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EAST CENTRAL COMMUNITY COLLEGE

DECATUR, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2006

EAST CENTRAL COMMUNITY COLLEGE

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EAST CENTRAL COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT



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

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

We have audited the accompanying primary government financial statements of East Central Community College as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of East Central Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government financial statements of East Central Community College, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the college's legal entity. The financial statements do not include financial data for the college's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the community college. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of East Central Community College as of June 30, 2006, and the respective changes in its financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary government of East Central Community College as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 January 3, 2008, on our consideration of East Central Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Watkins, Ward and Stafford, PLLC
January 3, 2008

Watkins, Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST CENTRAL COMMUNITY COLLEGE

P.O BOX 129

DECATUR, MISSISSIPPI 39327-0129

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of East Central Community College ("ECCC") provides this Management's Discussion and Analysis for readers of the College's financial statements. This narrative overview and analysis of the financial activities of ECCC is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the additional information that is furnished in the College's financial statements.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Data

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

Analysis of Financial Position Condensed Statement of Net Assests

June 30, 2006 and 2005	<u>June 30, 2006</u> <u>Amount</u>	<u>June 30, 2005</u> <u>Amount</u>
Assets		
Current Assets	\$5,045,057	\$5,479,386
Noncurrent Assets:		
Capital, Net	15,706,915	13,271,304
Other	<u>1,814,675</u>	<u>1,908,824</u>
Total Assets	<u>22,566,647</u>	<u>20,659,514</u>
Liabilities		
Current Liabilities	1,378,460	1,408,936
Noncurrent Liabilities	<u>2,976,768</u>	<u>3,358,886</u>
Total Liabilities	<u>4,355,228</u>	<u>4,767,822</u>
Net Assets		
Invested in Capital Assets, Net	12,601,501	9,793,799
Restricted:		
Expendable	1,641,172	1,578,089
Unrestricted	<u>3,968,746</u>	<u>4,519,804</u>
Total Net Assets	<u>\$18,211,419</u>	<u>\$15,891,692</u>

For the year ended June 30, 2006, the College had a net decrease in cash and cash equivalents of \$920,209, representing a 16.61% decrease in cash and cash equivalents compared to the July 1, 2005, cash and cash equivalents balance.

Net Current Receivables increased by \$404,455, or 26.45% from the previous year.

Total Net assets increased by \$1,373,737 an 8.16% increase from Net Assets as of June 30, 2005.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
	<u>Amount</u>	<u>Amount</u>
Operating Revenues:		
Tuition and Fees	\$ 2,995,825	\$ 3,166,457
Grants and Contracts	7,597,479	7,541,572
Auxiliary Enterprises	2,799,760	2,576,329
Other Operating Revenue	<u>194,189</u>	<u>47,357</u>
Total Operating Revenues	<u>13,587,253</u>	<u>13,331,715</u>
Operating Expenses	<u>22,813,790</u>	<u>22,465,605</u>
Operating Loss	<u>(9,226,537)</u>	<u>(9,133,890)</u>
Non-operating Revenues:		
State Appropriations	7,487,627	7,232,693
Local Appropriations	2,031,185	1,752,512
Investment Income	92,753	84,623
Interest Expense on Capital Asset- Related Debt	(136,698)	(152,155)
Other Nonoperating Revenues (Expenses)	<u>(2,227)</u>	<u>(7,087)</u>
Net Nonoperating Revenues	<u>9,472,640</u>	<u>8,910,586</u>
Income (Loss) Before Other Revenues	246,103	(223,304)
State Appropriations restricted for Capital Purposes	994,802	1,743,746
Capital Grants and Gifts	<u>132,832</u>	<u>330,759</u>
Total Other Revenues	<u>1,127,634</u>	<u>2,074,505</u>
Total Increase in Net Assets	<u>1,373,737</u>	<u>1,851,201</u>
Net Assets		
Net Assets at Beginning of Year, As Restated	<u>16,837,682</u>	<u>14,040,491</u>
Net Assets at End of Year	<u>\$18,211,419</u>	<u>\$15,891,692</u>

Total Operating Revenues and Non-operating Revenues combined for an increase of \$817,592, or 3.68% from the previous year. This change was primarily due to increases in state and local appropriations.

