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Copiah - Lincoln Community College
Audited Financial Statements
For the Year Ended June 30, 2019

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

Jane G. Hulon, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Copiah-Lincoln Community College and its discretely presented component unit as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Copiah-Lincoln Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Copiah-Lincoln Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of Copiah-Lincoln Community College and of its discretely presented component unit, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions (PERS), the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB) on pages 8 to 16 and 59 to 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020 on our consideration of the Copiah-Lincoln Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Copiah-Lincoln Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Copiah-Lincoln Community College's internal control over financial reporting and compliance.

Fortenberry & Ballard, P.C.

Fortenberry & Ballard, P.C.
March 25, 2020

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

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, 2019 (with comparative financial data for the year ended June 30, 2018). This discussion and analysis has been prepared by management and it focuses primarily on the operation of the College. The College's foundation, Copiah Lincoln Community College Foundation, Inc., 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 because of the year's activities. The key to understanding this question is the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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 Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) is one indicator of the College's financial health. Over time, increases or decreases in net position is an 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 Position 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 systematically provides an amortization of 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 & Analysis

For the Year Ended June 30, 2019

Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Increase (decrease)
Assets			
Current assets	\$ 15,216,657	17,037,745	(1,821,088)
Non-current assets: capital assets (net)	53,294,575	47,733,435	5,561,140
Total assets	68,511,232	64,771,180	3,740,052
Deferred outflows of resources			
Pensions	4,801,843	4,686,541	115,302
Other post-employment benefits (OPEB)	101,228	96,898	4,330
Total deferred outflows of resources	4,903,071	4,783,439	119,632
Liabilities			
Current liabilities	3,224,607	2,869,034	355,573
Non-current liabilities	12,286,940	7,639,358	4,647,582
Net pension liability	36,978,421	37,248,538	(270,117)
Net OPEB Liability	2,059,602	2,089,395	(29,793)
Total liabilities	54,549,570	49,846,325	4,703,245
Deferred inflows of resources			
Pensions	3,565,492	2,663,170	902,322
Other post-employment benefits (OPEB)	147,061	106,391	40,670
Total deferred inflows of resources	3,712,553	2,769,561	942,992
Net position			
Net investment in capital assets	40,060,996	38,875,984	1,185,012
Restricted portion for capital projects & debt service	4,835,922	6,884,284	(2,048,362)
Unrestricted portion	(29,744,738)	(28,821,535)	(923,203)
Total net position	\$ 15,152,180	16,938,733	(1,786,553)

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 \$9,915,444 at June 30, 2019, representing a \$1,415,098 increase in cash and cash equivalent compared to the June 30, 2018 cash and cash equivalents balance.

Short-term investments

Short-term investments at June 30, 2019 were \$73,039 representing a \$291 increase 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 net receivables totaled \$4,511,515 at June 30, 2019. Accounts receivable increased by \$1,068,021 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 \$254,374 at June 30, 2019, representing a \$20,098 decrease in inventories compared to the total inventory balance at June 30, 2018.

Construction deposits

Funds on deposit with the Mississippi Bureau of Buildings & Grounds associated with the construction of the new dormitory on the Wesson campus totaled \$325,833 at June 30, 2019, representing a decrease of \$4,174,167 in construction deposits compared to the total construction deposits balance at June 30, 2018. The balance will be used on future projects.

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

Prepaid expenses

Prepaid expenses consist of transactions such as membership renewals, maintenance agreements, and other payments for the 2019 fiscal year for which payment to vendors occurred before July 1, 2019. Prepaid expenses totaled \$136,452 at June 30, 2019, representing a \$110,233 decrease in prepaid expenses compared to the June 30, 2018 prepaid expense balance.

Non-current assets

Capital assets (net)

Capital assets (net) consist of land, construction in progress, buildings, other improvements, equipment, and historical library holdings at June 30, 2019. The amount reported is net of accumulated depreciation. Capital assets (net) totaled \$53,294,575 at June 30, 2019, representing a \$5,561,140 increase in net capital assets compared to the June 30, 2018 net capital asset balance.

Deferred outflows of resources

Due to the implementation of GASB No. 68 and 71, as well as GASB No. 75, the College recognizes deferred outflows of resources related to pensions and OPEB. Deferred outflows of resources at June 30, 2019 totaled \$4,903,071, representing a \$119,632 increase from the prior year.

Current liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,406,310 at June 30, 2019 representing a \$951,533 increase in accounts payable and accrued liabilities over the prior year balance.

Unearned revenue

Unearned revenue represents revenue received by the College during the fiscal year, but actually represents revenue that will be recorded in the College's 2020 fiscal year. The unearned revenues totaled \$203,591 at June 30, 2019, representing a \$16,891 decrease in unearned revenue compared to the June 30, 2018 unearned revenue balance.

Accrued leave liabilities

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2019. The amount of the current portion of compensated absences at June 30, 2019 was \$285,351, representing a \$28,783 decrease in accrued leave liabilities compared to the June 30, 2018 accrued leave liabilities balances.

Other current liabilities

Other current liabilities represents worker's compensation, agency club, dental and vision insurance payments that are payable by the end of the June 30, 2019 fiscal year. The amount at June 30, 2019 was \$382,716.

Long-term liabilities (current portion)

Long-term liabilities (current portion) represents the portion of the notes payable, bonds payable, and note payable that would be payable by the end of the June 30, 2019 fiscal year. The amount at June 30, 2019 was \$937,620 representing a \$272,406 decrease in the current portion of long-term liabilities compared to the June 30, 2018 long-term liabilities (current portion) balance.

Bond premium capital related (current portion)

Bond premium (current portion) represents the portion of the General Obligation bonds (Series 2016) that would be payable by the end of the June 30, 2019 fiscal year. The amount at June 30, 2019 was \$9,019 in the current portion of bond premium.

Non-current liabilities

Long-term liabilities

Long-term liabilities consist of the non-current portion of the notes payable, bonds payable, and note payable balances at the end of June 30, 2019. The total amount of the non-current portion of long-term liabilities was \$11,981,589 at June 30, 2019 representing a \$4,638,270 net decrease in long-term liabilities compared to the June 30, 2018 long-term liabilities balance.

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

Bond premium capital related

Bond premium (capital related) represents the premium amount of \$314,783 issued on the bond offering of the General Obligation bonds (2016 series) associated with the dormitory construction on the Wesson campus. The bond premium will be amortized over the life of the indebtedness associated with the General Obligation bonds (2016 series). The bond premium (capital related) balance at June 30, 2019 was \$305,531, net of the bond premium amortization for 2019 fiscal year of \$8,067.

Net pension liability

Due to the implementation of GASB No. 68 and 71, the College recognizes net pension liability at June 30, 2019 of \$36,978,421, representing a \$270,117 decrease as compared to the prior year.

Net OPEB liability

Due to the implementation of GASB No. 75, the College recognizes net OPEB liability related to OPEB. Net OPEB liability at June 30, 2019 totaled \$2,059,602, representing a \$29,793 decrease as compared to prior year.

Deferred inflows of resources

Due to the implementation of GASB No. 68 and 71, as well as GASB No. 75, the College recognizes deferred inflows of resources related to pensions and OPEB. Deferred inflows of resources at June 30, 2019 totaled \$3,712,553, representing a \$942,992 increase as compared to the prior year.

Net position

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position at June 30, 2019 was \$15,152,180 representing a \$1,786,553 decrease in the net position when compared to the June 30, 2018 net position.

