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**COPIAH - LINCOLN  
COMMUNITY COLLEGE**  
Audited Financial Statements  
June 30, 2009

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Copiah - Lincoln Community College**  
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## 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, 2009, 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 \$4,470,576 as of June 30, 2009, and total revenues of \$700,488 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 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, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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 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 Copiah - 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.  
December 15, 2010

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# ***COPIAH LINCOLN COMMUNITY COLLEGE***

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

***FOR THE YEAR ENDED JUNE 30, 2009***

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, 2009 (with comparative financial data for the year ended June 30, 2008). 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, 2009**

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

	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>Increase (Decrease)</b>
Current Assets	\$ 4,767,499	\$ 4,396,259	371,240
Noncurrent Assets:			
Capital, Net	34,938,487	35,047,197	(108,710)
Total Assets	39,705,986	39,443,456	(262,530)
<b>Liabilities</b>			
Current Liabilities	1,999,381	2,926,676	(927,295)
Noncurrent Liabilities	6,648,150	6,996,414	(348,264)
Total Liabilities	8,647,531	9,923,090	(1,275,559)
<b>Net Assets</b>			
Invested in Capital Assets, Net	27,927,506	27,094,421	833,085
Restricted:			
Expendable-Capital Projects	945,371	604,408	340,963
Expendable-Debt service	604,416	29,144	575,272
Unrestricted	1,581,162	1,792,393	(211,231)
Total Net Assets	\$31,058,455	\$ 29,520,366	1,538,089

# **COPIAH LINCOLN COMMUNITY COLLEGE**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

### **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 \$1,505,701 at June 30, 2009, representing a \$276,953 decrease in cash and cash equivalent compared to the June 30, 2008 cash and cash equivalents balance.

##### **Short Term Investments**

Short term investments at June 30, 2009 were \$182,614, representing an increase of \$182,614 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 \$2,471,372 at June 30, 2009. Accounts receivable increased by \$493,698 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 \$436,534 at June 30, 2009, representing a \$60,619 decrease in inventories compared to the June 30, 2008 inventories balance.

##### **Prepaid Expenses**

Prepaid expenses consist of transactions such as membership renewal, maintenance agreements, and other payments for the 2010 Fiscal Year but required payment to vendors before July 1, 2009. Prepaid expenses totaled \$171,278 at June 30, 2009, representing a \$14,701 increase in prepaid expenses compared to the June 30, 2008 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, 2009 totaled \$0 representing a \$17,799 decrease in cash and cash equivalents compared to the June 30, 2008 cash and cash equivalent balance.

##### **Capital Assets, Net**

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2009. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$34,938,487 at June 30, 2009, representing a \$90,911 decrease in net capital assets compared to the June 30, 2008 net capital asset balance.

# **COPIAH LINCOLN COMMUNITY COLLEGE**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

### **Liabilities**

#### **Current Liabilities**

##### **Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities represent amounts due at June 30, 2009 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$825,680 at June 30, 2009 representing a \$705,314 decrease in accounts payable and accrued liabilities compared to the June 30, 2008 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 2010 Fiscal Year. The deferred revenues totaled \$97,555 at June 30, 2009, representing a \$6,287 decrease in deferred revenue compared to the June 30, 2008 deferred revenue balance.

##### **Accrued Leave Liabilities**

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2009. The amount of the current portion of compensated absences at June 30, 2009 was \$259,409, representing a \$137,061 increase in accrued leave liabilities compared to the June 30, 2008 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, 2009 was \$22,217 representing a \$4,475 decrease in housing deposits (current portion) compared to the June 30, 2008 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, 2009 Fiscal Year. The amount at June 30, 2009 was \$480,000, representing a \$553,200 decrease in the current portion of long-term liabilities compared to the June 30, 2008 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, 2009. This amount at June 30, 2009 was \$314,520 representing a \$204,920 increase in other current liabilities compared to the June 30, 2008 balance.

#### **Noncurrent Liabilities**

##### **Deposits Refundable**

Deposits Refundable represents the balances due students for housing deposits at the end of June 30, 2009. This amount at June 30, 2009 was \$117,169 representing a \$22,532 increase in deposits refundable compared to the June 30, 2008 deposits refundable balance.

##### **Long-Term Liabilities**

This liability consists of the noncurrent portion of the bonds payable balances at the end of June 30, 2009. The total amount of the noncurrent portion of bonds payable was \$3,555,000 at June 30, 2009 representing a \$480,000 decrease in the long-term liabilities compared to the June 30, 2008 long-term liabilities balance.



# COPIAH LINCOLN COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

### Other Noncurrent Liabilities

This liability consists of obligations under capital lease balances at the end of June 30, 2009. The total amount of other noncurrent liabilities was \$2,975,981 at June 30, 2009 representing a \$109,204 increase compared to the June 30, 2008 other noncurrent liabilities balance.