Total Operating Expenses increased by \$348,185, or 1.55% as compared to the previous year. A summary of these expenses is as follows:

	June 30, 2006 <u>Amount</u>	June 30, 2005 <u>Amount</u>
Expenses by Function:		
Instruction	\$ 8,455,579	\$ 7,638,548
Public Service	686,566	782,741
Academic Support	414,960	357,553
Student Services	1,728,973	1,687,656
Institutional Support	1,832,953	1,743,226
Operations and Maintenance Of Plant	2,384,612	2,433,029
Student Financial Aid	4,478,897	4,972,515
Auxiliary Enterprises	2,183,530	2,142,218
Depreciation	<u>647,720</u>	<u>708,119</u>
 Total Operating Expenses By Function	 <u>22,813,790</u>	 <u>22,465,605</u>

Management concludes that the College's financial position has remained stable and consistent during the past fiscal year.

Capital Asset Activity

ECCC's capital assets as of June 30, 2006, totaled \$24,068,783, with accumulated depreciation of \$8,361,868.

MANAGEMENT'S DISCUSSION AND ANALYSIS(Concluded)

Economic Factors and Next Year's Budget

The State of Mississippi has experienced a revenue shortfall during the past several years and this may have a significant impact on future budgets. The college does not anticipate that revenue from state sources will increase significantly for the near term. This revenue shortfall also directly affects the potential funding of the counties of ECCC's support district.

Contacting East Central Community College's Management

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

EAST CENTRAL COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY COLLEGE
Statement of Net Assets
June 30,2006

Assets

Current Assets:	
Cash and cash equivalents	2,805,212
Accounts receivable, net	1,933,794
Inventories	306,051
Total Current Assets	5,045,057
 Noncurrent Assets:	
Restricted cash and cash equivalents	1,813,109
Cash with fiscal agents	1,541
Student notes receivable, net	25
Capital assets, net of accumulated depreciation	15,706,915
Total Noncurrent Assets	17,521,590
Total Assets	22,566,647

Liabilities

Current Liabilities:	
Accounts payable and accrued liabilities	1,023,954
Deferred revenue	17,680
Accrued interest payable	76,131
Long-term liabilities - current portion	260,695
Total Current Liabilities	1,378,460
 Noncurrent Liabilities:	
Deposits refundable	132,049
Long-term liabilities	2,844,719
Total Noncurrent Liabilities	2,976,768
Total Liabilities	4,355,228

Net Assets

Invested in capital assets, net of related debt	12,601,501
Restricted for:	
Expendable:	
Scholarships and fellowships	242,930
Capital projects	1,011,562
Debt service	386,680
Unrestricted	3,968,746
Total Net Assets	18,211,419

EAST CENTRAL 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 \$1,043,806)	\$ 2,995,825
Federal grants and contracts	5,766,892
State grants and contracts	1,830,587
Sales and services of educational departments	203,372
Auxilliary enterprises:	
Student housing (net of scholarship allowances of \$141,702)	406,699
Food services (net of scholarship allowances of \$221,959)	637,043
Bookstore	1,365,312
Athletics	12,565
Other auxilliary enterprises	174,769
Other operating revenues	194,189
 Total Operating Revenues	 <u>13,587,253</u>
Operating Expenses:	
Salaries and wages	9,058,997
Fringe benefits	2,337,207
Travel	227,222
Contractual services	2,774,311
Utilities	972,451
Scholarships and fellowships	4,478,897
Commodities	2,316,985
Depreciation expense	647,720
 Total Operating Expenses	 <u>22,813,790</u>
 Operating Income(Loss)	 <u>(9,226,537)</u>
Nonoperating Revenues (Expenses)	
State appropriations	7,487,627
Local appropriations	2,031,185
Investment income	92,753
Interest expense on capital asset-related debt	(136,698)
Loss on disposition of capital assets	(2,227)
 Total Net Nonoperating Revenues(Expenses)	 <u>9,472,640</u>
 Income(Loss) before Other Revenues, Expenses, Gains and Losses	 246,103
 State appropriations restricted for capital purposes	 994,802
Local appropriations restricted for capital purposes	132,832
 Change in Net Assets	 <u>1,373,737</u>
Net Assets:	
Net Assets - Beginning of Year, as Originally Reported	15,891,692
 Prior period adjustment(Note 2)	 945,990
 Net Assets - Beginning of Year, as Restated	 <u>16,837,682</u>
 Total Net Assets	 \$ <u>18,211,419</u>