Analysis of net position

The following is a breakdown of net investment in capital assets:

	June 30, 2019	June 30, 2018	Increase (decrease)
Capital assets (net of accumulated depreciation)	\$ 53,294,575	47,733,435	5,561,140
Long-term liabilities (current portion)	(937,620)	(1,210,026)	272,406
Bond Premiums (current portion)	(9,019)	(8,067)	(952)
Long-term liabilities (non-current portion)	(11,981,589)	(7,343,319)	(4,638,270)
Bond premiums (non-current portion)	(305,351)	(296,039)	(9,312)
Net investment in capital assets	\$ 40,060,996	38,875,984	1,185,012

Restricted expendable net position consists of funds with specific restrictions & grants from third party agencies with expenditure restrictions.

The following is a breakdown of the restricted net position:

	June 30, 2019	June 30, 2018	Increase (decrease)
Restricted portion for capital projects & debt service	\$ 4,835,922	6,884,284	(2,048,362)
Total restricted net position	\$ 4,835,922	6,884,284	(2,048,362)

Unrestricted net position represents balances from operational activities that have not been restricted by parties external to the College, including normal working capital balances maintained for departmental and funds for auxiliary enterprise activities. Total unrestricted net position at June 30, 2019 was a deficit of \$29,744,738 representing a \$923,203 decrease in unrestricted net position compared to the June 30, 2018 unrestricted net position.

In connection with the implementation of standards on accounting and financial reporting for pensions and OPEB, management presents the following additional information:

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

Total unrestricted net position (deficit)	\$ (29,744,738)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	37,847,505
Unrestricted net position, excluding net pension liability and net OPEB liability effect	<u>\$ 8,102,767</u>

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

	June 30, 2019	June 30, 2018	Increase (decrease)
Operating revenues			
Tuition & fees	\$ 3,995,096	3,786,674	208,422
Grants & contracts	13,139,791	16,859,045	(3,719,254)
Auxiliary enterprises	2,538,387	2,592,084	(53,697)
Other operating revenues	372,344	359,388	12,956
Total operating revenue	20,045,618	23,597,191	(3,551,573)
Operating expenses	35,153,164	34,598,646	554,518
Net operating income (loss)	(15,107,546)	(11,001,455)	(4,106,091)
Non-operating revenues			
State appropriations	10,688,603	10,980,534	(291,931)
Local appropriations	5,088,789	4,758,160	330,629
Gain (loss) on sale of assets	2,637	(1,710)	4,347
Other non-operating revenues	532,424	310,414	222,010
Interest income	48,609	22,664	25,945
Interest expense	(438,372)	(253,910)	(184,462)
Other non-operating expenses	(553,335)	(372,412)	(180,923)
Total non-operating revenue (expenses)	15,369,355	15,443,740	(74,385)
Net increase (decrease) in net position	261,809	4,442,285	(4,180,476)
Net position (beginning of year)	16,938,733	14,613,398	2,325,335
Prior period adjustments	(2,048,362)	(2,116,950)	68,588
Net position (as restated)	14,890,371	12,496,448	2,393,923
Net position (end of year) \$	<u>15,152,180</u>	<u>16,938,733</u>	<u>(1,786,553)</u>

Total operating loss for the fiscal year 2019 was \$15,107,546. GASB No. 35 requires appropriations from the State of Mississippi to be excluded from operating revenue; as such, 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 2019 were \$20,045,618, which was a \$3,551,573 net decrease from fiscal year 2018 amounts. Tuition and fees (net of scholarship allowance) were \$3,995,096. Operating expenses (including depreciation of \$1,725,827, scholarships of \$2,436,358, contractual services of \$3,912,103 and commodities of \$4,283,766) totaled \$35,153,164. Of the total operating expenses, \$13,861,207 (or 39.43%) was for instruction, \$829,776 (or 2.36%) was for academic support, \$5,862,642 (or 16.68%) was for student services, \$4,976,664 (or 14.16%) was for institutional support, \$3,950,839 (or 11.24%) was for physical plant operations, and \$3,946,209 (or 11.23%) was for auxiliary enterprises.

Operating revenues

Tuition and fees

Tuition and fees represent amounts assessed for educational purposes totaling \$3,995,096 reflecting a \$208,422 increase in tuition and fees compared to June 30, 2018. The College does not offer tuition discounting.

Grants and contracts

Grants and contracts includes all restricted revenues made available by government agencies as well as by private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Revenues from grants and contracts totaled \$13,139,791 representing a \$3,719,254 decrease compared to the grants and contracts for June 30,

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

2018.

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. Fees charged are directly related to the cost of those goods or services. The auxiliary enterprises are intended to be self-supporting. The College's auxiliary enterprises are food service, student and faculty housing, bookstore, and the golf course. Revenues from auxiliary enterprises totaled \$2,538,387 for June 30, 2019 representing a \$53,697 decrease compared to auxiliary enterprises amounts at June 30, 2018.

Operating expenses

Operating expenses totaling \$35,153,164 include salaries and benefits of \$21,272,842; net scholarships and fellowships of \$2,436,358; utilities of \$1,026,672; commodities of \$4,283,766; contractual services of \$3,912,103; travel of \$495,596 and depreciation of \$1,725,827.

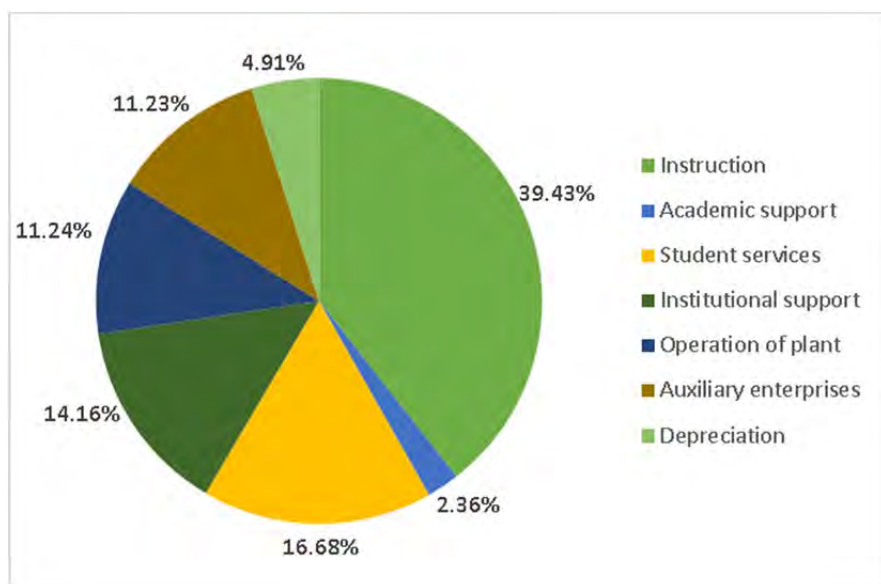
Functional classification of operating expenses (schedule)

Functional classification	Salaries & wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation	Totals	PCT.
Instruction	\$ 9,258,658	2,757,293	161,170	595,968	0	252,161	835,957	0	13,861,207	39.43%
Academic support	536,798	170,247	9,280	80,299	0	0	33,152	0	829,776	2.36%
Student services	1,714,181	642,068	238,999	549,763	0	2,184,197	533,434	0	5,862,642	16.68%
Institutional support	2,183,548	1,349,856	84,521	1,149,437	0	0	209,302	0	4,976,664	14.16%
Operation of plant	892,383	366,059	0	1,276,240	967,799	0	448,358	0	3,950,839	11.24%
Auxiliary enterprises	1,108,123	293,628	1,626	260,396	58,873	0	2,223,563	0	3,946,209	11.22%
Depreciation	0	0	0	0	0	0	0	1,725,827	1,725,827	4.91%
Totals	\$ 15,693,691	5,579,151	495,596	3,912,103	1,026,672	2,436,358	4,283,766	1,725,827	35,153,164	100.00%