### Net Assets

Net Assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2009 were \$31,058,455 representing a \$1,538,089 increase in net assets compared to the June 30, 2008 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, 2009	June 30 2008	Increase (Decrease)
Capital Assets, Net of Accumulated Depreciation	\$ 34,938,487	\$35,029,398	\$ (90,911)
Long-Term Liabilities-Current	(480,000)	(1,033,200)	(553,200)
Long-Term Liabilities-Noncurrent	(3,555,000)	(4,035,000)	(480,000)
Other Liabilities-Noncurrent	(2,975,981)	(2,866,777)	109,204
Net Capital Assets	\$ 27,927,506	\$ 27,094,421	\$ 833,085

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, 2009	June 30, 2008	Increase (Decrease)
Debt Service	\$ 604,416	\$ 29,144	\$ 575,272
Capital Projects	945,371	604,408	340,963
Other Grants and Contracts	0	0	0
Total Restricted Net Assets	\$1,549,787	\$633,552	\$916,235

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, 2009 were \$1,581,162 representing a \$211,231 decrease in unrestricted net assets compared to the June 30, 2008 unrestricted net asset balance.

# **COPIAH LINCOLN COMMUNITY COLLEGE**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

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

<b>Operating Revenues:</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>Increase (Decrease)</b>
Tuition and Fees	\$ 4,020,942	\$ 3,796,868	\$ 224,074
Grants and Contracts	15,206,503	14,433,009	773,494
Auxiliary Enterprises	4,057,717	2,872,093	1,185,624
Other Operating Revenues	86,636	496,240	(409,604)
 Total Operating Revenues	 23,371,798	 21,598,210	 1,773,588
Operating Expenses	35,959,770	33,876,526	2,083,244
 Operating Loss	 (12,587,972)	 (12,278,316)	 (309,656)
<b>Non-operating Revenues:</b>			
State Appropriations	9,805,110	11,418,859	(1,613,749)
Local Appropriations	4,323,374	4,156,960	166,414
Proceeds from Sale of Assets	3,631	205	3,426
Other Non-Operating Revenue	159,835	-0-	159,835
Interest Income	142,967	54,452	88,515
Interest Expense on Capital Debt	(308,856)	(319,848)	10,992
 Net Non-operating Revenues	 14,126,061	 15,310,628	 (1,184,567)
 Net Increase (Decrease) in Net Assets	 1,538,089	 3,032,312	 (1,494,223)
<b>Net Assets:</b>			
Net Assets at Beginning of Year	29,520,366	26,488,054	3,032,312
Net Assets at End of Year	\$ 31,058,455	\$ 29,520,366	1,538,089

Total operating loss for the Fiscal Year 2009 was \$12,587,972. 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 2009 were \$23,371,798 which was a \$1,773,588 increase over Fiscal Year 2008. Tuition and fees were \$4,020,942. Operating expenses, including depreciation of \$1,453,017, totaled \$35,959,770. Of this total \$13,544,795 or 37.67% was for instruction, \$871,805 or 2.42% for academic support, \$3,145,177 or 8.75% for student services, \$4,189,839 or 11.65% for institutional support, \$3,913,981 or 10.88% for physical plant operations, \$4,227,420 or 11.76% for auxiliary enterprises, \$4,613,736 or 12.83% for student aid, and \$1,453,017 or 4.04% for depreciation.

# ***COPIAH LINCOLN COMMUNITY COLLEGE***

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

***FOR THE YEAR ENDED JUNE 30, 2009***

### **Revenues**

#### **Operating Revenues**

##### **Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$4,020,942 representing a \$224,074 increase in tuition and fees compared to June 30, 2008. 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 \$15,206,503 representing a \$773,494 increase compared to the grants and contracts for June 30, 2008.

##### **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 \$4,057,717 for June 30, 2009 representing a \$1,185,624 increase compared auxiliary enterprises at June 30, 2008.

##### **Other Operating Revenues**

Other operating revenues consist of income from educational activities that totaled \$86,636 for the 2009 Fiscal Year, representing a \$409,604 decrease in other revenues compared to June 30, 2008.

##### **Operating Expenses**

Operating expenses totaling \$35,959,770 include salaries and benefits of \$20,344,895; scholarships and fellowships of \$4,612,211; utilities of \$1,149,499; commodities of \$4,631,991; services of \$3,186,324; travel of \$581,833; and depreciation of \$1,453,017.

