

COPIAH-LINCOLN COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2006

COPIAH-LINCOLN COMMUNITY COLLEGE

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT.....1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information2

MANAGEMENT'S DISCUSSION AND ANALYSIS.....4

AUDITED FINANCIAL STATEMENTS16
Statement of Net Assets.....17
Statement of Financial Position - Copiah-Lincoln Community College Foundation Inc.....18
Statement of Revenues, Expenses, and Changes in Net Assets.....19
Statement of Activities - Copiah-Lincoln Community College Foundation Inc.....20
Statement of Cash Flows.....21
Statement of Cash Flows Copiah-Lincoln Community College Foundation Inc.....23
Notes to Financial Statements.....24
Notes to Financial Statements - Copiah-Lincoln Community College Foundation Inc.....33

SUPPLEMENTAL INFORMATION.....39
Schedule of Expenditures of Federal Awards.....40

REPORTS ON COMPLIANCE AND INTERNAL CONTROL.....42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of the General Purpose Financial Statements Performed in Accordance with
Government Auditing Standards.....43
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program
and Internal Control Over Compliance in Accordance with OMB Circular A-133.....45

INDEPENDENT Auditor's REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....53

FINANCIAL AUDIT REPORT

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

PHONE (601) 833-1456
FAX (601) 833-9896
EMAIL: plowery3@bellsouth.net

*Member of Mississippi Society
of Certified Public Accountants*

*Member of American Institute
of Certified Public Accountants*

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

Dr. Howell Garner, President and Board of Trustees
Copiah-Lincoln Community College
Wesson, Mississippi 39191

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of Copiah-Lincoln Community College as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Copiah-Lincoln Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

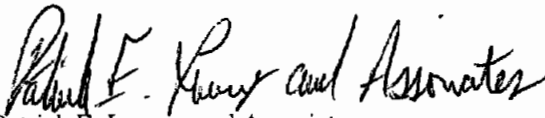
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and discretely presented component unit of Copiah-Lincoln Community College, as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007 on our consideration of Copiah-Lincoln Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Patrick E. Lowery and Associates
Certified Public Accountants

September 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Copiah-Lincoln COMMUNITY COLLEGE



Wesson Campus

...the place to be

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, 2006 (with comparative financial data for the year ended June 30, 2005). 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, issues separately audited financial statements which can be obtained directly from the Foundation's administrative office.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *a special purpose government engaged solely in Business Type Activities (BTA)* and No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

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

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

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

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

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Assets

	June 30, 2006	June 30, 2005	Increase (Decrease)
Current Assets	\$ 2,893,789	4,019,202	(1,175,413)
Noncurrent Assets:			
Capital, Net	31,102,492	30,346,923	755,569
Total Assets	33,996,281	34,366,125	(369,844)
Liabilities			
Current Liabilities	2,681,987	1,782,386	899,601
Noncurrent Liabilities	6,414,644	6,928,905	(514,261)
Total Liabilities	9,096,631	8,711,291	385,340
Net Assets			
Invested in Capital Assets, Net	23,684,760	22,489,151	1,195,609
Restricted:			
Expendable-Capital Projects	604,408	1,421,116	(816,708)
Expendable-Debt service	29,141	475,907	(446,766)
Expendable-Other Purposes	470,554	395,131	75,423
Unrestricted	110,787	876,394	(765,607)
Total Net Assets	\$24,899,650	\$ 25,657,699	\$ (758,049)

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts and various petty cash accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$267,602 at June 30, 2006, representing a \$963,852 decrease in cash and cash equivalent compared to the June 30, 2005 cash and cash equivalents balance.

Short Term Investments

There were no short term investments at June 30, 2006.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$2,020,274 at June 30, 2006. Accounts receivable decreased by \$216,266 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 \$463,555 at June 30, 2006, representing a \$9,846 decrease in inventories compared to the June 30, 2005 inventories balance.

Prepaid Expenses

Prepaid expenses consist of transactions such as membership renewal, maintenance agreements, and other payments for the 2006 Fiscal Year but required payment to vendors before July 1, 2006. Prepaid expenses totaled \$142,358 at June 30, 2006, representing a \$64,551 increase in prepaid expenses compared to the June 30, 2005 prepaid expense balance.

Noncurrent Assets

Cash and Cash Equivalents

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered noncurrent are cash in restricted funds. The amount of cash and cash equivalents considered noncurrent at June 30, 2006 totaled \$64,773 representing a \$42,001 increase in cash and cash equivalents compared to the June 30, 2005 cash and cash equivalent balance.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2006. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$31,037,719 at June 30, 2006, representing a \$713,568 increase in net capital assets compared to the June 30, 2005 net capital asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2006 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,386,316 at June 30, 2006 representing a \$887,056 increase in accounts payable and accrued liabilities compared to the June 30, 2005 accounts payable and accrued liabilities balance.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but is actually revenue that will be recorded in the College's 2006 Fiscal Year. The deferred revenues totaled \$97,125 at June 30, 2006, representing a \$29,697 decrease in deferred revenue compared to the June 30, 2005 deferred revenue balance.

Accrued Leave Liabilities

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2006. The amount of the current portion of compensated absences at June 30, 2006 was \$133,667, representing a \$307 increase in accrued leave liabilities compared to the June 30, 2005 accrued leave liabilities balances.

Housing Deposits

Housing deposits represents funds belonging to individuals for which the college requires in order to secure housing on campus. The current portion of these deposits at June 30, 2006 was \$16,055 representing a \$2,265 increase in housing deposits (current portion) compared to the June 30, 2005 housing deposits balances.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of the bonds payable and obligations under capital lease that would be payable by the end of the June 30, 2006 fiscal year. The amount at June 30, 2006 was \$995,000, representing a \$40,000 increase in the current portion of long-term liabilities compared to the June 30, 2005 long-term liabilities (current portion) balance.