Copiah-Lincoln Community College

Management's Discussion & Analysis For the Year Ended June 30, 2019

Functional classification of operating expenses (pie chart)



Non-operating revenues (expenses)

State appropriations

The largest source of non-operating revenue for the College is the appropriation from the State of Mississippi. The College received \$10,688,603 for the 2019 fiscal year, representing a \$291,931 decrease in state appropriation compared to June 30, 2018. State appropriations are non-operating revenues since they are provided by the State of Mississippi Legislature to the Mississippi Community College Board 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 and capital improvement purposes. The College receives the appropriations beginning in October of each year. During fiscal year 2019, the College received \$5,088,789 from these counties, representing a \$330,629 increase compared to June 30, 2018. Though the county fiscal years run from October (of one year) to September (of the following year), the county's appropriations are fully recorded by the College during its 2019 fiscal year.

Gain (loss) on sale of assets

The College disposed of items that were no longer needed or replaced by newer items. The gains associated with the sale of these items totaled \$2,637 for the 2019 fiscal year, which represented a \$4,347 increase from the 2018 fiscal year.

Other non-operating revenue

The College received \$532,424 in other non-operating revenues during the 2019 fiscal year, which represented a \$222,010 increase from June 30, 2018.

Interest income

The College received interest income from the cash in the bank accounts. The interest income at June 30, 2019 was \$48,609 representing a \$25,945 increase in interest income compared to June 30, 2018.

Interest expense on long-term debt

The College previously issued bonds to finance construction projects as well as procured other long-term financing for various capital projects. The interest payments associated with the long-term obligations totaled \$438,372 in fiscal year 2019 representing a \$184,462 increase compared to June 30, 2018.

Other expenses

During fiscal year 2019, the College incurred non-operating expenses totaling \$553,335, which represented a \$180,923 increase from June 30, 2018.

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows

	June 30, 2019	June 30, 2018	Increase (decrease)
Cash & cash equivalents provided (used) by:			
Operating activities	\$ (13,169,223)	(11,615,676)	(1,553,547)
Non-capital financing activities	15,756,481	16,815,779	(1,059,298)
Capital & related financing activities	(1,220,769)	(3,873,882)	2,653,113
Investing activities	48,609	22,664	25,945
Net increase (decrease) to cash & cash equivalents	1,415,098	1,348,885	66,213
Cash & cash equivalents (beginning of year)	8,500,346	7,151,461	1,348,885
Cash & cash equivalents (end of year)	\$ 9,915,444	8,500,346	1,415,098

The major sources of funds in operating activities included funds received as grants and contracts totaling \$13,139,791. The major uses of funds were payments made to employees of \$20,778,175, to suppliers of \$8,549,840, and for student scholarships of \$9,210,039.

The largest inflow of cash for non-capital financing activities was the State appropriation of \$10,688,603 and local (county) appropriations of \$5,088,789.

Significant capital asset transactions

The college has engaged in several transactions regarding capital assets during the year. These transactions included:

• Cafeteria Renovations	\$ 257,011
• Thames center renovations	71,224
• Completion of new Women's Residence Hall (Nettles)	5,237,110
• Ewing Administration Building renovations	562,743
• Callender Hall renovations	552,832
• Natchez Administration Building renovations	1,660,516
• Ambulance Simulator for Paramedic Training (Natchez)	59,411
• Construction in Progress on Turf (Stone Stadium)	884,836
• Construction in Progress on CTE Building (Simpson)	2,909,010
Total	\$ 12,194,693

Factors influencing future periods

In general, the economic outlook for Mississippi projects slow growth between 2012 and 2019. The growth rate of output and employment in Mississippi during these years will gradually improve as the economy recovers. It is anticipated Mississippi will average an annual growth rate of around 2.7% during this period. The Mississippi Development Authority looks toward 2019 as the year the state will build upon the continued strength of both the state and national economy. It is further anticipated there will be an average of 1.3% employment growth between 2012 and 2019. It will not be until 2019 or beyond where Mississippi will potentially achieve the level of employment that was attained in 2000 and 2007. The Mississippi Development Authority has targeted seven industries in the state for growth, which include advanced manufacturing, aerospace technology, agribusiness, automotive services, energy production, healthcare, and shipbuilding.

Appropriations from the State of Mississippi to support the College have fluctuated the past three years but are expected to increase slightly in future periods. Though initial projections reflect expectations that sales tax collections will begin to move up in future periods, significant increases in total state appropriations to Mississippi community colleges are not expected. Recent dips in

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the Year Ended June 30, 2019

student tuition revenue is expected to level out as enrollment begins to normalize after several years of significant decline. Changes in federal financial aid guidelines and requirements may cause tuition revenue to increase if summer Pell grants are reinstated.

Local county support in the Copiah-Lincoln Community College is expected to move upward slightly in the coming years.

The population demographics for entering college freshmen who graduate from high school by 2020 indicates some improvement. Although the total number of high school graduates nationwide will be virtually unchanged from 2010 to 2020, Southern states reflect a different trend. In the South, the projected number of high school graduates will consistently increase with 9.4% more in 2020-2021 than 2008-2009. Along with the projected increases to high school graduates, other key demographic factors, such as non-traditional students and additional minorities entering the college mix, could have a major impact on community college programming. As a result, the College will need to re-evaluate traditional recruitment models in the coming years.

The projected rise in high school graduating classes in the South will hopefully assist in a resurgence and upward trend in enrollment levels at the College; the anticipated increase could help mitigate the decrease endured over the past few years in student numbers. Copiah-Lincoln Community College's 2019 enrollment level is currently at the levels that the College experienced in the 2006-2007 school year. By forecasting data, considering the various aforementioned factors, it is expected that the enrollment will make gradual increases in the years to come. Coupled with the forecasts, efforts will be required to increase emphasis on reaching high school students through dual-credit/dual enrollment programs, increased student support services, and more non-traditional student programming delivery models.

The challenge to the fifteen public community colleges in Mississippi is to continue providing access to higher education, career and technical programs, as well as workforce training opportunities, at a reasonable cost, while facing limited funding resources.

FINANCIAL STATEMENTS

Copiah-Lincoln Community College*Statement of Net Position*

June 30, 2019

Assets

Current assets	
Cash & cash equivalents	\$ 9,915,444
Investments	73,039
Accounts receivable (net of allowance of \$6,850,535)	4,511,515
Inventories	254,374
Construction deposits	325,833
Prepaid expenses	136,452
Total Current Assets	<u>15,216,657</u>
Non-current assets	
Capital assets, net of accumulated depreciation	<u>53,294,575</u>
Total Non-Current Assets	<u>53,294,575</u>
Total Assets	<u>68,511,232</u>

Deferred Outflows of Resources

Deferred outflows - pensions	4,801,843
Deferred outflows - OPEB	101,228
Total Deferred Outflows of Resources	<u>4,903,071</u>

Liabilities

Current liabilities	
Accounts payable & accrued liabilities	1,406,310
Unearned revenues	203,591
Other current liabilities	382,716
Long-term liabilities	937,620
Bond premium	9,019
Accrued leave balances	285,351
Net OPEB liability	87,285
Total Current Liabilities	<u>3,311,892</u>
Non-current liabilities	
Long-term liabilities	11,981,589
Bond premium	305,351
Net pension liability	36,978,421
Net OPEB liability	1,972,317
Total non-current liabilities	<u>51,237,678</u>
Total Liabilities	<u>54,549,570</u>