# COPIAH LINCOLN COMMUNITY COLLEGE

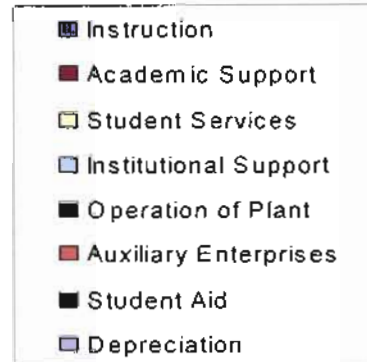
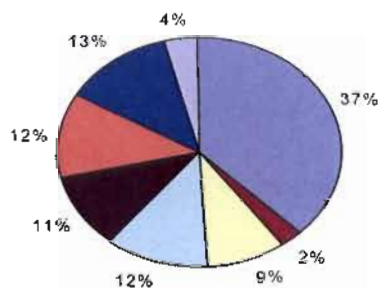
## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2009

### Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total	
Instruction	\$ 9,358,898	\$ 2,705,428	\$ 327,761	\$ 581,144			\$ 571,564		\$ 13,544,795	37.67%
Academic Support	532,080	160,245	5,719	141,373			32,388		871,805	2.42%
Student Services	1,615,875	608,310	202,770	284,453			433,769		3,145,177	8.75%
Institutional Support	1,988,679	783,847	67,583	917,849	(3,000)		434,881		4,189,839	11.65%
Operation of Plant	965,722	369,610	(26,037)	1,012,976	921,590		670,120		3,913,981	10.88%
Auxiliary Enterprises	1,028,664	227,537	4,037	247,004	230,909		2,489,269		4,227,420	11.76%
Student Aid				1,525		4,612,211			4,613,736	12.83%
Depreciation								1,453,017	1,453,017	4.04%
<b>Total Operating Expenses</b>	<b>\$ 15,489,918</b>	<b>\$ 4,854,977</b>	<b>\$ 581,833</b>	<b>\$ 3,186,324</b>	<b>\$ 1,149,489</b>	<b>\$ 4,612,211</b>	<b>\$ 4,631,991</b>	<b>\$ 1,453,017</b>	<b>\$ 35,959,770</b>	<b>100.00%</b>

### Operating Expenses By Function





# ***COPIAH LINCOLN COMMUNITY COLLEGE***

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

***FOR THE YEAR ENDED JUNE 30, 2009***

### **Nonoperating Revenues (Expenses)**

#### **State Appropriations**

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$9,805,110 for the 2009 Fiscal Year, representing a \$1,613,749 decrease in state appropriation compared to June 30, 2008. 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 \$4,323,374 for the 2009 Fiscal Year from these counties. This amount represents a \$166,414 increase compared to June 30, 2008. Since the county's fiscal year runs from October to September, this appropriation was fully recorded by the College during its 2009 Fiscal Year.

#### **Fees on Bonds Issuance**

There weren't any fees associated with bond issuances during the 2009 and 2008 Fiscal Years.

#### **Loss on Disposal of Capital Assets**

The College incurred no loss in the disposal of capital assets during the Fiscal Years of 2009 and 2008.

#### **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 \$3,631 for the 2009 Fiscal Year which represented a \$3,426 increase from the 2008 Fiscal Year.

#### **Other Non-Operating Revenue**

The college received \$159,835 from an energy management agreement. These funds were the result of the college not meeting the projected savings as stated in the energy performance contract.

#### **Interest Income**

This includes the interest income from the cash in the bank accounts. The interest income at June 30, 2009 was \$142,967 representing an \$88,515 increase in interest income compared to June 30, 2008.

#### **Interest Expense on Capital Debt**

The College previously issued bonds to finance construction projects. The interest payments associated with those bond issuances totaled \$308,856 in the 2009 Fiscal Year.

# **COPIAH LINCOLN COMMUNITY COLLEGE**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

### **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**

	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>Increase (Decrease)</b>
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$(12,139,218)	\$(10,729,382)	\$(1,409,836)
Non-capital Financing Activities	14,178,720	15,660,384	(1,481,664)
Capital and Related Financing Activities	(2,276,808)	(3,529,647)	1,252,839
Investing Activities	(39,647)	54,454	(94,101)
Net Increase/Decrease in Cash and Cash Equivalents	\$ (276,952)	\$ 1,455,809	\$(1,732,762)
Cash and Cash Equivalents -- Beginning of the Year	\$ 1,782,654	\$ 326,845	\$ 1,455,809
Cash and Cash Equivalents - End of the Year	\$ 1,505,701	\$ 1,782,654	\$ (276,953)

The major sources of funds included in operating activities include student tuition and fees \$3,520,957; auxiliary enterprises \$4,075,774; grants and contracts \$15,206,503; sales and services of educational departments \$86,636. The major uses of funds were payments made to employees \$20,913,148; to suppliers \$8,354,230; to scholarships \$4,612,211; and to utility providers \$1,149,499.

The largest inflow of cash for noncapital financing activities was the State appropriation of \$9,805,110 and local (county) appropriations of \$4,323,374.