EAST CENTRAL COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2006

Cash Flows from Operating Activities:	
Tuition and fees	\$ 2,804,630
Grants and contracts	7,496,194
Sales and services of educational departments	163,341
Payments to suppliers	(5,548,365)
Payments to employees for salaries and benefits	(11,339,143)
Payments for utilities	(921,598)
Payments for scholarship and fellowships	(4,373,372)
Auxilliary enterprise charges:	
Student housing	396,586
Food services	637,043
Bookstore	1,365,312
Athletics	12,565
Other auxilliary enterprises	176,509
Other receipts(payments)	2,826
Net Cash Provided(Used) by Operating Activities	<u>(9,127,472)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	7,495,121
Local appropriations	2,127,270
Federal loan program receipts	2,011,932
Federal loan program disbursements	(2,011,932)
Other sources(uses)	
Net Cash Provided(Used) by Noncapital Financing Activities	<u>9,622,391</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid for capital assets	(2,098,726)
Capital appropriations received	191,034
Capital grants and contracts received	919,476
Principal paid on capital debt and leases	(372,091)
Interest paid on capital debt and leases	(144,331)
Proceeds from sales of capital assets	0
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(1,504,638)</u>
Cash Flows from Investing Activities:	
Interest received on investments	89,510
Net Cash Provided(Used) by Investing Activities	<u>89,510</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(920,209)
Cash and Cash Equivalents - Beginning of the Year	5,540,071
Cash and Cash Equivalents - End of the Year	<u>\$ 4,619,862</u>

See accompanying Notes to Financial Statements

EAST CENTRAL COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2006

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

Operating income(loss)	\$	(9,226,537)
Adjustments to reconcile net income(loss) to net cash provided(used) by operating activities:		
Depreciation expense		647,720
Other		0
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Receivables, net		(528,507)
Inventories		12,724
Increase(decrease) in liabilities:		
Accounts payables and accrued liabilities		(35,291)
Deferred revenues		(1,218)
Deposits refundable		3,637
 Total adjustments		 <u>99,065</u>
 Net Cash Provided(Used) by Operating Activities	 \$	 <u><u>(9,127,472)</u></u>

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. Summary of Significant Accounting Policies.

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

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

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

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

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

- B. Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.
- C. Basis of Accounting – The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents – For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

- 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.
- G. Student Notes Receivables, Net – Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.
- H. Inventories – Inventories consist of bookstore and printing supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.
- I. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 7 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 – The college does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

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

- N. State Appropriations – East Central Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- O. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid not considered to be third party aid.
- P. Net Assets – GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$3,968,746 at June 30, 2006, includes \$1,741,166 reserved for auxiliaries, and a remaining amount of \$2,227,580.

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Q. Changes in Accounting Standards – East Central Community College has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, for the current fiscal year. This statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

2. Prior Period Adjustments.

For the year ended June 30, 2006, the college reported prior period adjustments which included the following:

<u>Explanation</u>	<u>Additions (Deductions)</u>
To adjust net assets for prior year errors in receivables and payables	\$ 36,655
To correct beginning of the year depreciation calculated on capital assets	<u>909,335</u>
Total	\$ <u>945,990</u>

3. Cash and Cash Equivalents and Cash with Fiscal Agents.

Policies:

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

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

Cash with Fiscal Agents

The carrying amount of the college's cash with fiscal agents held by financial institutions was \$1,541.