Deferred inflows of resources

Deferred inflows - pensions	3,565,492
Deferred inflows - OPEB	147,061
Total Deferred Inflows of Resources	<u>3,712,553</u>

Net Position

Net investment in capital assets	40,060,996
Restricted for:	
Expendable:	
Capital projects	4,835,922
Unrestricted	<u>(29,744,738)</u>
Total Net Position	<u>\$ 15,152,180</u>

Copiah-Lincoln Community College Foundation, Inc.
(A component unit of Copiah-Lincoln Community College)
Statement of Financial Position
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Assets			
Cash and cash equivalents	\$ 1,583	30,092	31,675
Contributions receivable, net	0	360,021	360,021
Investments	449,079	8,534,681	8,983,760
Total Assets	450,662	8,924,794	9,375,456
Liabilities			
Total Liabilities	0	0	0
Net Assets			
Without donor restrictions (See Note 6)	450,662	0	450,662
With donor restrictions (See Note 6)	0	8,924,794	8,924,794
Total Net Assets	\$ 450,662	8,924,794	9,375,456

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 Position*

For the year ended June 30, 2019

Operating Revenues

Tuition & fees (net of scholarship allowance of \$5,021,686)	\$ 3,995,096
Federal grants & contracts	9,334,544
State grants & contracts	3,486,575
Local grants & contracts	318,672
Sales & services of educational departments	372,344
Auxiliary enterprises (net of scholarship allowance of \$1,751,995)	2,538,387
Total Operating Revenues	<u>20,045,618</u>

Operating Expenses

Salaries & wages	15,693,691
Fringe benefits	5,579,151
Travel	495,596
Contractual services	3,912,103
Utilities	1,026,672
Scholarships & fellowships (net of scholarship allowance \$6,966,586)	2,436,358
Commodities	4,283,766
Depreciation	1,725,827
Total Operating Expenses	<u>35,153,164</u>

Operating income (loss) (15,107,546)

Non-operating Revenues (Expenses)

State appropriations	10,688,603
Local appropriations	5,088,789
Gain on sale of assets	2,637
Other revenues	532,424
Interest income	48,609
Interest expense	(438,372)
Other expenses	(553,335)
Total Non-operating Revenues (Expenses)	<u>15,369,355</u>

Change in Net Position 261,809

Net Position

Net Position - Beginning of Year	16,938,733
Prior period adjustments	(2,048,362)
Net Position - as restated	<u>14,890,371</u>
Net Position - End of Year	<u><u>\$ 15,152,180</u></u>

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

Copiah-Lincoln Community College Foundation, Inc.
(A component unit of Copiah-Lincoln Community College)
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains and Support			
Contributions	\$ 62,004	\$ 843,068	\$ 905,072
Investment income	22,037	424,164	446,201
Net assets released from restrictions (Note 6)	666,333	(666,333)	-
Total Revenues, Gains and Support	750,374	600,899	1,351,273
Expenses			
Program Services			
Scholarships	302,510	-	302,510
Payments directly to the College	241,393	-	241,393
Special events	44,539	-	44,539
Athletic expenses	43,613	-	43,613
Alumni operations	8,817	-	8,817
Other Expenses			
Management and general	117,212	-	117,212
Total Expenses	758,084	-	758,084
Changes in Net Assets before Other Sources/Uses	(7,710)	600,899	593,189
Other Sources/Uses			
Transfers from Other Funds	-	96,770	96,770
Transfers to Other Funds	(60,403)	(36,367)	(96,770)
Total Other Sources/Uses	(60,403)	60,403	-
Changes in Net Assets	(68,113)	661,302	593,189
Net Assets at Beginning of Year	518,775	8,263,492	8,782,267
Net Assets at End of Year	\$ 450,662	\$ 8,924,794	\$ 9,375,456

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, 2019

Cash Flows from Operating Activities

Cash received from tuition and fees	\$ 7,931,870
Cash received from grants	13,139,791
Cash received from sales & services	392,442
Cash received from auxiliary enterprises	4,290,382
Cash payments to employees	(18,461,846)
Cash payments made for employees (retirement)	(2,316,329)
Cash payments for goods & services	(8,549,840)
Cash payments for scholarships & fellowships	(9,210,039)
Other operating cash (payments)	<u>(385,654)</u>
Net Cash Provided (Used) in Operating Activities	<u>(13,169,223)</u>

Cash Flows from Non-capital Financing Activities

Other proceeds (payments)	(20,911)
State appropriations	10,688,603
Local appropriations	5,088,789
Federal loan receipts	1,865,918
Federal loan payments	<u>(1,865,918)</u>
Net Cash Provided in Non-capital Financing Activities	<u>15,756,481</u>

Cash Flows from Capital & Related Financing Activities

Principal & interest payments	(1,566,176)
Proceeds from bond issuance	5,503,932
Proceeds from sale of assets	2,637
Acquisition or construction of capital assets (net)	<u>(5,161,162)</u>
Net Cash Used in Capital & Related Financing Activities	<u>(1,220,769)</u>

Cash flows from investing activities

Interest & dividend on investments	<u>48,609</u>
Net Cash Provided from Investing Activities	<u>48,609</u>

<i>Increase (Decrease) in Cash & Cash Equivalents</i>	<u>1,415,098</u>
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Cash and Cash Equivalents, Beginning of Year	<u>8,500,346</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,915,444</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, 2019

**Reconciliation of Operating Expenses to Net Cash Provided (used)
in Operating Activities**\$ (15,107,546)***Operating income (loss)***Adjustments to reconcile operating income (loss) to
net cash provided (used in) operating activities:

Depreciation 1,725,827

Other receipts (payments) (3,684,499)

Changes in assets and liabilities:

(Increase) decrease in investments (291)

(Increase) decrease in accounts receivable (1,068,021)

(Increase) decrease in inventories 20,098

(increase) decrease in construction deposits 4,174,167

(Increase) decrease in prepaid expenses 110,233

Increase (decrease) in AP & accrued liabilities 951,533

Increase (decrease) in unearned revenue 16,891

Increase (decrease) in other current liabilities (278,832)

Increase (decrease) in accrued leave balances (28,783)

Total adjustments 1,938,323Net Cash Provided (Used) in Operating Activities \$ (13,169,223)

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

Copiah-Lincoln Community College Foundation, Inc.
(A component unit of Copiah-Lincoln Community College)
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows From Operating Activities:

Change in net assets	\$ 593,189
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net unrealized (gains) losses on investments	(103,995)
Change in pledges receivable	(360,021)
Change in contributions restricted for permanent investment	843,068
Net cash provided by operating activities	<u>972,241</u>

Cash Flows From Investing Activities:

Purchase of investments	(3,081,291)
Sale of investments	2,926,484
Net cash used by investing activities	<u>(154,807)</u>

Cash Flows From Financing Activities:

Contributions restricted for permanent investment	(843,068)
Net cash used by financing activities	<u>(843,068)</u>

Net change in cash	(25,634)
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Cash and cash equivalents at beginning of year	57,309
Cash and cash equivalents at end of year	<u><u>\$ 31,675</u></u>

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

Copiah-Lincoln Community College

Notes to the Financial Statements
For the year ended June 30, 2019

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

Note (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 college 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, 2019, the Foundation distributed \$241,393 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 follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

C. Basis of accounting

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

D. Cash equivalents

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

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

E. Investments

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

F. Accounts receivable

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

G. Student notes receivable

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 position as current assets net of allowances.