### **Significant Capital Asset Transactions**

The College has engaged in several transactions regarding capital assets during the 2009 Fiscal Year. These transactions were:

- |   |           |
|---|-----------|
| • Repaired Wesson Campus Sidewalks                  | \$ 11,762 |
| • Purchased a Truck for the Physical Plant          | 18,212    |
| • Purchased Mini Buses (2)                          | 167,888   |
| • Repaired Roof on Ellzey Hall                      | 103,000   |
| • Replaced the Outfield Fence at the Baseball Field | 33,526    |
| • Purchased a Tractor for the Physical Plant        | 24,705    |

# **COPIAH LINCOLN COMMUNITY COLLEGE**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

• Energy Management System and Improvements	143,185
• Upgraded the College's Computer Network	320,040
• Purchased Security Cameras for the Wesson/Natchez Campuses	25,027
• Replaced the Hot Water Heater in Stevens Hall	21,520
• Landscaping at the Simpson County Center	22,577
• Completed the Construction of the Fitness Center	93,750
• Purchased Vehicles for the Wesson (2) and Natchez Campuses (1)	49,152
• Lights for the Softball/Soccer Fields	167,000
• Repaired the Roof on the Stribling Building	126,576
• Purchased Equipment for Science Labs	15,458
• Purchased Equipment for the Drafting and Design Technology Program	8,301
• Purchased Utility Vehicles for the Wesson (2) and Simpson (1)	30,061
• Upgraded Computers at the Wesson and Natchez Campuses	72,189
• Completed Roofing Repairs at the Natchez Campus	85,690
• Purchased a Generator for the Natchez Campus	24,331
• Purchased a Emergency Warning System for the Wesson Campus	18,321
• Purchased a Lawn Mower for the Natchez Campus	6,467
• Radiography Reader for the Medical Radiologic Technology Program	41,283
• Purchased a Floor Scrubber for the Physical Plant	9,209
• Refrigeration System Demonstrator for the Heating/Air Conditioning Technology Program	18,695

**TOTAL**

**\$ 1,657,925**

### **Factors Impacting Future Periods**

The national economic outlook 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 continued to decrease or have 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 ARRA funds have been committed by the Governor and Legislature to Mississippi community colleges, but this will be a short term solution to the state budget shortfall. These federal ARRA funds will be significantly reduced or eliminated by FY 2012. 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, but not enough to offset state reductions.

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

# ***COPIAH LINCOLN COMMUNITY COLLEGE***

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

***FOR THE YEAR ENDED JUNE 30, 2009***

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 8% during this economic period. The high student enrollment, along with tuition and fees increase, is expected 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, 2009

**Assets:**

Cash and cash equivalents	\$ 1,505,701
investments	182,614
Accounts receivable (net of allowance of \$3,054,079)	2,471,372
Inventories	436,534
Prepaid expenses	171,278
Capital assets, net	34,938,487
Total Assets	<u>\$ 39,705,986</u>

**Liabilities:****Current Liabilities:**

Accounts payable and accrued liabilities	\$ 825,680
Deferred revenues	97,555
Accrued leave liabilities - current portion	259,409
Housing deposits - current portion	22,217
Long-term liabilities - current portion	480,000
Other current liabilities	314,520
Total Current Liabilities	<u>1,999,381</u>

**Non-Current Liabilities:**

Deposits refundable	117,169
Long-term liabilities	3,555,000
Other non-current liabilities	2,975,981
Total Non-Current Liabilities	<u>6,648,150</u>

**Total Liabilities**8,647,531**Net Assets:**

Investment in capital assets, net of related debt	27,927,506
Restricted Net Assets:	
Expendable:	
Debt service	604,416
Capital projects	945,371
Unrestricted	1,581,162
Total Net Assets	<u>\$ 31,058,455</u>

The accompanying notes are an integral part of this statement.

Copiah-Lincoln Community College Foundation, Inc.  
Statement of Financial Position  
June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Assets</b>				
Cash	\$ 74,008	\$ 14,085	\$ 218,889	\$ 306,983
Investments	410,189	226,927	3,526,478	4,163,593
<b>Total Assets</b>	<b>\$ 484,197</b>	<b>\$ 241,012</b>	<b>\$ 3,745,367</b>	<b>\$ 4,470,576</b>
<b>Liabilities</b>				
Present Value of Annuities	\$ 114,020	\$ -	\$ -	\$ 114,020
<b>Total Liabilities</b>	<b>114,020</b>	<b>-</b>	<b>-</b>	<b>114,020</b>
<b>Net Assets</b>				
Unrestricted	370,177	-	-	370,177
Temporarily Restricted	-	241,012	-	241,012
Permanently Restricted	-	-	3,745,367	3,745,367
<b>Total Net Assets</b>	<b>370,177</b>	<b>241,012</b>	<b>3,745,367</b>	<b>4,356,556</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 484,197</b>	<b>\$ 241,012</b>	<b>\$ 3,745,367</b>	<b>\$ 4,470,576</b>

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, 2009****Operating Revenues:**

Tuition and fees (net of scholarship allowance of \$2,520,826)	\$ 4,020,942
Federal grants and contracts	10,275,969
State grants and contracts	4,234,454
Local grants and contracts	696,080
Sale and services of educational departments	86,636
Auxiliary enterprises (net of scholarship allowance of \$1,680,551)	4,057,717
Total Operating Revenues	<u>23,371,798</u>