Other Current Liabilities

Other Current Liabilities represents the balances due depositors such as clubs and campus organizations at the end of June 30, 2006. This amount at June 30, 2006 was \$53,824 representing a \$330 decrease in other current liabilities compared to the June 30, 2005 balance.

Noncurrent Liabilities

Deposits Refundable

Deposits Refundable represents the balances due students for housing deposits at the end of June 30, 2006. This amount at June 30, 2006 was \$56,685 representing a \$7,780 increase in deposits refundable compared to the June 30, 2005 deposits refundable balance.

Long-Term Liabilities

This liability consists of the noncurrent portion of the bonds payable balances at the end of June 30, 2006. The total amount of the noncurrent portion of bonds payable was \$5,885,000 at June 30, 2006 representing a \$995,000 decrease in the long-term liabilities compared to the June 30, 2005 long-term liabilities balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Noncurrent Liabilities

This liability consists of obligations under capital lease balances at the end of June 30, 2006. The total amount of other noncurrent liabilities was \$472,959 at June 30, 2006 representing a \$472,959 increase compared to the June 30, 2005 other noncurrent liabilities balance.

Net Assets

Net Assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2006 were \$24,899,650 representing a \$758,049 decrease in net Assets compared to the June 30, 2005 net assets balance.

Analysis of Net Assets

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

The following is a breakdown of net capital assets:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Capital Assets, Net of Accumulated Depreciation	\$31,037,719	\$30,324,151	\$713,568
Long-Term Liabilities-Current	(995,000)	(955,000)	(40,000)
Long-Term Liabilities-Noncurrent	(5,885,000)	(6,880,000)	995,000
Other Liabilities-Noncurrent	(472,959)	-0-	(472,959)
 Net Capital Assets	 \$23,684,760	 \$22,489,151	 \$1,195,609

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

The following is a breakdown of the restricted net assets:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Debt Service	\$ 29,141	\$475,907	\$ (446,766)
Capital Projects	604,408	1,421,116	(816,708)
Other Grants and Contracts	470,554	395,131	75,423
 Total Restricted Net Assets	 \$1,104,103	 \$2,292,154	 \$(1,188,051)

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. Total unrestricted net assets at June 30, 2006 were \$110,787 representing a \$765,607 decrease in unrestricted net assets compared to the June 30, 2005 unrestricted net asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Operating Revenues:	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Tuition and Fees	\$ 2,977,925	\$ 2,879,589	\$ 98,336
Grants and Contracts	11,505,967	10,118,435	1,387,532
Auxiliary Enterprises	2,031,976	2,153,773	(121,797)
Other Operating Revenues	705,086	256,699	448,387
Total Operating Revenues	17,220,954	15,408,496	1,812,458
Operating Expenses	29,163,388	26,786,938	2,376,450
Operating Loss	(11,942,434)	(11,378,442)	(563,992)
Non-operating Revenues:			
State Appropriations	7,383,466	7,424,956	(41,490)
Local Appropriations	4,032,490	3,821,132	211,358
Fees on Bonds Issuance	(3,340)	(3,529)	189
Loss on Disposal of Capital Assets	-0-	(597)	597
Proceeds from Sale of Assets	30,792	2,165	28,627
Interest Income	4,250	26,956	(22,706)
Interest Expense on Capital Debt	(263,273)	(290,615)	27,342
Net Non-operating Revenues	11,184,385	10,980,468	203,917
Income (Loss) before Other Revenues Expenses, Gains and Losses	(758,049)	(397,974)	(360,075)
State Appropriations restricted for Capital Purposes	-0-	1,266,534	(1,266,534)
Change in Net Assets	(758,049)	868,560	(1,626,609)
Net Assets:			
Net Assets at Beginning of Year	25,657,699	24,789,139	868,560
Net Assets at End of Year	<u>\$ 24,899,650</u>	<u>\$25,657,699</u>	(758,049)

Total operating loss for the Fiscal Year 2006 was \$11,942,434. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College shows a significant operating loss.

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

Total operating revenues for Fiscal Year 2006 were \$17,220,954 which was a \$1,812,458 increase over Fiscal Year 2005. Tuition and fees were \$2,977,925. Operating expenses, including depreciation of \$1,260,678 totaled

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

\$29,163,388. Of this total \$11,966,320 or 41.03% was for instruction, \$776,599 or 2.66% for academic support, \$4,552,232 or 15.61% for student services, \$3,468,209 or 11.89% for institutional support, \$3,578,793 or 12.27% for physical plant operations, \$3,560,557 or 12.21% for auxiliary enterprises, and \$1,260,678 or 4.32% for depreciation.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$2,977,925 representing a \$98,336 increase in tuition and fees compared to June 30, 2005. The college does not offer tuition discounting.

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Revenues from grants and contracts totaled \$11,505,967 representing a \$1,387,532 increase compared to the grants and contracts for June 30, 2005.

Auxiliary Enterprises

Auxiliary Enterprises consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The college's auxiliary enterprises are food service, student and faculty housing, bookstore, and the golf course. Revenues from auxiliary enterprises totaled \$2,031,976 for June 30, 2006 representing a \$121,797 decrease compared auxiliary enterprises at June 30, 2005.

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$705,086 for the 2006 Fiscal Year, representing a \$448,387 increase in other revenues compared to June 30, 2005.