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. 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 expenditure was incurred. Expenses 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 expense categories. See Note (4) for additional details concerning useful lives, salvage values and capitalization thresholds.

J. Unearned revenues

Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

K. Deferred outflows / inflows of resources

In addition to reflecting assets, the statement of financial position reflects a separate section for deferred outflows of resources. The separate presentation on the financial statement (deferred outflows of resources) represents a utilization of net position that applies to future periods; as such the deferred outflow of resources will not be recognized as an expense or expenditure until such time.

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

Also, in addition to reflecting liabilities, the statement of financial position reflects a separate section for deferred inflows of resources. The separate presentation on the financial statement (deferred inflows of resources) represents an acquisition of net position that applies to future periods; as such the deferred inflow of resources will not be recognized as revenue until such time.

Deferred outflows of resources and deferred inflows of resources presented in the financial statements pertain to the pension plan and other post-employment benefits (OPEB) as further described in Note (7) and Note (8).

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, 2019 was \$285,351.

M. Classification of revenues

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

- 1) *Operating revenues*: Operating revenues include activities that have the characteristics of exchange transactions, such as: (a) student tuition, net of scholarship discounts & allowances, (b) sales and services of auxiliary enterprises, net of scholarship discounts & allowances, and (c) most federal, state & local grants and contracts;
- 2) *Non-operating revenues*: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

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 position

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

- 1) Net investment in capital assets, 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 net position is divided in two categories: expendable and non-expendable. Non-expendable restricted net position generally represents funds provided for endowment purposes, the corpus of which cannot be expended. Currently, there is no net position classified as such. Expendable restricted net position represents funds that have been provided for specific purposes and funds held in federal loan programs.
- 3) Unrestricted net position are amounts available for other purposes, after adjustments required by GASB 68, 71, and 75 for deferred outflows and inflows related to pensions and other post-employment benefits (OPEB). See Note (7) and Note (8) for more information.

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.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

Plan's fiduciary net position have determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

Note (2): Cash & cash equivalents and investments

A. Policies for Cash, cash equivalents and investments

Cash 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. For the year ended June 30, 2019, the College had \$9,915,444 in cash and cash equivalents.

The collateral for deposits in financial institution of public entities is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and governed by Section 27-105-5, MS Code Ann. (1972). Under the program, the funds of the College 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.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the College. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. As of June 30, 2019, none of the bank balances of the College totaling \$10,966,569 was exposed to custodial credit risk.

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 at fair value (market).

As of June 30, 2019, the College had the following investments:

Investment type	Rating	Maturity (in years)	Fair value
Certificate of deposit	N/A	Less than 1 year	\$ 73,039

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), MS Code Ann. (1972). The College 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.

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

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, 2019, the College did not have any investments to which this would apply.

Note (3): Accounts receivable

Accounts receivable consisted of the following at June 30, 2019:

Tuition (students)	\$	8,700,831
Local appropriations		170,613
State sources		1,117,435
Federal sources		1,371,381
Other		1,790
Total accounts receivable		11,362,050
LESS: Allowance for doubtful accounts		(6,850,535)
Net accounts receivable	\$	4,511,515

Note (4): Capital assets

A summary of changes in capital assets for the year ended June 30, 2019, is presented as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Completed construction</u>	<u>Ending balance</u>
<i>Non-depreciable capital assets:</i>					
Land	\$ 755,732				755,732
Construction-in-progress	6,742,214	6,522,818		(8,018,013)	5,247,019
Total non-depreciable capital assets	7,497,946	6,522,818	0	(8,018,013)	6,002,751
<i>Depreciable capital assets:</i>					
Buildings	54,509,581			8,013,200	62,522,781
Structures & improvements	11,435,157	468,615		4,813	11,908,585
Equipment	7,328,944	286,838	(124,915)		7,490,867
Library books & media	1,005,558	10,709			1,016,267
Total	74,279,240	766,162	(124,915)	8,018,013	82,938,500
<i>LESS: Accumulated depreciation</i>					
Buildings	21,441,975	1,140,648			22,582,623
Structures & improvements	5,455,428	324,515			5,779,943
Equipment	6,185,893	247,552	(122,902)		6,310,543
Library books & media	960,455	13,112			973,567
Total	34,043,751	1,725,827	(122,902)	0	35,646,676
Total depreciable capital assets (net)	40,235,489	(959,665)	(2,013)	8,018,013	47,291,824
Capital assets (net)	\$ 47,733,435	5,563,153	(2,013)	0	53,294,575

Depreciation is computed on a straight-line basis except for the library books category, which is computed using a composite method.

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

<u>Capital asset</u>	<u>Estimated useful life</u>	<u>Salvage value</u>	<u>Capitalization threshold</u>
Buildings	40 years	20%	\$50,000
Structures & improvements	20 years	20%	\$25,000
Equipment	3 - 15 years	1% - 10%	\$5,000
Library books & media	10 years	0%	\$0

Commitments under construction contracts at June 30, 2019, are summarized as follows:

<u>Project</u>	<u>Funds spent as of June 30, 2019</u>	<u>Remaining commitment</u>
Elzey Hall (Bureau)	\$ 1,440,876	693,485
Campus Paving - Wesson (Bureau)	12,297	614,790
Simpson Center CTE Building (Joint)	2,909,010	3,017,590
Stone Stadium Surface Upgrade (Co-Lin)	884,836	336,778
Totals	\$ 5,247,019	4,662,643

Construction projects included above are funded through capital funds of the college, funds from the Bureau of Building, Grounds, and Real Property Management, and funding from the Mississippi Development Bank.

Note (5): Long-term liabilities

Long-term liabilities of the College consist of notes and bonds payable, note payable, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2019. 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. Following the schedule of long-term liabilities, information regarding original issue amounts, interest rates and maturity dates for bonds, and notes included in the long-term liabilities is provided.

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
General OB (2017)	\$ 2,258,000		297,000	1,961,000	304,000
ED Facilities Bonds (2011)	350,000		350,000	0	
General OB (2016A)	1,278,900		275,100	1,003,800	280,100
Master lease (Series 2015A)	110,704		110,704	0	
General OB (2016) (dorm construction)	4,405,000		95,000	4,310,000	95,001
General OB (2016) (bond premium)	304,106		8,067	296,039	8,067
General OB (2010)	150,742		82,223	68,519	68,519
Education Facilities (2018)		5,500,000		5,500,000	130,000
Education Facilities (2018) Premium		18,331		18,331	952
Note Payable - Valley		257,010	181,120	75,890	60,000
Accrued Compensated Leave	314,134		28,783	285,351	285,351
Totals \$	9,171,586	5,775,341	1,427,997	13,518,930	1,231,990

Bonded Debt:

Description	Interest rate	Fiscal year Maturity date	Amount issued	Amount outstanding
General OB (2017)	1.90%	2025	\$ 2,258,000	1,961,000
General OB (2016A)	1.86%	2023	1,840,000	1,003,800
General OB (2016) (dorm construction)	3.45%	2046	4,500,000	4,310,000
General OB (2016) (bond premium)	3.45%	2046	314,783	296,039
General OB (2010)	0.00%	2020	740,000	68,519
Education Facilities (2018)	4.00%	2043	5,500,000	5,500,000
Education Facilities (2018) Premium	4.00%	2043	18,331	18,331
Total bonded debt			\$ 15,171,114	\$ 13,157,689

Long-term debt will mature as follows:

Year ending June 30	General bonds	Note payable	Interest	Total
2020	\$ 877,620	60,000	541,145	1,478,765
2021	835,500	15,890	413,579	1,264,969
2022	860,800		394,176	1,254,976
2023	732,400		373,585	1,105,985
2024 - 2028	2,102,000		1,640,980	3,742,980
2029 - 2033	1,720,000		1,320,000	3,040,000
2034 - 2038	2,090,000		940,400	3,030,400
2039 - 2043	2,550,000		478,000	3,028,000
2044 - 2046	1,074,999		51,700	1,126,699
Totals	\$ 12,843,319	75,890	6,153,565	19,072,774

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

Note (6): Operating leases

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

<u>For the fiscal year ending:</u>	
2020	\$ 52,964
2021	11,935
2022	2,108
2023	960
Total minimum payments required	\$ <u>67,967</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, 2019, was \$69,672.