**Operating Expenses:**

Salaries and wages	15,489,918
Fringe benefits	4,854,977
Travel	581,833
Contractual services	3,186,324
Utilities	1,149,499
Scholarships and fellowships	4,612,211
Commodities	4,631,991
Depreciation	1,453,017
Total Operating Expenses	<u>35,959,770</u>

Operating Income (Loss) (12,587,972)

**Non-Operating Revenues:**

State appropriations	9,805,110
Local appropriations	4,323,374
Gain on sale of assets	3,631
Interest income	142,967
Interest expense	(308,856)
Other revenues	159,835
Total Non-operating Revenues (Expenses)	<u>14,126,061</u>

Income (Loss) Before Other Revenues, Expenses, Gains and Losses 1,538,089

Net Increase (Decrease) in Net Assets 1,538,089

**Net Assets:**

Net Assets - Beginning of year	29,520,366
Net Assets - End of year	<u>\$ 31,058,455</u>

The accompanying notes are an integral part of this statement.



Copiah-Lincoln Community College Foundation, Inc.  
Statement of Activities  
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains and Support				
Contributions	\$ 697,470	\$ 15,308	\$ 104,536	\$ 817,313
Investment Income	(16,005)	(8,753)	(92,077)	(116,835)
Net Assets Released from Restrictions	150,137	-	(150,137)	-
Total Revenues, Gains and Support	<u>831,602</u>	<u>6,555</u>	<u>(137,679)</u>	<u>700,478</u>
Expenses				
Program Services				
Scholarships	154,662	300		154,962
Payments Directly to the College	200,614			200,614
Special Events	13,830			13,830
Athletic Expenses		14,897		14,897
Alumni Operations		2,150		2,150
Golf Course Expenses		815		815
Other Expenses				
Change in Annuity	80,072			80,072
Management and General	12,910			12,910
Total Expenses	<u>462,088</u>	<u>18,162</u>	<u>-</u>	<u>480,250</u>
Increase in Net Assets before Other Sources/Uses	369,513	(11,606)	(137,679)	220,228
Other Sources/Uses				
Transfers from Other Funds	-		400,000	400,000
Transfers to Other Funds	(400,000)		-	(400,000)
Total Other Sources/Uses	<u>(400,000)</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
Increase in Net Assets	(30,487)	(11,606)	262,321	220,228
Net Assets at Beginning of Year	<u>400,664</u>	<u>252,618</u>	<u>3,483,046</u>	<u>4,136,328</u>
Net Assets at End of Year	<u>\$ 370,177</u>	<u>\$ 241,012</u>	<u>\$ 3,745,367</u>	<u>\$ 4,356,556</u>

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

# COPIAH LINCOLN COMMUNITY COLLEGE

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

### Cash Flows from Operating Activities:

<i>Tuition and Fees</i>	\$ 3,520,957
<i>Grants and contracts</i>	15,206,503
<i>Sales and services of educational departments</i>	86,636
<i>Payments to suppliers</i>	(8,354,230)
<i>Payments to employees salaries and benefits</i>	(20,913,148)
<i>Payments for utilities</i>	(1,149,499)
<i>Payments for scholarships and fellowships</i>	(4,612,211)
<i>Auxiliary enterprises charges</i>	4,075,774
Net Cash Provided (Used) by Operating Activities	<u>(12,139,218)</u>

### Cash Flows from Non-capital Financing Activities:

<i>State appropriations</i>	9,805,110
<i>Local appropriations</i>	4,323,374
<i>Federal loan receipts</i>	4,485,381
<i>Federal loan program disbursements</i>	(4,485,381)
<i>Other sources</i>	50,236
Net Cash Provided (Used) by Non-capital Financing Activities	<u>14,178,720</u>

### Cash Flows from Capital and Related Financing Activities:

<i>Proceeds from notes</i>	500,000
<i>Principal and Interest Paid</i>	(1,418,332)
<i>Acquisition or Construction of Capital Assets</i>	(1,362,107)
<i>Proceeds from Sale of Capital Assets</i>	3,631
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,276,808)</u>

### Cash Flows from Investing Activities:

<i>Purchase of investment securities</i>	(182,614)
<i>Interest received on Investments</i>	142,967
Net Cash Provided (Used) for investing Activities	<u>(39,647)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (276,953)

Cash and Cash Equivalents at Beginning of Year 1,782,654

Cash and Cash Equivalents at End of Year \$ 1,505,701

### Reconciliation of Operating Income to Net Cash

<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (12,587,972)
Adjustments to Reconcile Operating Income to Net Cash	
<i>Provided by Operating Activities</i>	
<i>Depreciation</i>	1,453,017
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(493,698)
<i>Decrease (Increase) in Inventories</i>	60,619
<i>Decrease (Increase) in Prepaid Expenses</i>	(14,701)
<i>Increase (Decrease) in Accounts Payable/Salaries Payable</i>	(705,314)
<i>Increase (Decrease) in Accrued Leave</i>	137,061
<i>Increase (Decrease) in Student Deposits</i>	18,057
<i>Increase (Decrease) in Deferred Revenue</i>	(6,287)
Total Adjustments	<u>448,754</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (12,139,218)</u>