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

4. Accounts Receivable.

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

Student tuition	\$	1,785,063
Auxiliary enterprises and other operating activities		68,947
Federal, state, and private grants and contracts		911,325
State appropriations		106,599
Local appropriations		136,124
Accrued interest		10,338
Other		<u>9,308</u>
 Total Accounts Receivable		 3,027,704
Less allowance for doubtful accounts		(<u>1,093,910</u>)
 Net Accounts Receivable	 \$	 <u>1,933,794</u>

5. Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2006:

	<u>Interest Rates</u>		<u>June 30, 2006</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Perkins student loans	3% to 9%	\$	<u>32,261</u>	-	<u>32,261</u>
Total Notes Receivable			32,261	-	32,261
Less allowance for doubtful accounts			<u>32,236</u>	-	<u>32,236</u>
 Net Notes Receivable		 \$	 <u>25</u>	 -	 <u>25</u>

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

6. Capital Assets.

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

	Beginning Balance	Additions	Deletions	Adjustments & Reclasses	Ending Balance
Nondepreciable Capital Assets					
Land	258,770				258,770
Construction in progress	<u>2,124,035</u>	<u>1,503,674</u>	_____	(<u>3,627,709</u>)	_____
Total Nondepreciable Capital Assets	<u>2,382,805</u>	<u>1,503,674</u>	_____	(<u>3,627,709</u>)	<u>258,770</u>
Depreciable Capital Assets:					
Improvements other than buildings	1,016,641	147,327			1,163,968
Buildings	15,600,845			3,627,709	19,228,554
Equipment	2,342,573	507,278	(5,720)		2,844,131
Library books	<u>557,586</u>	<u>17,943</u>	(<u>2,169</u>)		<u>573,360</u>
Total Depreciable Capital Assets	<u>19,517,645</u>	<u>672,548</u>	(<u>7,889</u>)	<u>3,627,709</u>	<u>23,810,013</u>
Less: Accumulated Depreciation for:					
Improvements other than buildings	292,364	43,875			336,239
Buildings	6,128,444	367,552		(* 905,058)	5,590,938
Equipment	1,720,652	220,200	(5,663)	(* 4,277)	1,930,912
Library books	<u>487,686</u>	<u>16,093</u>	_____		<u>503,779</u>
Total Depreciable Capital Assets:	<u>8,629,146</u>	<u>647,720</u>	(<u>5,663</u>)	<u>909,335</u>	<u>8,361,868</u>
Total Depreciable Capital Assets:	<u>10,888,499</u>	<u>24,828</u>	(<u>2,226</u>)	<u>4,537,044</u>	<u>15,448,145</u>
Total Capital Assets, net	<u>13,271,304</u>	<u>1,528,502</u>	(<u>2,226</u>)	<u>909,335</u>	<u>15,706,915</u>

*Prior period adjustment to correct beginning of the year accumulated depreciation totals.

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

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

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

7. 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 issued 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 Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Bonded Debt								
Dormitory Revenue Bond Series 1989	\$ 1,115,000	3%	2018	\$ 830,000		(55,000)	775,000	55,000
Dormitory Revenue Bond Series 1999	\$ 3,000,000	4.75%	2024	<u>2,395,699</u>	<u>-</u>	<u>(218,834)</u>	<u>2,176,865</u>	<u>104,169</u>
Total Bonded Debt				<u>3,225,699</u>	<u>-</u>	<u>(273,834)</u>	<u>2,951,865</u>	<u>159,169</u>
DBM A5/400 270 Series				<u>251,806</u>	<u>-</u>	<u>(98,257)</u>	<u>153,549</u>	<u>101,526</u>
Total Capital Leases				<u>251,806</u>	<u>-</u>	<u>(98,257)</u>	<u>153,549</u>	<u>101,526</u>
Total				\$ <u>3,477,505</u>	<u>-</u>	<u>(372,091)</u>	<u>3,105,414</u>	<u>260,695</u>
Due within one year							<u>260,695</u>	
Total Long-term Liabilities							<u>2,844,719</u>	