Note (7): Pension plan

General Information about the Pension Plan

Plan Description. The College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$2,316,057, \$2,236,068, and \$2,263,970, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2019, the College reported a liability of \$36,978,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2019 net pension liability was 0.222320 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.001753 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$2,916,555. At June 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 35,313	
Net difference between projected and actual earnings on pension plan investments		2,823,698
Change in assumptions	21,991	
Changes in proportion and differences between contributions and proportionate share	2,428,482	741,794
College contributions subsequent to the measurement date	2,316,057	
Totals	\$ <u>4,801,843</u>	<u>3,565,492</u>

\$2,316,057 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

<u>For the fiscal year ending:</u>		
2020	\$	165,927
2021		(214,493)
2022		(948,438)
2023		(82,702)
Total	\$	<u><u>(1,079,706)</u></u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including investment
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimates ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
U.S. Broad	27%	4.60%
International equity	18%	4.50%
Emerging markets equity	4%	4.75%
Global	12%	4.75%
Fixed income	18%	0.75%
Real estate	10%	3.50%
Private equity	8%	5.10%
Emerging debt	2%	2.25%
Cash	1%	0.00%
Total	<u><u>100%</u></u>	

Copiah-Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2019

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate percentage lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Description	1% decrease	Current discount rate	1% increase
	6.75%	7.75%	8.75%
College proportionate share of net pension liability	\$ 48,689,970	36,978,421	27,244,578

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Copiah-Lincoln Community College

Notes to the financial statements

For the Year Ended June 30, 2019

Note (8): Other post-employment benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$90,584 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the College reported a liability of \$2,059,602 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the College's proportion was 0.26625319 percent. This was a decrease of 0.00004438 percent from the proportionate share as of the measurement date of June 30, 2017.

Copiah-Lincoln Community College

Notes to the financial statements

For the Year Ended June 30, 2019

For the year ended June 30, 2019, the College recognized OPEB expense of \$99,779. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 4,193	
Change in assumptions		146,751
Changes in proportion and differences between contributions and proportionate share	6,451	310
College contributions subsequent to the measurement date	90,584	
Totals	\$ 101,228	147,061

\$90,584 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the fiscal year ending:</u>		
2020	\$	(27,503)
2021		(27,503)
2022		(27,503)
2023		(27,503)
2024		(22,318)
Thereafter		(4,087)
Total	\$	(136,417)

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017

Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation

Copiah-Lincoln Community College

Notes to the financial statements

For the Year Ended June 30, 2019

Measurement Date	3.89%
Prior Measurement Date	3.56%

Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an ultimate
Pre-Medicare	rate of 4.75% percent by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage point higher (4.89 percent) than the current discount rate:

Description	1% decrease	Current discount rate	1% increase
	2.89%	3.89%	4.89%
College proportionate share of net OPEB liability	\$ 2,283,017	2,059,602	1,867,457

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Description	1% decrease	Healthcare Cost	1% increase
		Trend Rates Current	
College proportionate share of net OPEB liability	\$ 1,907,872	2,059,602	2,231,923

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2019

Note (9): Functional classification of Operating Expenses

Functional classification of Operating Expenses

Functional classification	Salaries & wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation	Totals	PCT.
Instruction	\$ 9,258,658	2,757,293	161,170	595,968	0	252,161	835,957	0	13,861,207	39.43%
Academic support	536,798	170,247	9,280	80,299	0	0	33,152	0	829,776	2.36%
Student services	1,714,181	642,068	238,999	549,763	0	2,184,197	533,434	0	5,862,642	16.68%
Institutional support	2,183,548	1,349,856	84,521	1,149,437	0	0	209,302	0	4,976,664	14.16%
Operation of plant	892,383	366,059	0	1,276,240	967,799	0	448,358	0	3,950,839	11.24%
Auxiliary enterprises	1,108,123	293,628	1,626	260,396	58,873	0	2,223,563	0	3,946,209	11.23%
Depreciation	0	0	0	0	0	0	0	1,725,827	1,725,827	4.91%
Totals	\$ 15,693,691	5,579,151	495,596	3,912,103	1,026,672	2,436,358	4,283,766	1,725,827	35,153,164	100.00%

Note (10): Effects of deferred amounts on Net Position

The unrestricted net position amount of (\$29,744,738) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,316,057 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$2,485,786 balance of the deferred outflows of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$29,744,738) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,565,492 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$29,744,738) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$90,584 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$10,644 balance of the deferred outflows of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$29,744,738) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$147,061 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Copiah-Lincoln Community College

Notes to the financial statements

For the Year Ended June 30, 2019

Note (11): Other Matters

Due to the recent COVID-19 pandemic, the College has directed students to continue through off-campus distance learning for the remainder of the spring 2020 semester. In addition, the onset of this pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the College is uncertain at this time.

Note (12): Subsequent events

Events that occur after the Statement of Net Position date but before the financial statements are issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Copiah-Lincoln Community College evaluated the activity of the College through the date the financial statements were available to be issued, and determined that the following subsequent event occurred requiring disclosure in the notes to the financial statements:

On September 3, 2019, the Copiah-Lincoln Community College entered into an agreement with Trustmark National Bank for a facilities bonds, series 2019 in the amount of \$2,000,000 at an interest rate of 2.00% to 2.50% payable at September 1, 2025.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the year ended June 30, 2019

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019

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. The Foundation adopted FASB Accounting Standards Update 2016-14 (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, Not-For-Profit Entities. The new standard requires net assets to be classified on the statement of financial position as net assets with donor restrictions and net assets without donor restrictions, based on the absence or existence and type of donor-imposed restrictions.

Net Assets with Donor Restrictions

The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). A donor-imposed restriction is a stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following: (a) the nature of the not-for-profit entity (NFP), (b) the environment in which it operates, (c) the purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association. Some donors impose restrictions that are temporary in nature for example, stipulating that resources be used after a specific date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors. Net assets without donor restrictions are subject to self-imposed limits by action of governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

Income Taxes

The Copiah-Lincoln Community College Foundation, Inc. is organized as a nonprofit corporation and has been recognized by the IRS as exempt from federal income tax. Section 501 of the U.S. tax code outlines which types of not-for-profit organization are tax exempt. The Section of this code that provides for exemption is 501 (a), which states that organizations are exempt from some federal income taxes if they fall under sections 501 (c), 501(d) or section 401(a). Copiah-Lincoln Community College Foundation, Inc. is a Section 501(c)(3) organization and qualifies for the charitable contribution deduction under IRC Section 170 (b)(1)(A)(vi). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that derived from business activities that are unrelated to their exempt purposes. As of June 30, 2019, the Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Donated Assets

Material noncash donations are recorded as contributions at their estimated fair values at the date of donation. Any donated assets used in program services are recorded as functional expenses at their donated fair value.

