



**COPIAH - LINCOLN
COMMUNITY COLLEGE**
Audited Financial Statements
June 30, 2007

Fortenberry & Ballard, PC
Certified Public Accountants

Copiah - Lincoln Community College
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited the accompanying financial statements of the business-type activities of the Copiah - Lincoln Community College as of and for the year ended June 30, 2007, which collectively comprise the Copiah - Lincoln Community College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Copiah - Lincoln Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Copiah - Lincoln Community College Foundation, Inc., a discretely presented component unit of the college, which statements reflect total assets of \$4,351,915 as of June 30, 2007, and total revenues of \$691,488 for the year then ended. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component unit is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the Copiah - Lincoln Community College Foundation, Inc., which were audited by another auditor upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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, 2007, 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.

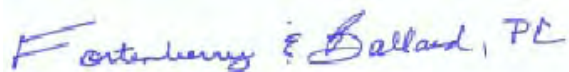
AICPA & MSCPA

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009 on our consideration of the Copiah - Lincoln Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 6 through 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copiah - Lincoln Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This 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.



Fortenberry & Ballard, P.C.
December 17, 2009

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

This section of the Copleah 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, 2007 (with comparative financial data for the year ended June 30, 2006). This discussion and analysis has been prepared by management and it focuses primary on the operation of the College. The College's foundation, Copleah Lincoln Community College Foundation, issues separately audited financial statements which can be obtained directly from the Foundation's administrative office.

Using the Annual Report

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

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

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

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

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Condensed Statement of Net Assets

	June 30, 2007	June 30, 2006	Increase (Decrease)
Current Assets	\$ 3,440,690	\$ 2,893,789	546,901
Noncurrent Assets	31,387,809	31,102,492	285,317
Total Assets	34,828,499	33,996,281	832,218
Liabilities			
Current Liabilities	3,161,740	2,786,121	375,619
Noncurrent Liabilities	5,178,705	6,310,510	(1,131,805)
Total Liabilities	8,340,445	9,096,631	(756,187)
Net Assets			
Invested in Capital Assets, Net	25,130,051	23,684,760	1,445,291
Restricted:			
Expendable-Capital Projects	604,408	604,408	0
Expendable-Debt service	29,144	29,141	3
Expendable-Other Purposes	0	470,554	(470,554)
Unrestricted	724,451	110,787	613,664
Total Net Assets	\$ 26,488,054	\$ 24,899,650	\$ 1,588,404

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

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 \$308,245 at June 30, 2007, representing a \$40,643 increase in cash and cash equivalent compared to the June 30, 2006 cash and cash equivalents balance.

Short Term Investments

There were no short term investments at June 30, 2007 which represented no change from the previous year.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$2,554,270 at June 30, 2007. Accounts receivable increased by \$533,996 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 \$429,617 at June 30, 2007, representing a \$33,938 decrease in inventories compared to the June 30, 2006 inventories balance.

Prepaid Expenses

Prepaid expenses consist of transactions such as membership renewal, maintenance agreements, and other payments for the 2008 Fiscal Year but required payment to vendors before July 1, 2007. Prepaid expenses totaled \$148,558 at June 30, 2007, representing a \$6,200 increase in prepaid expenses compared to the June 30, 2006 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, 2007 totaled \$18,600 representing a \$46,173 decrease in cash and cash equivalents compared to the June 30, 2006 cash and cash equivalent balance.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2007. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$31,369,209 at June 30, 2007, representing a \$331,490 increase in net capital assets compared to the June 30, 2006 net capital asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2007 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,677,855 at June 30, 2007 representing a \$291,539 increase in accounts payable and accrued liabilities compared to the June 30, 2006 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 2008 Fiscal Year. The deferred revenues totaled \$131,487 at June 30, 2007, representing a \$34,362 increase in deferred revenue compared to the June 30, 2006 deferred revenue balance.