The accompanying notes 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	\$ 220,228
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Net unrealized (gains) losses on investments	82,218
Increase (decrease) in:	
Annuity Liability	(5,915)
Contributions restricted for permanent investment	(104,536)
Net cash provided by operating activities	<u>191,996</u>
Cash Flows From Investing Activities:	
Purchases of Investments	(3,678,127)
Sales of Investments	3,591,006
Net cash used by investing activities	<u>(87,121)</u>
Cash Flows From Financing Activities:	
Contributions restricted for permanent investment	<u>104,536</u>
Net Increase in Cash	209,410
Cash Balance	
Beginning of Year	<u>97,573</u>
End of Year	<u>\$ 306,983</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, 2009

## Copiah - Lincoln Community College

### Notes to the Financial Statements For the Year Ended June 30, 2009

#### (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, 2009, 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, 2009**

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, 2009

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, 2009 was \$259,409.

#### 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, 2009

- 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, 2009

- 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 and Investments

##### 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.

##### B. Investments

Investment policies as set forth by policy and state statute also authorize the college to invest in equity securities, bond and other securities. Investments are reported

## Copiah - Lincoln Community College

### Notes to the Financial Statements For the Year Ended June 30, 2009

at fair value (market).

As of June 30, 2010, the college had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Certificate of Deposit	N/A	Less than 1 year	\$ 182,614
Total Investments			<u>\$ 182,614</u>

*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 district does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the college will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2009, the college did not have any investments to which this would apply.

### (3) Accounts Receivable

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

Student tuition	\$ 3,352,488
Local appropriations	740,151
Other	<u>1,432,812</u>
Total Accounts Receivable	5,525,451
Less allowance for doubtful accounts	<u>(3,054,079)</u>
Net Accounts Receivable	<u>\$ 2,471,372</u>

# Copiah - Lincoln Community College

## Notes to the Financial Statements For the Year Ended June 30, 2009

### (4) Capital Assets

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

	Beginning Balance	Additions	Completed Construction	Ending Balance
Non-depreciable Capital Assets:				
Land	\$ 715,118			715,118
Construction in progress		137,370		137,370
Total Non-depreciable Capital Assets	715,118	137,370	0	852,488
Depreciable Capital Assets:				
Buildings	39,078,743	315,256		39,393,999
Improvements other than buildings	7,541,579	210,546		7,752,125
Equipment	5,228,366	668,803		5,897,169
Library books	2,727,164	30,131		2,757,295
Total Depreciable Capital Assets	54,575,852	1,224,736	0	55,800,588
Less Accumulated Depreciation for:				
Buildings	11,791,438	751,523		12,542,961
Improvements other than buildings	1,973,820	304,453		2,278,273
Equipment	4,218,389	308,521		4,526,910
Library books	2,277,925	88,520		2,366,445
Total Accumulated Depreciation	20,261,572	1,453,017	0	21,714,589
Total Depreciable Capital Assets, Net	34,314,280	(228,281)	0	34,085,999
Capital Assets, Net	\$ 35,029,398	(90,911)	0	34,938,487

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

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

# Copiah - Lincoln Community College

## Notes to the Financial Statements For the Year Ended June 30, 2009

Commitments under construction contracts at June 30, 2009, are summarized as follows:

	Spent to June 30, 2009	Remaining Commitment
Nursing Building Re-roofing Project	\$ 137,370	7,600
Total	\$ 137,370	7,600

### (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, 2009. 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	\$ 255,000		125,000	130,000	130,000
B. Educational Facilities Bond	3,180,000		230,000	2,950,000	240,000
C. Refunding Bonds Series B	370,000		370,000	0	
D. Dorm Construction	1,060,000		105,000	955,000	110,000
E. Capital Lease - Buses	237,096		75,178	161,918	78,969
F. Capital Lease - IBM	38,425		38,425	0	
G. Capital Lease - NEWT	0	315,000	52,957	262,043	101,158
H. Capital Lease - MBUS	0	185,000	18,836	166,164	33,844
I. Energy Management Lease	2,794,456		94,080	2,700,376	100,549
J. Accrued Leave	122,348	137,061		259,409	259,409
K. Deposits Refundable	121,329	18,057		139,386	22,216
Total	\$ 8,178,654	655,118	1,109,476	7,724,296	1,076,145

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, 2009

### 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	130,000
Educational Facilities Bond	3 - 4.25%	2019	4,000,000	2,950,000
Total Bonded Debt			<u>\$ 5,200,000</u>	<u>3,080,000</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	955,000
Total Revenue Bond			<u>\$ 2,554,000</u>	<u>955,000</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	161,918
Energy Management	3.25%	2022	2,814,170	2,700,376
NEWT	4.93%	2009	315,000	262,043
MBUS	4.73%	2009	185,000	166,164
Total Capital Leases			<u>\$ 3,693,170</u>	<u>3,290,501</u>