Annual requirements to amortize outstanding debt:

	Bonded Debt	Capital Leases	Interest	Total
2007	159,169	101,526	130,898	391,593
2008	164,117	52,023	120,111	336,251
2009	174,300	-	113,220	287,520
2010	179,729	-	105,991	285,720
2011	185,416	-	96,704	282,120
2012-2016	1,057,306	-	354,094	1,411,400
2017-2021	<u>1,031,828</u>	<u>-</u>	<u>133,357</u>	<u>1,165,185</u>
	<u>2,951,865</u>	<u>153,549</u>	<u>1,054,375</u>	<u>4,159,789</u>

EAST CENTRAL COMMUNITY COLLEGE

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

12. Natural Classifications with Functional Classifications

The community colleges operating expenses by functional classifications were as follows for the year ended June 30, 2006:

<u>Functional Classification</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Total</u>
Instruction	5,374,837	1,336,669	96,576	912,999	10,578		723,920		8,455,579
Public service	534,213	100,490	32,690	15,786	170		3,217		686,566
Academic support	271,575	64,605	2,886	13,399	57		62,438		414,960
Student services	1,084,719	295,603	74,290	155,319	3,309		115,733		1,728,973
Institutional support	889,350	294,474	17,288	517,341	1,961		152,539		1,832,953
Operation of plant	678,463	224,138	2,542	397,129	908,595		173,745		2,384,612
Student aid						4,478,897			4,478,897
Auxiliary enterprises	225,840	61,228	950	762,338	47,781		1,085,393	647,720	2,183,530
Depreciation								647,720	647,720
Total Operating Expenses	9,058,997	2,337,207	227,222	2,774,311	972,451	4,478,897	2,316,985	647,720	22,813,790

**EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

9. Pension Plan.

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

Funding policy – PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 10.75% 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 \$922,255, \$809,610, and \$796,223, respectively, equal to the required contributions for each year.

10. Risk Management

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

11. Subsequent Events

Approved purchase of one giga bit Ethernet core switch with 18 fiber optic parts for the replacement/upgrade of the college's switches for the campus wide computer network on September 12, 2006. The total cost of the project is \$123,804.

Purchased grandstands for the football field from Magnolia State School Products on August 16, 2006 for \$113,123.

Approved low bid of Sivad, Inc., on May 8, 2007, in the amount of \$99,920 for the purchase of industrial training equipment.

12. Contingencies

The Community College has submitted this audit report to the federal clearinghouse after the filing deadline. There is a potential for significant penalties associated with this. There is no way to reasonably estimate the penalty at this time, therefore, no provision for any liability has been recognized in the Community College's financial statements.

EAST CENTRAL COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

**EAST CENTRAL COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid - Cluster:			
U.S. Department of Education			
Federal PELL Grant Program	84.063		\$ 3,988,425
Federal Supplemental Education Opportunity Grant Program (FSEOG)	84.007		115,592
Federal Family Educational Loan Program (FFEL)*	84.032		1,267,852
Federal Work-Study Program (FWS)	84.033		<u>62,578</u>
Total Student Financial Aid			<u>5,434,447</u>
U.S. Department of Education:			
Pass-through programs from:			
State Department of Education - Vocational Education			
Basic Grant	84.048		111,889
State Department of Education - Tech-Prep Education	84.243		91,011
State Department of Education - Vocational Rehabilitation			
Grants to States	84.126		7,081
State Department of Education Adult Education -			
State Grant Programs	84.002		209,353
State of Mississippi Institutions of Higher Learning -			
Leveraging Educational Assistance Partnership (LEAP)	84.069		7,157
State of Mississippi Institutions of Higher Learning -			
Hurricane Education Recovery	84.938		<u>97,089</u>
Total U.S. Department of Education			<u>5,958,027</u>