Accrued Leave Liabilities

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2007. The amount of the current portion of compensated absences at June 30, 2007 was \$134,694, representing a \$1,027 increase in accrued leave liabilities compared to the June 30, 2006 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, 2007 was \$16,171 representing a \$116 increase in housing deposits (current portion) compared to the June 30, 2006 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, 2007 Fiscal Year. The amount at June 30, 2007 was \$1,117,786, representing a \$18,652 increase in the current portion of long-term liabilities compared to the June 30, 2006 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, 2007. This amount at June 30, 2007 was \$83,747 representing a \$29,923 increase in other current liabilities compared to the June 30, 2006 balance.

Noncurrent Liabilities

Deposits Refundable

Deposits Refundable represents the balances due students for housing deposits at the end of June 30, 2007. This amount at June 30, 2007 was \$57,334 representing a \$649 increase in deposits refundable compared to the June 30, 2006 deposits refundable balance.

Long-Term Liabilities

This liability consists of the noncurrent portion of the bonds payable balances at the end of June 30, 2007. The total amount of the noncurrent portion of bonds payable was \$4,865,000 at June 30, 2007 representing a \$1,020,000 decrease in the long-term liabilities compared to the June 30, 2006 long-term liabilities balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Other Noncurrent Liabilities

This liability consists of obligations under capital lease balances at the end of June 30, 2007. The total amount of other noncurrent liabilities was \$256,371 at June 30, 2007 representing a \$112,454 decrease compared to the June 30, 2006 other noncurrent liabilities balance.

Net Assets

Net Assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2007 were \$26,488,054 representing a \$1,588,404 increase in net assets compared to the June 30, 2006 net assets balance.

Analysis of Net Assets

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

The following is a breakdown of net capital assets:

	June 30, 2007	June 30 2006	Increase (Decrease)
Capital Assets, Net of Accumulated Depreciation	\$ 31,369,209	\$31,037,719	\$ 331,490
Long-Term Liabilities-Current	(1,117,786)	(1,099,134)	(18,652)
Long-Term Liabilities-Noncurrent	(4,865,000)	(5,885,000)	1,020,000
Other Liabilities-Noncurrent	<u>(256,371)</u>	<u>(368,825)</u>	<u>112,454</u>
Net Capital Assets	\$ 25,130,051	\$ 23,684,760	\$ 1,445,292

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

The following is a breakdown of the restricted net assets:

	June 30, 2007	June 30, 2006	Increase (Decrease)
Debt Service	\$ 29,144	\$29,141	\$ 3
Capital Projects	604,408	604,408	0
Other Grants and Contracts	<u>0</u>	<u>470,554</u>	<u>(470,554)</u>
Total Restricted Net Assets	\$633,552	\$1,104,103	\$ (470,554)

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, 2007 were \$724,451 representing a \$613,664 increase in unrestricted net assets compared to the June 30, 2006 unrestricted net asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

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

Operating Revenues:	June 30, 2007	June 30, 2006	Increase (Decrease)
Tuition and Fees	\$ 3,407,315	\$ 2,977,925	\$ 429,390
Grants and Contracts	12,322,810	11,505,967	816,843
Auxiliary Enterprises	2,585,239	2,031,976	553,263
Other Operating Revenues	242,095	705,086	(462,991)
Total Operating Revenues	18,557,459	17,220,954	1,336,505
Operating Expenses	29,456,210	29,163,388	292,822
Operating Loss	(10,898,751)	(11,942,434)	1,043,683
Non-operating Revenues:			
State Appropriations	8,460,448	7,383,466	1,076,982
Local Appropriations	4,273,147	4,032,490	240,657
Fees on Bonds Issuance	-0-	(3,340)	3,340
Loss on Disposal of Capital Assets	-0-	-0-	-0-
Proceeds from Sale of Assets	6,351	30,792	(24,441)
Interest Income	3,721	4,250	(529)
Interest Expense on Capital Debt	(256,512)	(263,273)	6,761
Net Non-operating Revenues	12,487,155	11,184,385	1,302,770
Other Revenues	1,588,404	(758,049)	2,346,453
Net Assets:			
Net Assets at Beginning of Year	24,899,650	25,657,699	(758,049)
Net Assets at End of Year	\$ 26,488,054	\$ 24,899,650	1,588,404