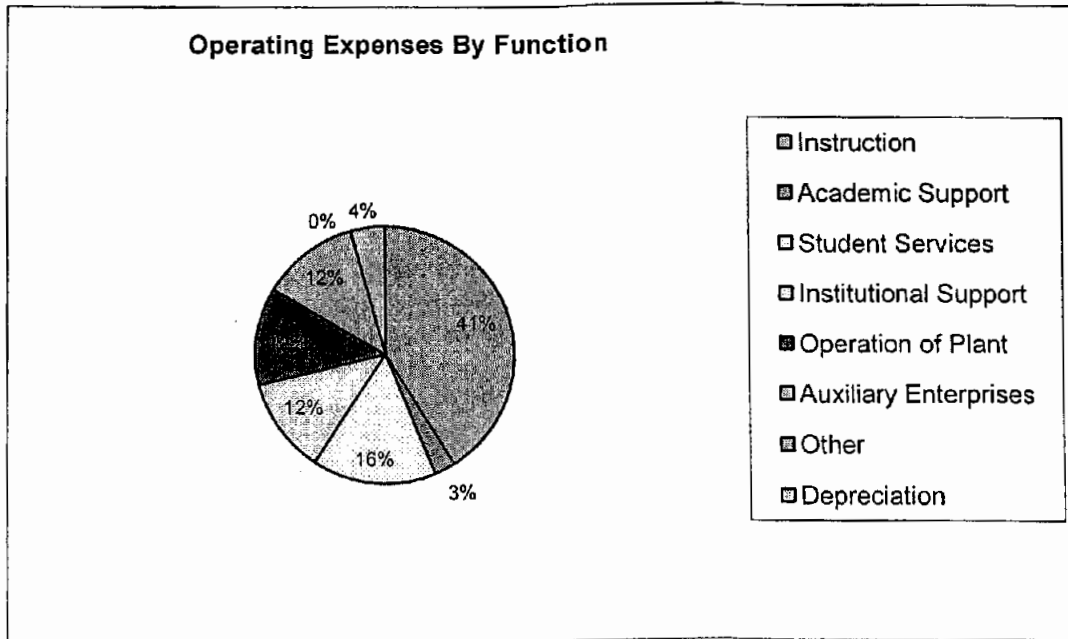
Operating Expenses

Operating expenses totaling \$29,163,388 include salaries and benefits of \$16,399,877; scholarships and fellowships of \$2,451,304; utilities of \$1,441,611; commodities of \$4,784,758; services of \$2,402,002; travel of \$423,158; and depreciation of \$1,260,678.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Functional Classification	Salaries &	Fringe	Contractual			Scholarships &	Depreciation		Total	
	Wages	Benefits	Travel	Services	Utilities	Fellowships	Commodities	Expense		
Instruction	7,733,310	1,985,386	270,919	806,862	4,638	542,013	623,292	0	11,966,320	41.03%
Academic Support	439,014	116,838	3,367	148,204	0	0	69,186	0	776,699	2.66%
Student Services	1,366,494	490,161	192,071	214,301	2,606	1,909,291	387,409	0	4,552,232	16.61%
Institutional Support	1,641,396	636,024	61,666	720,326	118,330	0	391,478	0	3,468,209	11.89%
Operation of Plant	768,223	273,334	(108,363)	288,168	1,204,606	0	1,162,826	0	3,678,793	12.27%
Auxiliary Enterprises	876,243	184,455	3,618	224,141	111,632	0	2,160,668	0	3,560,657	12.21%
Other	0	0	0	0	0	0	0	0	0	0.00%
Depreciation	0	0	0	0	0	0	0	1,260,678	1,260,678	4.32%
Total Operating Expenses	12,814,679	3,585,198	423,168	2,402,002	1,441,611	2,451,304	4,784,768	1,260,678	29,163,388	100.00%



COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$7,383,466 for the 2006 Fiscal Year, representing a \$41,490 decrease in state appropriation compared to June 30, 2005. State appropriations are nonoperating revenues since they are provided by the State of Mississippi Legislature to the State Board for Community and Junior Colleges without the Legislature requiring a direct service in return.

Local Appropriations

The College also receives revenue from Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson Counties. The College uses these funds for operational purposes. The College receives the appropriations beginning in October of each year. The College received \$4,032,490 for the 2006 Fiscal Year from these counties. This amount represents a \$211,358 increase compared to June 30, 2005. Since the county's fiscal year runs from October to September, this appropriation was fully recorded by the College during its 2006 Fiscal Year.

Fees on Bonds Issuance

The College previously issued bonds to finance construction projects. The fees associated with those bond issuances totaled \$3,340 for the 2006 Fiscal Year.

Loss on Disposal of Capital Assets

The College incurred no loss in the disposal of capital assets during the 2006 Fiscal Year. This represented a decrease of \$597 from the 2005 Fiscal Year.

Proceeds From Sale of Assets

The college disposed of items that were no longer needed or replaced by newer items. The proceeds associated with the sale of these items totaled \$30,792 for the 2006 Fiscal Year.

Interest Income

This includes the interest income from the cash in the bank accounts. The interest income at June 30, 2006 was \$4,250 representing a \$22,706 decrease in interest income compared to June 30, 2005.

