This means goods or services were ordered prior to the completion of the purchase order/requisition.
- b. Per review of receiving documentation and comparison to packing slips it was noted that goods and services are not always being dated the date they are received but rather being dated up to a week later than the goods or services are actually received. Goods and services should be dated on the date they are received so that a proper cutoff for expenses can be obtained.

#### **Recommendation**

We recommend that goods and services not be ordered until a purchase order/requisition with appropriate authorization be prepared and that goods and services be dated on the actual day they are received.

#### **Response**

We will not order goods and services until a purchase order/requisition with appropriate authorization is prepared and the goods and services will be dated on the actual day they are received.