Total operating loss for the Fiscal Year 2007 was \$10,898,751. 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 2007 were \$18,557,459 which was a \$1,336,505 increase over Fiscal Year 2006. Tuition and fees were \$3,407,315. Operating expenses, including depreciation of \$1,260,181, totaled \$29,456,210. Of this total \$12,477,987 or 42.36% was for instruction, \$743,134 or 2.52% for academic support, \$4,621,374 or 15.69% for student services, \$3,564,807 or 12.10% for institutional support, \$3,175,104 or 10.78% for physical plant operations, \$3,613,623 or 12.27% for auxiliary enterprises, and \$1,260,181 or 4.28% for depreciation.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,407,315 representing a \$429,390 increase in tuition and fees compared to June 30, 2006. 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 \$12,322,810 representing a \$816,843 increase compared to the grants and contracts for June 30, 2006.

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 \$2,585,239 for June 30, 2007 representing a \$553,263 increase compared auxiliary enterprises at June 30, 2006.

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$242,095 for the 2007 Fiscal Year, representing a \$462,991 decrease in other revenues compared to June 30, 2006.

Operating Expenses

Operating expenses **totaling** \$29,456,210 include salaries **and** benefits of \$17,718,582; **scholarships and** fellowships of \$2,330,271; utilities of \$1,115,825; commodities of \$3,574,088; services of \$2,986,564; travel of \$470,699; **and** depreciation of \$1,260,181.

COPIAH LINCOLN COMMUNITY COLLEGE

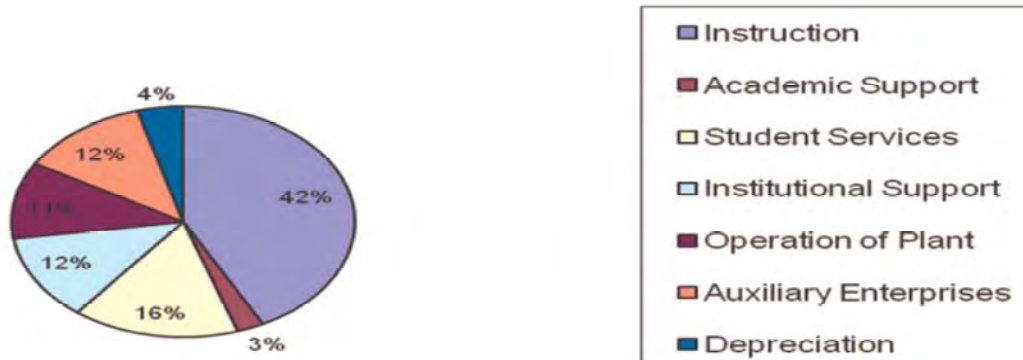
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total	
Instruction	8,275,788	2,187,834	346,638	749,452	0	577,475	340,800	0	12,477,987	42.36%
Academic Support	469,377	134,556	3,077	109,937	0	0	26,187	0	743,134	2.52%
Student Services	1,524,836	532,922	163,685	305,279	0	1,752,796	341,856	0	4,621,374	15.69%
Institutional Support	1,761,509	594,027	61,302	1,007,319	(3,000)	0	143,650	0	3,564,807	12.10%
Operation of Plant	828,285	304,728	(108,087)	616,827	1,037,105	0	496,246	0	3,175,104	10.78%
Auxiliary Enterprises	926,170	178,550	4,084	197,750	81,720	0	2,225,349	0	3,613,623	12.27%
Depreciation	0	0	0	0	0	0	0	1,260,181	1,260,181	4.28%
Total Operating Expenses	13,785,965	3,932,617	470,699	2,986,564	1,115,825	2,330,271	3,574,088	1,260,181	29,456,210	100.00%

Operating Expenses By Function



COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$8,460,448 for the 2007 Fiscal Year, representing a \$1,076,982 increase in state appropriation compared to June 30, 2006. 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 \$4,273,147 for the 2007 Fiscal Year from these counties. This amount represents a \$240,657 increase compared to June 30, 2006. Since the county's fiscal year runs from October to September, this appropriation was fully recorded by the College during its 2007 Fiscal Year.