Interest Expense on Capital Debt

The College previously issued bonds to finance construction projects. The interest payments associated with those bond issuances totaled \$263,273.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Cash Flows

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (9,978,221)	\$ (10,250,150)	\$ 271,929
Non-capital Financing Activities	11,741,363	11,239,147	502,216
Capital and Related Financing Activities	(2,702,195)	(4,721,890)	2,019,695
Investing Activities	4,250	26,956	(22,706)
Net Increase in Cash and Cash Equivalents	\$ (934,803)	\$ (3,705,937)	\$ 2,771,134
Cash and Cash Equivalents -- Beginning of the Year	\$ 1,254,226	\$ 4,960,163	\$(3,705,937)
Cash and Cash Equivalents - End of the Year	\$ 319,423	\$1,254,226	\$(934,803)

The major sources of funds included in operating activities include student tuition and fees \$3,045,267; auxiliary enterprises \$2,032,754; grants and contracts \$11,232,355; sales and services of educational departments \$76,369; and other receipts \$705,086. The major uses of funds were payments made to employees \$16,330,475; to suppliers \$6,846,662; to scholarships \$2,451,304; and to utility providers \$1,441,611.

The largest inflow of cash for noncapital financing activities was the State appropriation of \$7,709,203 and local (county) appropriations of \$4,032,490.

Significant Capital Asset Transactions

The College has engaged in several transactions regarding capital assets during the 2006 Fiscal Year. These transactions were:

- Completed Construction of Simpson County Center \$ 785,639
- Construction of Baseball Offices/Storage 35,630
- Installed a Security System 21,016
- Fence Repairs – Tennis Court/Maintenance/Football 20,495
- Purchased a Repeater for Campus Security 8,236
- Purchased Floor Covering for Mullen Gym 10,529
- Construction of Softball Storage/Dugouts 10,800
- Purchased a Van Hool Motorcoach (Bus) 379,000
- Replaced Henley Building Air Conditioning Unit 19,611
- Purchased Generators (3) for Wesson Campus 40,974
- Purchased Vans (2) for the Motor Pool 41,919
- Upgraded the CCN (Distance Learning) Equipment 21,625
- Replaced Roofs on Stevens Annex and Fortenberry Building 129,131
- Purchased a Mower 16,452

TOTAL

\$ 1,541,057

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Impacting Future Periods

The national economic view at this time is for a slight growth at the rate of about one to two percent. The indications show that the rate of recovery from a depressed economy will continue to be slow. The current economic forecast for our state has been impacted by Hurricane Katrina, which hit south Mississippi on August 29, 2005. Because of the historically unprecedented destruction caused by that storm, a rebuilding of the gulf coast region has begun and will likely continue for at a minimum of five years. A tremendous amount of federal aid has been sent to Mississippi for that rebuilding effort, thereby, accounting for a great deal of construction, and consequently a much healthier state economy than would have otherwise been expected. Mississippi sales tax and income tax collections for the first two quarters of 2006 show more growth than in the same time period for the previous year. It is thought that this growth is a result of the federal aid that has come to the state as a result of the storm

Although the report of the state's economy for the beginning of the second quarter improved some, there is still a need for much more improvement to meet expectations to fund needed services. There is hope that the robust recovery will continue for the third and fourth quarters when the state's agricultural products and prices impact the state's economy, along with an improving manufacturing economy. The agricultural products will likely be impacted by the extreme hot and dry weather conditions during the spring and summer growing seasons.

The population demographics for entering college freshmen during the next four to five years show little or no growth for the State of Mississippi. As a matter of fact, even though there is growth of slightly more than one percent of growth in public enrollments over the next decade, the percentage of public school graduates is projected to decrease by more than five percent during that time. Because of this lack of growth and because of the increase in tuition at all colleges and universities over the past several years, it is therefore reasonable to project only a slight increase in enrollment in student population over the next few years, based upon good recruitment and retention of students.

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

COPIAH-LINCOLN COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

COPIAH-LINCOLN COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 267,602
Accounts receivables, net	2,020,274
Inventories	463,555
Prepaid expenses	142,358
Total Current Assets	<u>2,893,789</u>

Noncurrent assets:

Restricted cash and cash equivalents	64,773
Capital assets, net of accumulated depreciation	31,037,719
Total Noncurrent Assets	<u>31,102,492</u>
Total Assets	<u>33,996,281</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	1,386,316
Deferred revenues	97,125
Accrued leave liabilities - current portion	133,667
Deposits Refundable	16,055
Long-term liabilities - current portion	1,099,134
Other current liabilities	53,824
Total Current Liabilities	<u>2,786,121</u>

Noncurrent liabilities:

Deposits refundable	56,685
Long-term liabilities	6,253,825
Total Noncurrent Liabilities	<u>6,310,510</u>
Total Liabilities	<u>9,096,631</u>

NET ASSETS

Invested in capital assets, net of related debt 23,684,760

Restricted for:

Expendable:

Capital projects	604,408
Debt service	29,141
Other purposes	470,554

Unrestricted:

	110,787
Total Net Assets	<u>\$ 24,899,650</u>

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

Copiah-Lincoln Community College Foundation, Inc.
Statement of Financial Position
June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets				
Cash	\$ 13,734	\$ 3,691	\$ 52,516	\$ 69,942
Investments	437,731	252,452	3,591,790	4,281,973
Total Assets	\$ 451,466	\$ 256,143	\$ 3,644,306	\$ 4,351,915
Liabilities				
Present Value of Annuities	\$ 144,244	-	-	\$ 144,244
Total Liabilities	144,244	-	-	144,244
Net Assets				
Unrestricted	307,222	-	-	307,222
Temporarily Restricted	-	256,143	-	256,143
Permanently Restricted	-	-	3,644,306	3,644,306
Total Net Assets	307,222	256,143	3,644,306	4,207,671
Total Liabilities & Net Assets	\$ 451,466	\$ 256,143	\$ 3,644,306	\$ 4,351,915