### Other Long-Term Liabilities:

<u>Description</u>	<u>Amount Outstanding</u>
Other Long-Term Liabilities	
Accrued Leave	\$ 259,409
Deposits Refundable	139,386
Total Other Long-Term Liabilities	<u>\$ 398,795</u>

Long-term debt will mature as follows:

## Copiah - Lincoln Community College

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Year Ending June 30	General Obligation Bonds	Revenue Bond	Capital Leases	Interest	Total
2010	\$ 370,000	110,000	314,520	283,920	1,078,440
2011	250,000	110,000	335,626	253,065	948,691
2012	260,000	115,000	214,581	225,975	815,556
2013	275,000	115,000	173,476	204,204	767,680
2014	285,000	120,000	167,252	182,294	754,546
2015-2019	1,640,000	385,000	729,716	567,951	3,322,667
2020-2024	0	0	1,355,330	103,438	1,458,768
Total	\$ <u>3,080,000</u>	<u>955,000</u>	<u>3,290,501</u>	<u>1,820,847</u>	<u>9,146,348</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
2010	\$ 114,064
2011	111,715
2012	78,170
2013	78,170
2014	78,170
2015	3,750
Total Minimum Payments Required	\$ <u>464,039</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, 2009, was \$311,311.

### (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 Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained



## **Copiah - Lincoln Community College**

### **Notes to the Financial Statements For the Year Ended June 30, 2009**

by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2009, 2008 and 2007 were \$1,611,164, \$1,513,684, and \$1,387,594, respectively, equal to the required contributions for each year.

## COPIAH - LINCOLN COMMUNITY COLLEGE

Notes to the Financial Statements  
For the Year Ended June 30, 2009

## (8) Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 9,358,898	\$ 2,705,428	\$ 327,761	\$ 581,144			\$ 571,564		\$ 13,544,795
Academic Support	532,080	160,245	5,719	141,373			32,388		871,805
Student Services	1,615,875	608,310	202,770	284,453			433,769		3,145,177
Institutional Support	1,988,679	783,847	67,583	917,849	(3,000)		434,881		4,189,839
Operation of Plant	965,722	369,610	(26,037)	1,012,976	921,590		670,120		3,913,981
Auxiliary Enterprises	1,028,664	227,537	4,037	247,004	230,909		2,489,269		4,227,420
Student Aid				1,525		4,612,211			4,613,736
Depreciation								1,453,017	1,453,017
Total Operating Expenses	\$ 15,489,918	\$ 4,854,977	\$ 581,833	\$ 3,186,324	\$ 1,149,499	\$ 4,612,211	\$ 4,631,991	\$ 1,453,017	\$ 35,959,770



**Copiah-Lincoln Community College Foundation, Inc.**  
Wesson, Mississippi  
Notes to the Financial Statements  
For the Year Ended June 30, 2009

**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, 2009

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, 2009

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, 2009.

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, 2009

**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 \$114,020 at June 30, 2009. The Change in Annuity presented in the financial statements is calculated as follows:

Payments to annuitants	\$ 85,987
Less decrease in annuity liability	<u>( 5,915)</u>
Net Change in Annuity	\$ <u>80,072</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 \$250,000 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, 2009

**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, 2009 consist of the following:

	<u>Cost</u>	<u>Market</u>
<u>Cash and Equivalents</u>	<u>306,983</u>	<u>306,983</u>
<u>Common Stocks</u>	<u>1</u>	<u>242</u>
<u>U.S. Government Obligations/Agencies</u>	<u>2,120,000</u>	<u>2,103,874</u>
<u>Corporate Bonds</u>	<u>300,470</u>	<u>310,184</u>
<u>Municipal Bonds</u>	<u>898,272</u>	<u>926,440</u>
<u>Mutual Funds- Fixed Inc</u>	<u>300,540</u>	<u>300,245</u>
<u>Mutual Funds- Equity</u>		
Dodge and Cox Stock Fund	98,467	63,247
IShares S&P 500 Value Index Fund	68,113	38,552
IShares S&P Midcap 400 Value Index Fund	65,756	42,678
Franklin Mutual Discovery Z	54,909	40,164
Goldman Sachs Structured International Equity	74,373	49,801
Goldman Sachs Satellite Strategies Port.-SVC	5,800	5,708
Oppenheimer Main St Small Cap FD CL A	80,800	86,533
Performance Strategic Dividend Fund		
Institutional Class	122,622	85,981
Performance Leaders Equity Fund	11,235	6,216
Performance Large Cap Equity Fund	36,020	23,326
Ridgeworth Mid Cap Value Equity Fund	<u>82,800</u>	<u>80,402</u>
<u>Total Mutual Funds- Equity</u>	<u>700,895</u>	<u>522,608</u>
<b>Total Investments</b>	<b><u>\$4,627,161</u></b>	<b><u>\$4,470,576</u></b>