Fees on Bonds Issuance

The College previously issued bonds to finance construction projects. There weren't any fees associated with bond issuances during the 2007 Fiscal Year. This represented a decrease of \$3,340 from the 2006 Fiscal Year.

Loss on Disposal of Capital Assets

The College incurred no loss in the disposal of capital assets during the Fiscal Years of 2007 and 2006.

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 \$6,351 for the 2007 Fiscal Year.

Interest Income

This includes the interest income from the cash in the bank accounts. The interest income at June 30, 2007 was \$3,721 representing a \$529 decrease in interest income compared to June 30, 2006.

Interest Expense on Capital Debt

The College previously issued bonds to finance construction projects. The interest payments associated with those bond issuances totaled \$256,512.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows

	June 30, 2007	June 30, 2006	Increase (Decrease)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (9,771,633)	\$ (9,965,269)	\$ 193,636
Non-capital Financing Activities	12,718,016	11,741,363	976,653
Capital and Related Financing Activities	(2,955,634)	(2,702,195)	(253,439)
Investing Activities	3,721	4,250	(529)
Net Increase in Cash and Cash Equivalents	\$ (5,530)	\$ (921,851)	\$ 916,321
Cash and Cash Equivalents -- Beginning of the Year	\$ 332,375	\$ 1,254,226	\$ (921,851)
Cash and Cash Equivalents - End of the Year	\$ 326,845	\$ 332,375	\$ (5,530)

The major sources of funds included in operating activities include student tuition and fees \$2,756,372; auxiliary enterprises \$2,503,857; grants and contracts \$12,526,811; sales and services of educational departments \$74,956; and other receipts \$242,095. The major uses of funds were payments made to employees \$17,755,585; to suppliers \$6,674,043; to scholarships \$2,330,271; and to utility providers \$1,115,825.

The largest inflow of cash for noncapital financing activities was the State appropriation of \$8,473,475 and local (county) appropriations of \$4,214,618.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Significant Capital Asset Transactions

The College has engaged in several transactions regarding capital assets during the 2007 Fiscal Year. These transactions were:

• Completed Construction of Simpson County Center	\$ 10,000
• Construction of Storage Building (Simpson Center)	29,154
• Replaced Flooring in Cafeteria	29,938
• Fence Repairs – Maintenance/Football	18,868
• Installed Air Conditioning in Callendar Hall	85,239
• Purchased a Mini Bus	75,544
• Replaced Henley Building Air Conditioning Unit	21,600
• Installed Generator at the Wesson Campus	12,902
• Repaired Roof at the Natchez Campus	12,030
• Completed Roof Repairs (Stevens Annex and Fortenberry Building)	33,340
• Purchased a Mower	6,775
TOTAL	\$ 335,390

Factors Impacting Future Periods

The national economic view at this time is for a slow recovery from the recession. Mississippi has been significantly impacted by the economic recession, and the recovery in Mississippi will likely occur after the national recovery. Mississippi sales tax collections have been trending downward and may continue to do so for several more months. Federal stabilization funds have been committed by the Governor to Mississippi community colleges, but will be a short term solution to the state budget shortfall. Additional state appropriations to Mississippi community colleges are not expected at this time. Although the report of the state's economy looks challenging, the hope is there will be a robust recovery that will provide funding needed for educational programs in the state.

The population demographics for entering college freshmen who graduate from high school the next four years shows little growth. However, job layoffs, under employment, and personal finances will result in an increase in enrollment at community colleges. This enrollment increase will likely continue until the end of the economic recession. Good recruitment and retention programs will result in higher student enrollment at community colleges.