**EAST CENTRAL COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

WIA Cluster

U.S. Department of Labor

Pass-through program from:

MS Employment Security Commission - WIA Adult Program	17.258	447,519
Southern Mississippi Planning & Development District - WIA Adult Program	17.258	206,786
MS Employment Security Commission - WIA Dislocated Workers	17.260	125,848
MS Employment Security Commission - WIA Pilot Demonstrations and Research Projects	17.261	<u>11,695</u>

Total WIA Cluster 791,848

Pass-through program from:

MS Employment Security Commission - Trade Adjustment Assist. (TAA)	17.245	<u>49,109</u>
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Total U.S. Department of Labor 840,957

U.S. Department of Agriculture

Pass-through Program from:

MS Community College Foundation - Distance Learning and Telemedicine Loans and Grants	10.855	<u>54,433</u>
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Total U.S. Department of Agriculture 54,433

Corporation for National and Community Service

Pass-through Program from:

American Association of Community Colleges - Learn and Serve America - Higher Education	94.005	<u>33,997</u>
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Total Corporation for National and Community Service 33,997

Department of Homeland Security

Pass-through Program from:

MS Emergency Management Agency - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>137,167</u>
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Total Department of Homeland Security 137,167

Total Expenditures of Federal Awards \$ 7,024,581

**EAST CENTRAL COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006**

Notes to Schedule of Expenditures of Federal Awards

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

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

EAST CENTRAL COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Watkins, Ward and Stafford
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Certified Public Accountants

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

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

We have audited the primary government financial statements of East Central Community College as of and for the year ended June 30, 2006, which collectively comprise the college's basic primary government financial statements and have issued our report thereon dated January 3, 2008. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the college's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Central Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion 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 judgment, 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 06-1.

A material weakness is a reportable 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 misstatements caused by error or fraud in amounts that would be material in relation to the primary government 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, we believe the reportable condition referred to above is not a material weakness.

Compliance and Other Matters

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

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

Watkins, Ward and Stafford, PLLC
January 3, 2008

Watkins, Ward and Stafford, PLLC



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

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

Compliance

We have audited the compliance of East Central Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. East Central 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of East Central Community College's management. Our responsibility is to express an opinion on East Central Community College's compliance based on our audit.

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

In our opinion, East Central Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of East Central Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Central Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 reportable 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 the 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
January 3, 2008

Watkins, Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

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



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

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

We have audited the primary government financial statements of East Central Community College as of and for the year ended June 30, 2006, which collectively comprise the college's primary government financial statements and have issued our report thereon dated January 3, 2008. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the college's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

Finding

MS Code section 27-105-5(6)(b) requires every public depositor to notify the State Treasurer's Office no later than 30 days following its fiscal year end of its name, address, tax identification number and listing of deposit accounts. This report was not prepared within the 30 day time period.

Recommendation

We recommend the community college prepare and submit the Public Depositor Annual Report to the State Treasurer's Office within the thirty days of fiscal year end in compliance with MS Code Section 27-105-5(6)(b).

Community College Response

We will prepare and submit the Public Depositor Annual Report to the State Treasurer's Office within the thirty days of fiscal year end in compliance with MS Code Section 27-105-5(6)(b).

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

Watkins, Ward and Stafford, PLLC
 January 3, 2008

Watkins, Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST CENTRAL COMMUNITY COLLEGE

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

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 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 | |
| 8. The dollar threshold used to distinguish between type A and B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315 (b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

06-1 Finding

We noted the following reportable conditions in our testing of purchasing and general disbursements:

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

Recommendation

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

Response

We will prepare a purchase order/requisition with appropriate authorization before any goods or services are ordered. We will also indicate that goods or services are received on the date they are actually received.

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.