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

COPIAH-LINCOLN COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$2,414,966)	\$ 2,977,925
Federal grants and contracts	8,534,334
State grants and contracts	2,246,179
Nongovernmental grants and contracts	649,085
Sales and services of educational departments	76,369
Auxiliary enterprises (net of scholarship allowance of \$1,609,978)	2,031,976
Other operating revenues	<u>705,086</u>
 Total Operating Revenues	 <u>17,220,954</u>
Operating Expenses:	
Salaries and wages	12,814,679
Fringe benefits	3,585,198
Travel	423,158
Contractual services	2,402,002
Utilities	1,441,611
Scholarships and fellowships	2,451,304
Commodities	4,784,758
Depreciation expense	<u>1,260,678</u>
 Total Operating Expenses	 <u>29,163,388</u>
 Operating Income (Loss)	 <u>(11,942,434)</u>
Nonoperating Revenues (Expenses):	
State appropriations	7,383,466
Local appropriations	4,032,490
Fees on Bond Issuance	(3,340)
Loss on disposal of capital assets	-
Proceeds from sale of capital assets	30,792
Interest income	4,250
Interest expense on capital asset-related debt	<u>(263,273)</u>
 Total Net Nonoperating Revenues (Expenses)	 <u>11,184,385</u>
 Income (Loss) before Other Revenues, Expenses, Gains and Losses	 <u>(758,049)</u>
 State appropriations restricted for capital purposes	 <u>-</u>
 Change in Net Assets	 <u>(758,049)</u>
Net Assets:	
Net Assets - Beginning of Year	<u>25,657,699</u>
 Net Assets - End of Year	 <u>\$ 24,899,650</u>

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

Copiah-Lincoln Community College Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains and Support				
Contributions	\$ 101,086	\$ 55,120	\$ 89,227	\$ 245,433
Investment Income	90,652	8,847	346,556	446,055
Net Assets Released from Restrictions	144,927	-	(144,927)	-
Total Revenues, Gains and Support	336,665	63,967	290,856	691,488
Expenses				
Program Services				
Scholarships	144,927			144,927
Payments Directly to the College	41,816			41,816
Special Events	11,768			11,768
Athletic Expenses		59,233		59,233
Alumni Operations		2,454		2,454
Golf Course Expenses		1,598		
Other Expenses				
Change in Annuity	77,802			77,802
Management and General	23,173			23,173
Total Expenses	299,486	63,285	-	361,173
 Increase in Net Assets before Other Sources/Uses	 37,179	 682	 290,856	 328,717
Other Sources/Uses				
Transfers from Other Funds		165,279		165,279
Transfers to Other Funds	(165,279)			(165,279)
Total Other Sources/Uses	(165,279)	165,279	-	-
 Increase in Net Assets	 (128,100)	 165,961	 290,856	 328,717
 Net Assets at Beginning of Year	 435,322	 90,182	 3,353,450	 3,878,954
 Net Assets at End of Year	 \$ 307,222	 \$ 256,143	 \$ 3,644,306	 \$ 4,207,671

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, 2006

Cash Flows from Operating Activities:	
Tuition and fees	\$ 3,045,267
Grants and contracts	11,232,355
Sales and services of educational departments	76,369
Payments to suppliers	(6,833,710)
Payments to employees for salaries and benefits	(16,330,475)
Payments for utilities	(1,441,611)
Payments for scholarships and fellowships	(2,451,304)
Auxiliary enterprise charges	2,032,754
Other receipts (payments)	<u>705,086</u>
Net Cash Provided (Used) by Operating Activities	<u>(9,965,269)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	7,709,203
Local appropriations	4,032,490
Federal loan program receipts	1,548,901
Federal loan program disbursements	(1,548,901)
Other sources (uses)	<u>(330)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,741,363</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Bonds	-
Bond Issuance Fees	(3,340)
Cash paid for capital assets	(1,511,374)
Capital appropriations received	-
Proceeds from sales of capital assets	30,792
Principal paid on capital debt and leases	(955,000)
Interest paid on capital debt and leases	<u>(263,273)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,702,195)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>4,250</u>
Net Cash Provided (Used) by Investing Activities	<u>4,250</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(921,851)
Cash and Cash Equivalents - Beginning of the Year	<u>1,254,226</u>
Cash and Cash Equivalents - End of Year	<u>\$ 332,375</u>

COPIAH-LINCOLN COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2006 (continued from previous page)

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

Operating income (loss)	\$ (11,929,482)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,260,678
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(109,471)
Inventories	9,846
Prepaid expenses	(64,551)
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	887,056
Deferred revenues	(29,697)
Deposits refundable	10,045
Accrued leave liability	307
Total adjustments	<u>1,964,213</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(9,965,269)</u></u>

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

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

Cash and cash equivalents classified as current assets	\$ 267,602
Cash and cash equivalents classified as non-current assets	<u>64,773</u>
	\$ <u><u>332,375</u></u>

Copiah-Lincoln Community College Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash Flows From Operating Activities:	
Increase in net assets	\$ 328,717
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Net unrealized gains on investments	(93,632)
Increase (decrease) in:	
Annuity Liability	(8,185)
Contributions restricted for permanent investment	(89,227)
Net cash provided by operating activities	<u>137,673</u>
Cash Flows From Investing Activities:	
Purchases of Investments	(2,431,980)
Sales of Investments	<u>2,156,823</u>
Net cash used by investing activities	<u>(275,157)</u>
Cash Flows From Financing Activities:	
Contributions restricted for permanent investment	<u>89,227</u>
Net Increase in Cash	(48,257)
Cash Balance	
Beginning of Year	<u>118,199</u>
End of Year	<u>\$ 69,942</u>

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

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(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 member board of trustees, selected by the boards of supervisors of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, Copiah-Lincoln Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

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

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

During the year ended June 30, 2006, the Foundation distributed \$100,368 to the college.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.
- C. Basis of Accounting - The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

- G. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.
- H. Inventories - Inventories consist of bookstore, golf pro shop, and food service supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- K. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- L. Compensated Absences - Twelve month employees 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, 2006 was \$133,667.
- M. Classification of Revenues - The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:
- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.
- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.
- N. State Appropriations - 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

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

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

- O. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- P. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net assets invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$110,787 at June 30, 2006, includes \$463,555 reserved for inventory and \$(352,768) remaining for other purposes.