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

FINANCIAL STATEMENTS

COPIAH - LINCOLN COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2007

Assets

Current Assets:

Cash and cash equivalents	\$ 308,245
Accounts receivable, (net of allowance of \$1,509,096)	2,554,270
Inventories	429,617
Prepaid expenses	148,558
Total Current Assets	<u>3,440,690</u>

Non-Current Assets:

Restricted cash and cash equivalents	18,600
Capital assets, net of accumulated depreciation	31,369,209
Total Non-Current Assets	<u>31,387,809</u>

Total Assets	<u>34,828,499</u>
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Liabilities

Accounts payable and accrued liabilities	1,677,855
Deferred revenues	131,487
Accrued leave liabilities - current portion	134,694
Housing Deposits	16,171
Long-term liabilities - current portion	1,117,786
Other current liabilities	83,747
Total Current Liabilities	<u>3,161,740</u>

Non-Current Liabilities:

Deposits refundable	57,334
Long-term liabilities	4,865,000
Other non-current liabilities	256,371
Total Non-Current Assets	<u>5,178,705</u>

Total Liabilities	<u>8,340,445</u>
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Net Assets

Invested in capital assets, net of related debt	25,130,051
Restricted net assets:	
Expendable:	
Debt service	29,144
Capital projects	604,408
Unrestricted	724,451
Total Net Assets	<u>\$ 26,488,054</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	<u>\$ 451,466</u>	<u>\$ 256,143</u>	<u>\$ 3,644,306</u>	<u>\$ 4,351,915</u>
Liabilities				
Present Value of Annuities	\$ 144,244	\$ -	\$ -	\$ 144,244
Total Liabilities	<u>144,244</u>	<u>-</u>	<u>-</u>	<u>144,244</u>
Net Assets				
Unrestricted	307,222	-	-	307,222
Temporarily Restricted	-	256,143	-	256,143
Permanently Restricted	-	-	3,644,306	3,644,306
Total Net Assets	<u>307,222</u>	<u>256,143</u>	<u>3,644,306</u>	<u>4,207,671</u>
Total Liabilities & Net Assets	<u>\$ 451,466</u>	<u>\$ 256,143</u>	<u>\$ 3,644,306</u>	<u>\$ 4,351,915</u>

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, 2007

Operating Revenues:

Tuition and fees (net of scholarship allowances of \$2,521,238)	\$ 3,407,315
Federal grants and contracts	8,015,556
State grants and contracts	3,608,135
Local grants and contracts	624,163
Sale and services of educational departments	74,956
Auxiliary enterprises (net of scholarship allowances of \$1,680,825)	2,585,239
Other operating revenues	<u>242,095</u>
Total Operating Revenues	<u><u>18,557,459</u></u>

Operating Expenses:

Salaries and wages	13,785,965
Fringe benefits	3,932,617
Travel	470,699
Contractual services	2,986,564
Utilities	1,115,825
Scholarships and fellowships	2,330,271
Commodities	3,574,088
Depreciation	<u>1,260,181</u>
Total Operating Expenses	<u><u>29,456,210</u></u>

Operating Income (Loss)

(10,898,751)

Non-Operating Revenues (Expenses):

State appropriations	8,460,448
Local appropriations	4,273,147
Proceeds from sale of assets	6,351
Interest income	3,721
Interest expense	<u>(256,512)</u>
Total Non-Operation Revenues (Expenses)	<u><u>12,487,155</u></u>

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

1,588,404

Net Increase (Decrease) in Net Assets

1,588,404

Net Assets

Net Assets, Beginning of Year	<u>24,899,650</u>
Net Assets, End of Year	<u><u>\$ 26,488,054</u></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	<u>336,665</u>	<u>63,967</u>	<u>290,856</u>	<u>691,488</u>
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	<u>299,486</u>	<u>63,285</u>	<u>-</u>	<u>361,173</u>
 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	<u>(165,279)</u>	<u>165,279</u>	<u>-</u>	<u>-</u>
 Increase in Net Assets	 (128,100)	 165,961	 290,856	 328,717
Net Assets at Beginning of Year	<u>435,322</u>	<u>90,182</u>	<u>3,353,450</u>	<u>3,878,954</u>
Net Assets at End of Year	<u>\$ 307,222</u>	<u>\$ 256,143</u>	<u>\$ 3,644,306</u>	<u>\$ 4,207,671</u>