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.

Investments

The Foundation follows FASB Accounting Standards Codification Subtopic 958-320, Not-For-Profit Entities—Investments—Debt and Equity Securities. 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 net assets without donor restrictions 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.

Investment in Life Insurance Policies

The life insurance policies are recorded at fair value. The value of life insurance policies is based on the contractual surrender value of the policies.

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. Cash and cash equivalents

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

include cash on hand, demand deposit accounts, savings account, and certificate of deposits.

Contributions Receivable

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value which approximates fair value at the date of the pledge. Unconditional promises to give in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The discount rates are determined at the time the unconditional promise to give is initially received. Contributions to be received in future years are discounted using a risk-free rate of approximately 3.25 percent for the year ended June 30, 2019. Contributions receivable are written off on an annual basis when determined by management to be uncollectible. Management determines that a contribution receivable is uncollectible based on the length of time that has passed since the last contribution has been received from that donor, which is usually in excess of one year. The Foundation's contributions receivable for the fiscal year end June 30, 2019 was \$360,021.

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.

Contributions

All donor-restricted support is reported as with donor restrictions or without donor restrictions net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings or equipment are reported as net assets without donor restrictions support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Foundation and the College are financially interrelated organizations. Therefore, any contributions that are received by the Foundation specifically for the College are recorded as net assets without donor restrictions or net assets with donor restrictions

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

contribution revenue, depending on the donors' specific instructions. These contributions are recorded by the Foundation only.

Revenue Recognition

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions support and increase the respective class of net assets.

Planned Giving

Planned giving, which includes wills, trusts and estates, are not accrued as it represents a conditional promise to give which constitutes a future and uncertain event.

Operating Measure

The Statement of Activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be a more unusual or nonrecurring nature.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

Note 2. Contributions Receivable, Net

The amounts of contributions receivable as of June 30, 2019 are as follows:

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

	2019
Contributions receivable	\$ 398,690
Less allowance for uncollectable promises to give	38,669
Contributions receivable, net	<u>\$ 360,021</u>

Note 3. Cash and Investments

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's total cash and cash equivalents for the fiscal year ended June 30, 2019 was \$31,675.

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 effect on the Foundation's programs and activities.

Investments

The FASB Accounting Standards Codification Topic ("ASC") 820, Fair Value Measurement, prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly and indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes to the methodologies used at June 30, 2019:

- *Equity securities and mutual funds:* Valued at quoted market prices in active markets on which the individual securities are traded, which for mutual funds represents the net asset value of shares held by the Foundation at year-end.
- *Bonds:* Valued based upon quotes from independent pricing vendors based upon independent pricing models or other model-based valuation techniques such as the present value of the stream of expected cash flows adjusted for the security's credit rating and other factors such as credit loss assumptions.
- *Certificates of Deposit:* Valued at estimates based upon matrix or model pricing methodology provided by an independent third party.
- *Cash value of life insurance:* Values are based on the contractual cash surrender value of the policy.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date, and any differences may be material.

Long-lived assets are measured at fair value on a nonrecurring basis based upon inputs that are derived principally from, or corroborated by appraisals, comparable market data by correlation or other means only when there is evidence of impairment. The Foundation had no long-lived or Level 3 assets at June 30, 2019.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. The Foundation maintains cash accounts at various financial institutions. As of June 30, 2019, this account did not exceed FDIC limits. Cash deposits in the amount of \$20,427 which is held by the Foundation's investment broker as of June 30, 2019, respectively, are not covered by the FDIC. However, these amounts are covered by the Securities Investor Protection Corporation (SIPC) up to \$250,000.

As of June 30, 2019, the Foundation maintained \$8,983,760 of securities in its investment portfolio. Although these funds reduce risk through diversification of investment holdings and are held with reputable brokers, they are exposed to custodial risk. The investments are not covered by the Securities Investor Protection Corporation (SIPC), subjecting the Foundation to the risk of uninsured losses.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy at June 30, 2019.

Description	Fair Value	Level 1	Level 2
June 30, 2019			
Mutual stock funds	\$ 49,892	49,892	
Mutual bond funds	375,999	375,999	
Exchange traded products	4,656,431	4,656,431	
Common stock			
Preferred stock			
Corporate bonds	117,919		117,919
Municipal bonds	3,034,269		3,034,269
US Treasury/Agency Securities	749,250	749,250	
Total	\$ 8,983,760	5,831,572	3,152,188

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

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

	2019
Interest and dividends	\$ 346,221
Net realized and unrealized gains	140,489
Less investment fees	(40,509)
Total	<u>\$ 446,201</u>

Interest and dividend income is included in investment income on the statement of activities.

The Foundation invests in a variety of investments which are generally subject to various risks and uncertainties such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Overall Investment Objective

The Foundation's investment committee is responsible for investment policies, return objectives and risk parameters for the endowment funds. Currently the endowments' return objectives are preservation of principal with enough investment return to exceed bank deposit returns. The nature of the Foundation's investment strategy is balanced with an approximately 40 to 45% invested in equity and the remainder in fixed income. Appropriations for expenditures from the endowment funds are periodically made as financial needs arise to fund support and expenses of the College, from amounts classified as net assets without donor restrictions.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 4. Availability and Liquidity

The following represents the Foundation's financial assets at June 30, 2019.

	<u>2019</u>
Cash and cash equivalents	\$31,675
Contributions receivable, net	360,021
Investments	<u>8,983,760</u>
 Total financial assets	 <u>9,375,456</u>
 Less amounts not available to be used within one year	
Net Assets with donor restrictions	(8,924,794)
Quasi endowment established by the board	<u>0</u>
	<u>(8,924,794)</u>
 Financial assets available to meet general expenditures	 \$450,662

Endowment funds consist of donor restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditures. If there is excess cash in the account, it is invested in a money market security. We currently use the Federated Government Obligations Fund which is a portfolio of short-term U.S. Treasury and government agency securities.

Note 5. Endowments

The Foundation's endowment consists of approximately 195 individual donor-restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

The State of Mississippi enacted the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* effective July 2012. The act requires the prudent spending of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with UPMIFA, the Board may expend so much an endowment fund's net appreciation as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

The following is a summary of the Foundation's endowment net asset composition by type of fund as of June 30, 2019:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted:	\$		
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	(3,405)	5,687,148	5,683,743
Accumulated investment gains	(2,417)	1,219,378	1,216,961
Board - designated	0	0	0
Total endowment net assets	<u>\$ (5,822)</u>	<u>6,906,526</u>	<u>6,900,704</u>

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

Changes in the Foundation's endowment net assets for the year June 30, 2019 is as follows:

		2019	
		Without Donor Restrictions	With Donor Restrictions
			Total
Endowment net assets, beginning of year	\$	(6,144)	6,631,036
Investment returns, net		5,222	349,147
Contributions		1,300	207,109
Reclassification - endowment level reached		0	0
Appropriation of endowment assets		(6,200)	(280,766)
Endowment net assets, end of year	\$	(5,822)	6,906,526

From time to time, certain donor restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Note 6 - Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2019:

	2019
Endowments	
Subject to Not-For-Profit (NFP) endowment spending policy and appropriation:	
Scholarships	\$ 6,115,019
General support	2,816,186
Underwater endowments	(6,411)
Total Net Assets with Donor Restrictions	\$ 8,924,794

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by other events specified by the donors as follows for the years ended June 30, 2019:

	2019
Restricted-purpose spending rate	
Scholarships	\$ 302,510
General support	363,823
Total	\$ 666,333

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 7 – Related Party Transactions

	2019
Salaries, wages, and benefits	\$ <u>172,805</u>

Amounts paid to the College for	2019
Scholarships	\$ <u>302,510</u>

Note 8 - Donor-Designated Endowment

The Foundation has received donations to establish permanent endowment funds to provide ongoing scholarship assistance for worthy and deserving individuals enrolled at the College. Terms of the donation require the funds to be segregated from other Foundation funds. The donor-designated endowment funds are included in net assets with donor restrictions.