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

(2) Cash.

Policies:

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

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

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(3) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2006:

Student tuition	\$	2,174,942
Federal, state, and private grants and contracts		587,917
State appropriations		392,027
Local appropriations		120,368
Other		<u>254,116</u>
Total Accounts Receivable		3,529,370
Less allowance for doubtful accounts		<u>(1,509,096)</u>
Net Accounts Receivable	\$	<u><u>2,020,274</u></u>

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(4) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2006, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 715,118				715,118
Construction in progress	3,466,715		(3,466,715)		0
Total Nondepreciable Capital Assets	<u>4,181,833</u>	<u>0</u>	<u>(3,466,715)</u>		<u>715,118</u>
Depreciable Capital Assets:					
Improvements other than buildings	4,262,343	448,439			4,710,782
Buildings	31,791,667	4,181,717			35,973,384
Equipment	4,119,892	472,958		188,936	4,781,786
Library books	2,463,493			148,911	2,612,404
Total Depreciable Capital Assets	<u>42,637,395</u>	<u>5,103,114</u>	<u>0</u>	<u>337,847</u>	<u>48,078,356</u>
Less Accumulated Depreciation for:					
Improvements other than buildings	1,424,589	181,306		1,577	1,607,472
Buildings	9,649,023	685,567			10,334,590
Equipment	3,438,449			289,982	3,728,431
Library books	1,983,016			102,246	2,085,262
Total Accumulated Depreciation	<u>16,495,077</u>	<u>866,873</u>	<u>0</u>	<u>393,805</u>	<u>17,755,755</u>
Total Depreciable Capital Assets, Net	<u>26,142,318</u>	<u>4,236,241</u>	<u>0</u>	<u>(55,958)</u>	<u>30,322,601</u>
Capital Assets, Net	<u>\$ 30,324,151</u>	<u>4,236,241</u>	<u>(3,466,715)</u>	<u>(55,958)</u>	<u>31,037,719</u>

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

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

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(5) Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2006. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2006, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Bonded Debt								
Campus Improvement bonds	1,200,000	5.5%-6.5%	2010	580,000		100,000	480,000	110,000
Educational Facilities bonds	4,000,000	3%-4.25%	2019	3,810,000		200,000	3,610,000	210,000
Refunding bonds Series A	1,110,000	1.4%-3%	2008	680,000		220,000	460,000	230,000
Refunding bonds Series B	2,050,000	1.4%-3.2%	2009	1,410,000		340,000	1,070,000	345,000
Total	<u>8,360,000</u>			<u>6,480,000</u>		<u>860,000</u>	<u>5,620,000</u>	<u>895,000</u>
Revenue Bonds								
Dorm construction	2,554,000	3.00%	2016	1,355,000		95,000	1,260,000	100,000
Total	<u>2,554,000</u>			<u>1,355,000</u>		<u>95,000</u>	<u>1,260,000</u>	<u>100,000</u>
Total Bonded Debt				<u>7,835,000</u>		<u>955,000</u>	<u>6,880,000</u>	<u>995,000</u>
Capital Leases								
IBM iSeries computer	52,614	6.69%	1/1/06	0	472,958		472,958	104,134
Total Capital Leases				<u>0</u>	<u>472,958</u>		<u>472,958</u>	<u>104,134</u>
Other Long-term Liabilities								
Accrued leave liabilities				133,360	133,667	133,360	133,667	133,667
Deposits refundable				62,695	25,845	15,800	72,740	16,055
Total Other Long-term Liabilities				<u>196,055</u>	<u>159,512</u>	<u>149,160</u>	<u>206,407</u>	<u>149,722</u>
Total				<u>\$ 8,031,055</u>	<u>632,470</u>	<u>1,104,160</u>	<u>7,559,365</u>	<u>1,248,856</u>
Due within one year							<u>1,248,856</u>	
Total Long-term Liabilities							<u>\$ 6,310,509</u>	

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

Long-term debt will mature as follows:

	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 995,000	104,134	257,263	1,356,397
2008	1,020,000	97,786	223,382	1,341,168
2009	830,000	109,120	188,768	1,127,888
2010	480,000	78,969	146,850	705,819
2011	360,000	82,949	124,366	567,315
2012-2016	2,040,000		791,019	2,831,019
2017-2019	<u>1,155,000</u>		<u>65,588</u>	<u>1,220,588</u>
Totals	<u>\$ 6,880,000</u>	<u>472,958</u>	<u>1,797,236</u>	<u>9,150,194</u>

(6) Operating Leases.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 252,353
2008	280,165
2009	130,097
2010	<u>6,995</u>
Total Minimum Payments Required	<u>\$ 669,610</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, 2006, was \$ 270,698.