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

COPIAH - LINCOLN COMMUNITY COLLEGE
Statement of Cash Flows
June 30, 2007

Cash Flows From Operating Activities

Tuition and fees	\$ 2,756,372
Grants and contracts	12,526,811
Sales and services of educational departments	74,956
Payments to suppliers	(6,674,043)
Payments to employees for salaries and benefits	(17,755,585)
Payments for utilities	(1,115,825)
Payments for scholarships and fellowships	(2,330,271)
Auxiliary enterprise charges	2,503,857
Other receipts	242,095

Net Cash Provided (Used) by Operating Activities (9,771,633)

Cash Flows From Non-Capital Financing Activities

State appropriations	8,473,475
Local appropriations	4,214,618
Federal loan program receipts	2,360,281
Federal loan program disbursements	(2,360,281)
Other sources	29,923

Net Cash Provided (Used) by Non-Capital Financing Activities 12,718,016

Cash Flows From Capital Financing Activities

Cash paid for capital assets	(1,591,671)
Proceeds from sale of capital assets	6,351
Principal paid on capital debt and leases	(1,113,802)
Interest paid on capital debt and leases	(256,512)

Net Cash Provided (Used) by Capital and Related Financing Activities (2,955,634)

Cash Flows From Capital Investing Activities

Interest received on investments	3,721
----------------------------------	-------

Net Cash Provided (Used) by Investing Activities 3,721

Net Increase (Decrease) in Cash and Cash Equivalents (5,530)

Cash and Cash Equivalents, Beginning of the Year 332,375

Cash and Cash Equivalents, End of the Year \$ 326,845

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

COPIAH - LINCOLN COMMUNITY COLLEGE

Statement of Cash Flows

June 30, 2007

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

Operating Income (Loss)	\$ (10,898,751)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	1,260,181
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables, Net	(488,494)
Inventories	33,938
Prepaid Expenses	(6,200)
Increase (Decrease) in Liabilities:	
Accounts payable and accrued liabilities	291,539
Deferred revenues	34,362
Deposits refundable	765
Accrued leave liability	1,027
Total Adjustments	<u>1,127,118</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(9,771,633)</u></u>

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

Cash and cash equivalents classified as current assets	\$ 308,245
Cash and cash equivalents classified as non-current assets	<u>18,600</u>
	\$ <u><u>326,845</u></u>

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

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.

Notes to the Financial Statements

For the year ended
June 30, 2007

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2007

(1) Summary of Significant Accounting Policies.

A. Reporting Entity.

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

Copiah-Lincoln Community College is governed by a twenty-seven (27) member board of trustees, selected by the boards of supervisors of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, Copiah-Lincoln Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

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

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

During the year ended June 30, 2007, the Foundation distributed \$41,816 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

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2007

“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.

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

G. Student Notes Receivables.

Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances are expected to be paid during the next fiscal year and are presented on the statement of net assets as current assets net of allowances. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.

H. Inventories.

Inventories consist of bookstore, golf pro shop, and food service supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out (“FIFO”) basis or the average cost basis.

I. Restricted Cash and Cash Equivalents.

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2007

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. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 4 for additional details concerning useful lives, salvage values and capitalization thresholds.

K. Deferred Revenues.

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

L. Compensated Absences.

Twelve month employees receive 12 days of annual leave per year. Ten-month employees receive no annual leave. Annual leave earned in one fiscal year must be taken by December 31 of the following fiscal year. Up to five days of unused annual leave may be added to an employee's sick leave accumulation upon written request and approval of the president.

M. Classification of Revenues.

The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- 1) Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2007

enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.

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

N. State Appropriations.

Copiah-Lincoln Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2006 fiscal year, a new funding formula was phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.

O. Scholarship Discounts and Allowances.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

P. Net Assets.

Net assets are classified according to external donor restrictions or availability of

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2007

assets for satisfaction of college obligations. Net assets are divided in three categories:

- 1) Net assets invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets.
- 2) Restricted assets are divided in two (2) categories: Expendable and Non-expendable. Non-expendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.
- 3) Unrestricted net assets are amounts that remained available for spending for other purposes.