**Copiah-Lincoln Community College Foundation, Inc.**  
Wesson, Mississippi  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2009

Investment Income for the year ended June 30, 2009 was calculated as follows:

Interest and Dividends	\$202,973
Realized Gains and Losses	(228,838)
Unrealized Gains and Losses	<u>( 82,218)</u>
Subtotal	(108,083)
Less Investment Fees	<u>( 8,752)</u>
Net Investment Income	<u><u>\$ (116,835)</u></u>

**PATRICK E. LOWERY AND ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS



## SUPPLEMENTAL INFORMATION

**COPIAH-LINCOLN COMMUNITY COLLEGE**
**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b><u>U.S. Department of Education</u></b>		
Student Financial Aid-Cluster		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 156,435
Federal Family Education Loans (FFEL)	84.032	4,447,032 (1)
Federal Work-Study Programs (FWS)	84.033	137,238
Federal Pell Grant Program	84.063	7,183,020
Federal Academic Competitive Grant (FACG)	84.375	139,008
Total Student Financial Aid-Cluster		12,062,733
Total U.S. Department of Education		12,062,733
<b><u>U.S. Department of Labor</u></b>		
Passed through programs from:		
Senior Service America, Inc. -Senior Community		
Service Employment Program	17.235	630,117
ARRA - Service Employment Program - Recovery Act	17.235	5,060
Central Mississippi Planning and Development District		
WIA Adult Program	17.258	61,973
WIA Youth Activities	17.259	39,877
WIA Dislocated Worker	17.260	61,392
Total WIA Cluster		163,242
Total U.S. Department of Labor		798,419
<b><u>U.S. Department of Education</u></b>		
TRIO-Student Support Services	84.042	340,116
TRIO-Upward Bound	84.047	370,072
Total TRIO Cluster		710,188
Pass through program from:		
Mississippi State Board for Community & Junior Colleges		
Adult Education-Basic Grants to States	84.002	411,551
Mississippi Department of Education		
Career Technical Education-Basic Grants to States	84.048A	300,964
Tech-Prep Education	84.243	98,678
Sub-total pass-through programs		811,193
Total U.S. Department of Education		1,521,381
<b>Small Business Administration</b>		
Pass-through programs from:		
Small Business Development Centers	59.037	54,828
Total Small Business Administration		54,828
<b>Total Expenditures of Federal Awards</b>		<b>\$ 14,437,361</b>

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, 2009, which collectively comprise the Copiah - Lincoln Community College's basic financial statements and have issued our report thereon dated December 15, 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 \$4,470,576 as of June 30, 2009, and total revenues of \$700,488 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 2009-1, 2009-2 and 2009-3 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 2009-1, 2009-2 and 2009-3 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 Auditee's Corrective Action Plan. 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  
December 15, 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, 2009. 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, 2009.

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  
December 15, 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, 2009, and have issued our report thereon dated December 15, 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 all 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  
December 15, 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, 2009**

#### **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 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

- c. TRIO Cluster:  
CFDA # 84.042  
CFDA # 84.047
  - d. Adult Education - Basic Grants to States  
CFDA # 84.002
  - e. Career Technical Education - Basic Grants to States  
CFDA # 84.048A
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: Financial Statements Findings

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 2009-1:**

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 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.

**Finding 2009-2:**

As a result of the issues discussed in Finding 2009-1 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.

**Finding 2009-3:**

As a result of the issues discussed in Finding 2009-1 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.

**Section 3: Federal Awards Findings and Questioned Costs**

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



## AUDITEE'S CORRECTIVE ACTION PLAN

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

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_\_\_ .315(b) of OMB Circular A-133, the Copiah - Lincoln Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2009:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2009-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Michael Tanner title: Vice President of Business Affairs phone number: (601)643-8302</p> <p>b. Corrective Action Planned:</p> <p>Problems with the initial setup of the new administrative software have 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 2009. We will continue to work with the software company to ensure that we eliminate all problems (and any potential problems) associated with this conversion.</p> <p>c. Anticipated Completion Date: 06-30-10</p>
2009-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Michael Tanner title: Vice President of Business Affairs phone number: (601)643-8302</p> <p>b. Corrective Action Planned:</p> <p>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.</p> <p>c. Anticipated Completion Date: 06-30-10</p>

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AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)

2009-3

a. Name of Contact Person Responsible for Corrective Action:

name: Michael Tanner  
title: Vice President of Business Affairs  
phone number: (601)643-8302

b. Corrective Action Planned:

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.

c. Anticipated Completion Date: 06-30-10

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

**Copiah - Lincoln Community College**  
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Wesson, MS 39191  
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**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, 2009:

<u>Finding</u>	<u>Status</u>
2008-1	Not Corrected
2008-2	Not Corrected
2008-3	Not Corrected