Note 9 - Uncertainty in Income Taxes

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2015.

Note 10 - Support for Copiah Lincoln Community College

	2019
Athletic	\$ 39,103
Learning equipment and software	175,000
Other direct support	<u>27,290</u>
Total	\$ <u>241,393</u>

Note 11 - Statement of Functional Expenses

Statement of Functional Expenses for the fiscal years 2019 consisted of:

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019

		Supporting Service	
	Programs Service	Management and General	Total
Scholarships	\$ 302,510		302,510
Support for college	241,393		241,393
Alumni Association	400	8,417	8,817
Administrative expenses	27,154	54,278	81,432
Accounting fees		9,657	9,657
Athletic expense	43,613		43,613
Event expenses	25,802	18,737	44,539
Office supplies		9,258	9,258
Software		6,533	6,533
Other		10,332	10,332
	\$ 640,872	117,212	758,084

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort determined by management. The percentages are applicable for both fiscal years.

Program	84.54%
Management and General	<u>15.46%</u>
Total	<u>100.00%</u>

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 12 – Other Matters

Due to the recent COVID-19 pandemic, the College has directed students to continue through Off-campus distance learning for the remainder of the Spring 2020 semester. In addition, the onset of this pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the Foundation and the College are uncertain at this time.

Note 13 – Subsequent Events

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Positions date require disclosure in the accompanying notes. Management of the Copiah-Lincoln Community College Foundation, Inc. evaluated the activity of the Foundation through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Copiah-Lincoln Community College

Schedule of the College's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 36,978,421	37,248,538	40,148,999	35,897,406	29,038,870
College's proportion of the net pension liability	0.222320%	0.224073%	0.224767%	0.232225%	0.239236%
College's covered payroll	14,197,257	14,374,413	14,378,883	14,508,063	14,618,546
College's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Copiah-Lincoln Community College
Schedule of College Contributions
PERS
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,316,057	2,236,068	2,263,970	2,264,674	2,285,020
Contributions in relation to the contractually required contribution	2,316,057	2,236,068	2,263,970	2,264,674	2,285,020
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll	14,705,124	14,197,257	14,374,413	14,378,883	14,508,063
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Copiah-Lincoln Community College

Schedule of the College's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

		2019	2018
College's proportionate share of the net OPEB liability	\$	<u>2,059,602</u>	<u>2,089,395</u>
College's proportion of the net OPEB liability		0.26625319%	0.26629757%
College's covered-employee payroll		12,042,451	11,964,018 **
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.13%	0.00%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

Copiah-Lincoln Community College
Schedule of College Contributions
OPEB
Last 10 Fiscal Years*

	2019	2018
Actuarially determined contribution	\$ 90,584	89,074 **
Contributions in relation to the actuarially determined contribution	90,584	89,074 **
Contribution deficiency (excess)	\$ -	-
College's covered-employee payroll	14,829,484	14,365,418
Contributions as a percentage of covered-employee payroll	0.61%	0.62%

The notes to the required supplementary information are an integral part of this schedule.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Copiah-Lincoln Community College

Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Copiah-Lincoln Community College

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

- (3) *Method and assumptions used in calculations of actuarially determined contributions.*
The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

- (1) Changes of assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

- (2) Changes in benefit provisions

2017:

None.

2018:

None.

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Copiah-Lincoln Community College

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

Copiah-Lincoln Community College
Schedule of expenditures of federal awards
For the year ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Labor</u>			
<i>Pass-through programs from Senior Service America, Inc.:</i>			
Senior Community Service Employment Program	17.235	AD-29496-16-55-A-24	\$ 551,229
<i>Pass-through Southwest Mississippi Planning and Development District</i>			
Senior Community Service Employment Program	17.235	N/A	21,593
<i>Central Mississippi Planning and Development District</i>			
WIOA - Adult Program	17.258	AA-28325-16-55-A-28	49,034
WIOA - Youth Activities	17.259	AA-32190-18-55-A-28	77,800
WIOA - Dislocated Worker Formula Grant	17.278	AA-30753-17-55-A-28	88,137
Total U.S. Department of Labor			787,793
<u>U.S. Department of Education</u>			
<i>Student Financial Aid Cluster</i>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	72,803
Federal Work-Study Programs (FWS)	84.033	N/A	76,255
Federal Pell Grant Program	84.063	N/A	7,459,718
Federal Direct Student Loans (FDSL)	84.268	N/A	1,960,722
Total Student Financial Aid cluster			9,569,498
TRIO - Student Support Services	84.042A	N/A	273,365
<i>Pass-through program from:</i>			
<i>Mississippi Community College Board</i>			
Adult Education - Basic Grants to States	84.002A	208-017	234,413
<i>Mississippi Department of Education</i>			
Career Technical Education - Basic Grants to States	84.048A	V048A170024	199,628
<i>Sub-total of pass-through programs</i>			707,406
Total U.S. Department of Education			10,276,904
<u>U.S. Department of Human Services</u>			
<i>Pass-through program from:</i>			
<i>Mississippi Community College Board</i>			
Child Care and Development Block Grant	93.575	N/A	181,809
Total U.S. Department of Human Services			181,809
Total Expenditures of Federal Awards			\$ 11,246,506

The notes to the supplementary information are an integral part of this schedule.

Copiah-Lincoln Community College

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting, as those used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The College did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

For purpose of this schedule, loans made to students under the Federal Direct Student Loans (CFDA # 84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balances are included in the financial statements, since the loans are made and subsequently collected by the federal government.

(5) The pass-through entity did not assign identifying numbers to all awards.

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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Jane G. Hulon, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited, in accordance with the 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 business-type activities, and the aggregate discretely presented component unit of Copiah-Lincoln Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Copiah-Lincoln Community College's basic financial statements, and have issued our report thereon dated March 25, 2020. The financial statements of the Copiah-Lincoln Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Copiah-Lincoln Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Copiah-Lincoln Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Copiah-Lincoln Community College's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Copiah-Lincoln Community College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 25, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Jane G. Hulon, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

Report on Compliance for Each Major Federal Program

We have audited Copiah-Lincoln Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Copiah-Lincoln Community College major federal program for the year ended June 30, 2019. The Copiah-Lincoln Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Copiah-Lincoln Community College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for its major federal program. However, our audit does not provide a legal determination on the College's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Copiah-Lincoln Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Copiah-Lincoln Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Copiah-Lincoln Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 25, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Jane G. Hulon, 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 and the aggregate discretely presented component unit as of and for the year ended June 30, 2019, and have issued our report thereon dated March 25, 2020. 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 other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other 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
March 25, 2020

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, 2019

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major program:
 - a. Student Financial Aid Cluster:
Federal Supplemental Education Opportunity Grants (FSEOG)
CFDA # 84.007
Federal Work-Study Programs (FWS)
CFDA # 84.033
Federal Pell Grant Program
CFDA # 84.063
Federal Direct Student Loans
CFDA # 84.268
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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