Q. Impairment of Capital Assets.

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

(2) Cash and Cash Equivalents.

A. Policies for Cash, Cash Equivalents and Short-term Investments.

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

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

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2007

(3) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2007:

Student tuition	\$ 2,942,392
Local appropriations	229,951
Other	<u>891,023</u>
Total Accounts Receivable	4,063,366
Less allowance for doubtful accounts	<u>(1,509,096)</u>
Net Accounts Receivable	<u><u>\$ 2,554,270</u></u>

(4) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2007, is presented as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Non-depreciable Capital Assets:					
Land	\$ 715,118				715,118
Construction in progress		1,028,922			1,028,922
Total Non-depreciable Capital Assets	<u>715,118</u>	<u>1,028,922</u>	<u>0</u>	<u>0</u>	<u>1,744,040</u>
Depreciable Capital Assets:					
Buildings	35,973,384	274,293			36,247,677
Improvements other than buildings	4,710,782				4,710,782
Equipment	4,781,786	227,007			5,008,793
Library books	2,612,404	61,449			2,673,853
Total Depreciable Capital Assets	<u>48,078,356</u>	<u>562,749</u>	<u>0</u>	<u>0</u>	<u>48,641,105</u>
Less Accumulated Depreciation for:					
Buildings	10,334,590	711,631			11,046,221
Improvements other than buildings	1,607,472	182,883			1,790,355
Equipment	3,728,431	267,605			3,996,036
Library books	2,085,262	98,062			2,183,324
Total Accumulated Depreciation	<u>17,755,755</u>	<u>1,260,181</u>	<u>0</u>	<u>0</u>	<u>19,015,936</u>
Total Depreciable Capital Assets, Net	<u>30,322,601</u>	<u>(697,432)</u>	<u>0</u>	<u>0</u>	<u>29,625,169</u>
Capital Assets, Net	<u><u>\$ 31,037,719</u></u>	<u><u>331,490</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>31,369,209</u></u>

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2007

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	<u>Spent to June 30, 2007</u>	<u>Remaining Commitment</u>
Smith Hall Renovation	\$ 1,028,922	1,434,078
Total	<u>\$ 1,028,922</u>	<u>1,434,078</u>

Construction projects are funded from the Office of Building and Real Property Management.

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

(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, 2007. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

A schedule detailing the beginning balances, changes to the long-term liabilities as well as the outstanding debt balances is provided in the schedule below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>
A. Campus Improvement Bonds	\$ 480,000		110,000	370,000	115,000
B. Educational Facilities Bond	3,610,000		210,000	3,400,000	220,000
C. Refunding Bonds Series A	460,000		230,000	230,000	230,000
D. Refunding Bonds Series B	1,070,000		345,000	725,000	355,000
E. Dorm Construction	1,260,000		100,000	1,160,000	100,000

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2007

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
F. Capital Lease - Buses	379,000		70,334	308,666	71,570
G. Capital Lease - IBM	93,958		48,467	45,491	26,216
H. Accrued Leave	133,667	1,027		134,694	134,694
I. Deposits Refundable	72,740	765		73,505	16,171
Total	\$ 7,559,365	1,792	1,113,801	6,447,356	1,268,651

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities is listed in the following schedule.

Bonded Debt:

Description	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Bonded Debt				
Campus Improvement Bond	5.5 - 6.5%	2010	\$ 1,200,000	370,000
Educational Facilities Bond	3 - 4.25%	2019	4,000,000	3,400,000
Refunding Bonds Series A	1.4 - 3%	2008	1,110,000	230,000
Refunding Bonds Series B	1.4 - 3.2%	2009	<u>2,050,000</u>	<u>725,000</u>
Total Bonded Debt			\$ <u>8,360,000</u>	<u>4,725,000</u>

Revenue Bond:

Description	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Revenue Bond				
Dorm Construction	3.0%	2016	\$ <u>2,554,000</u>	<u>1,160,000</u>
Total Revenue Bond			\$ <u>2,554,000</u>	<u>1,160,000</u>