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(7) Functional Classification of Operating Expenses

Functional Classification	Natural Classification										Total
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships Fellowships	Commodities	Depreciation Expense			
Instruction	7,733,310	1,985,386	270,919	806,862	4,538	542,013	623,292	0	11,996,320		
Academic Support	439,014	116,838	3,357	148,204	0	0	69,186	0	776,599		
Student Services	1,356,494	490,161	192,071	214,301	2,505	1,909,291	387,409	0	4,552,232		
Institutional Support	1,641,395	535,024	61,656	720,326	118,330	0	391,478	0	3,468,209		
Operation of Plant	768,223	273,334	(108,363)	288,168	1,204,606	0	1,152,825	0	3,578,793		
Auxiliary Enterprises	876,243	184,455	3,518	224,141	111,632	0	2,160,568	0	3,560,557		
Depreciation	0	0	0	0	0	0	0	1,260,678	1,260,678		
Total Operating Expenses	<u>12,814,679</u>	<u>3,585,198</u>	<u>423,158</u>	<u>2,402,002</u>	<u>1,441,611</u>	<u>2,451,304</u>	<u>4,784,758</u>	<u>1,260,678</u>	<u>29,163,388</u>		

COPIAH-LINCOLN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2006

(9) Pension Plan.

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

Funding policy - PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2006, 2005 and 2004 were \$1,228,900, \$1,087,416, and \$1,064,562, respectively, equal to the required contributions for each year.

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements

For the Year Ended June 30, 2007

Note 1 Summary of Significant Accounting Policies

Statement of Organizational Activities

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

Basis of Presentation

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Copiah-Lincoln Community College Foundation, Inc.

Wesson, Mississippi

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2007

Permanently Restricted Net Assets

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

Income Taxes

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

Donated Assets

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

Donated Services and Facilities

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

Copiah-Lincoln Community College Foundation, Inc.
Wesson, Mississippi
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2007

Investments

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

Cash and Cash Equivalents

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

Fixed Assets

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

Pledges Receivable

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

The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges receivable at June 30, 2007.

Estimates

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

Functional Allocation of Expenses

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

Copiah-Lincoln Community College Foundation, Inc.
Wesson, Mississippi
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2007

Note 2 Charitable Gift Annuities

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

Payments to annuitants	\$ 85,992
Less decrease in annuity liability	<u>(8,185)</u>
Net Change in Annuity	\$ <u>77,807</u>

Note 3 Concentrations of Credit Risk

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

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

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

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

Copiah-Lincoln Community College Foundation, Inc.
Wesson, Mississippi
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2007

Note 4 Investments

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

Pooled investments at June 30, 2007 consist of the following:

	<u>Cost</u>	<u>Market</u>
<u>U.S. Government Obligations/Agencies</u>	<u>2,193,826</u>	<u>2,149,960</u>
 <u>Mutual Funds</u>		
Dodge and Cox Stock Fund	348,652	418,230
Dodge and Cox Intl Stock Fund	2,070	2,677
Franklin Mutual Discovery Z	103,000	130,381
Franklin Bal Sh Inv Cl A	94,819	104,828
J P Morgan Mid Cap Value Fund – In	93,670	103,866
Goldman Sachs Structured International		
Equity	247,126	299,906
Performance Short Term Trust	9,698	9,749
Performance Strategic Dividend Fund		
Institutional Class	563,648	625,139
Performance Leaders Equity Fund	9,738	10,479
Performance Large Cap Equity Fund	7,696	8,150
Performance Mid Cap Equity Fund	<u>4,000</u>	<u>4,000</u>
<u>Total Mutual Funds</u>	<u>1,484,117</u>	<u>1,717,405</u>
 <u>Common Stocks</u>	 <u>379,779</u>	 <u>414,608</u>
 Total Investments	 <u>\$4,057,722</u>	 <u>\$4,215,987</u>

Copiah-Lincoln Community College Foundation, Inc.
Wesson, Mississippi
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2007

Investment Income for the year ended June 30, 2007 was calculated as follows:

Interest and Dividends	\$157,704
Realized Gains and Losses	201,213
Unrealized Gains and Losses	<u>93,632</u>
Subtotal	452,549
Less Investment Fees	<u>(6,494)</u>
Net Investment Income	<u>\$446,055</u>

SUPPLEMENTAL INFORMATION

COPIAH-LINCOLN COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
Student Financial Aid - Cluster:			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 214,305
Federal Family Education Loans (FFEL)	84.032	{1}	1,198,799
Federal Work-study Program (FWS)	84.033		217,988
Federal Pell Grant Program	84.063		<u>5,042,698</u>
Total U.S. Department of Education			<u>6,673,790</u>
Total Student Financial Aid Cluster			<u>6,673,790</u>
Other Programs:			
U.S. Department of Agriculture			
Passed through Mississippi Department of Education:			
Summer School Food Service Program for Children	10.559		8,404
Passed through Mississippi Community College Foundation:			
Cooperative Extension Service	10.500		<u>67,042</u>
Total U.S. Department of Agriculture			<u>75,446</u>
U.S. Department of Labor			
Pass-through programs from:			
Central Mississippi Planning and Development District			
WIA Adult Programs	17.258		241,051
WIA Youth Activities	17.259		47,030
WIA Dislocated Worker	17.260		<u>100,085</u>
Total WIA Cluster			<u>388,166</u>
State Board for Community and Junior Colleges			
WIA Pilots, Demonstrations and Research Projects	17.261		5,456
Senior Service America Inc. - Senior Community			
Service Employment Program	17.235		475,168
Southwest Ms. Planning and Development District Inc. - Senior			
Community Service Employment Program	17.235		<u>115,539</u>
Total U.S. Department of Labor			<u>984,329</u>
U.S. Department of Education			
TRIO - Student Support Services	84.042		257,472
TRIO - Upward Bound	84.047		<u>368,529</u>
Total TRIO Cluster			<u>626,001</u>
Pass-through programs from:			
Mississippi State Board for Community & Junior			
Colleges - Adult Education - State Grant Program	84.002		395,038

Mississippi Post Secondary Education Financial Assistance Board - Leveraging Educational Assistance Partnership	84.069	237,935
Mississippi Department of Education - Vocational Education - Basic Grants to States	84.048	111,851
Mississippi Department of Education - Tech Prep Education	84.243	<u>35,689</u>
Subtotal pass-through programs		<u>780,513</u>
Total U.S. Department of Education		<u>1,406,514</u>
U. S. Department of Health and Human Services Pass through programs from:		
Mississippi Department of Health - Centers for Disease Control and Prevention-Investigations & Technical Assistance	93.283	<u>250,000</u>
Total U. S. Department of Health and Human Services		<u>250,000</u>
U. S. Department of Homeland Security Pass through programs from:		
Mississippi Emergency Management Agency - Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036	<u>59,789</u>
Total U. S. Department of Homeland Security		<u>59,789</u>
Small Business Administration Pass-through programs from:		
Small Business Development Center	59.037	<u>68,406</u>
Total Small Business Administration		<u>68,406</u>
Total Other Programs		<u>68,406</u>
Total Expenditures of Federal Awards		<u>\$ 9,518,274</u>

Notes to Schedule of Expenditures of Federal Awards

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

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

Member of Mississippi Society
of Certified Public Accountants

Member of American Institute
of Certified Public Accountants

PHONE (601) 833-1456

FAX (601) 833-9896

EMAIL: plowery3@bellsouth.net

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

Dr. Howell Garner, President and Board of Trustees of
Copiah-Lincoln Community College
Wesson, Mississippi 39191

We have audited the financial statements of the business type activities of Copiah-Lincoln Community College as of and for the year ended June 30, 2006, as listed in the table of contents and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the College's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006-01.

A material weakness is a reportable condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described in the finding referred to above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Patrick E. Lowery and Associates

PATRICK E. LOWERY AND ASSOCIATES
Certified Public Accountants

September 19, 2007

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

PHONE (601) 833-1456
FAX (601) 833-9896
EMAIL: plowery3@bellsouth.net

*Member of Mississippi Society
of Certified Public Accountants*

*Member of American Institute
of Certified Public Accountants*

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

Dr. Howell Garner, President and Board of Trustees of
Copiah-Lincoln Community College
Wesson, Mississippi 39191

Compliance

We have audited the compliance of Copiah-Lincoln Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The college's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

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

In our opinion, Copiah-Lincoln Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

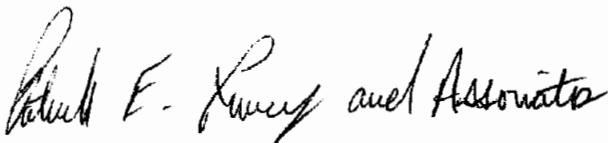
Internal Control Over Compliance

The management of the Copiah-Lincoln Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the college's internal control over compliance with requirements that could

have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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.



PATRICK E. LOWERY AND ASSOCIATES
Certified Public Accountants

September 19, 2007

COPIAH-LINCOLN COMMUNITY COLLEGE

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

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

*Member of Mississippi Society
of Certified Public Accountants*

*Member of American Institute
of Certified Public Accountants*

PHONE (601) 833-1456
FAX (601) 833-9896
EMAIL: plowery3@bellsouth.net

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

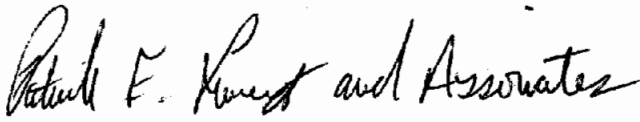
Dr. Howell Garner, President and Board of Trustees of
Copiah-Lincoln Community College
Wesson, Mississippi

We have audited the financial statements of Copiah-Lincoln Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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



PATRICK E. LOWERY AND ASSOCIATES
Certified Public Accountants

September 19, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COPIAH-LINCOLN COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Student financial aid cluster: | |
| CFDA # 84.007 | |
| CFDA # 84.032 | |
| CFDA # 84.033 | |
| CFDA # 84.063 | |
| b. Adult Education State Grant Program | |
| CFDA # 84.002 | |
| c. Trio Cluster | |
| CFDA # 84.042 | |
| CFDA # 84.047 | |
| d. WIA Cluster | |
| CFDA # 17.258 | |
| CFDA # 17.259 | |
| CFDA # 17.260 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

COPIAH-LINCOLN COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

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

Section 2. Financial Statement Findings

Material Weakness

2006-01 Finding

During our examination of the cash and other deposits accounts, we noted that bank reconciliations were not performed in a timely manner. The reconciliations did not agree with the financial statements. The College at times was as far as ten months behind on reconciling bank statements

Recommendation

The college should implement procedures to insure that bank reconciliations are done on a monthly basis. Additional procedures should be made to insure that bank reconciliations agree with the underlying financial records.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

Copiah-Lincoln COMMUNITY COLLEGE



Wesson Campus

...the place to be

COPIAH-LINCOLN COMMUNITY COLLEGE

Auditee's Corrective Action Plan
For the Year Ended June 30, 2006

As required by Section ____315(b) of OMB Circular A-133, Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
----------------	---------------------------------------

- | | |
|---------|--|
| 2006-1. | a. Name(s) of Contact Person(s) Responsible for Corrective Action:
Michael Tanner, Vice President of Business Affairs (601)643-8302 |
| | b. Corrective Action Planned:
Bank reconciliations will be performed in a timely manner. |
| | c. Anticipated Completion Date:
Corrective action has been completed. |