Capital Leases:

Description	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Capital Leases				
Buses	4.98%	2011	\$ 379,000	308,666
IBM iSeries Computer	5.98%	2009	<u>93,958</u>	<u>45,491</u>
Total Capital Leases			\$ <u>472,958</u>	<u>354,157</u>

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2007

Other Long-Term Liabilities:

<u>Description</u>	<u>Amount Outstanding</u>
Other Long-Term Liabilities	
Accrued Leave	\$ 134,694
Deposits Refundable	<u>73,505</u>
Total Other Long-Term Liabilities	<u>\$ 208,199</u>

Long-term debt will mature as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>Revenue Bond</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 920,000	100,000	97,786	216,942	1,334,728
2009	725,000	105,000	109,120	185,318	1,124,438
2010	370,000	110,000	78,969	146,840	705,809
2011	250,000	110,000	68,282	124,366	552,648
2012	260,000	115,000		109,268	484,268
2013-2017	1,500,000	620,000		336,399	2,456,399
2018-2019	<u>700,000</u>			<u>28,940</u>	<u>728,940</u>
Total	<u>\$ 4,725,000</u>	<u>1,160,000</u>	<u>354,157</u>	<u>1,148,073</u>	<u>7,387,230</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>
2008	\$ 189,574
2009	148,294
2010	114,064
2011	53,936
2012	<u>25,927</u>
Total Minimum Payments Required	<u>\$ 531,795</u>

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2007

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, 2007, was \$222,490.

(7) Pension Plan.

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

Funding policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.30% 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, 2007, 2006 and 2005 were \$1,387,594, \$1,228,900, and \$1,087,416, respectively, equal to the required contributions for each year.

COPIAH - LINCOLN COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2007

(8) Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 8,275,788	\$ 2,187,834	\$ 346,638	\$ 749,452	\$ -	\$ 577,475	\$ 340,800	\$ -	\$ 12,477,987
Academic Support	469,377	134,556	3,077	109,937	-	-	26,187	-	743,134
Student Services	1,524,836	532,922	163,685	305,279	-	1,752,796	341,856	-	4,621,374
Institutional Support	1,761,509	594,027	61,302	1,007,319	(3,000)	-	143,650	-	3,564,807
Operation of Plant	828,285	304,728	(108,087)	616,827	1,037,105	-	496,246	-	3,175,104
Auxiliary Enterprises	926,170	178,550	4,084	197,750	81,720	-	2,225,349	-	3,613,623
Depreciation								1,260,181	1,260,181
Total Operating Expenses	\$ 13,785,965	\$ 3,932,617	\$ 470,699	\$ 2,986,564	\$ 1,115,825	\$ 2,330,271	\$ 3,574,088	\$ 1,260,181	\$ 29,456,210

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	(8,185)
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>	2,193,826	2,149,960
<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	4,000	4,000
<u>Total Mutual Funds</u>	1,484,117	1,717,405
<u>Common Stocks</u>	379,779	414,608
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, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Student Financial Aid-Cluster		
U.S. Department of Education		
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	\$ 124,119
Federal Family Education Loans (FFEL)	84.032	2,355,066 (1)
Federal Work-study Programs (FWS)	84.033	155,050
Federal Pell Grant Program	84.063	5,138,027
Federal Academic Competitive Grant (FACG)	84.375	51,825
Total U.S. Department of Education		<u>7,824,087</u>
Total Student Financial Aid Cluster		<u>7,824,087</u>
Other Programs:		
U.S. Department of Agriculture		
Passed through Mississippi Department of Education:		
Summer School Food Service Program for Children	10.559	10,603
Total U.S. Department of Agriculture		<u>10,603</u>
U.S. Department of Labor		
Passed through programs from:		
Senior Service America, Inc. - Senior Community Service Employment Program	17.235	373,780
Total U.S. Department of Labor		<u>373,780</u>
U.S. Department of Education		
TRIO - Student Support Services	84.042	348,762
TRIO - Upward Bound	84.047	347,928
Total TRIO Cluster		<u>696,690</u>
Hurricane Education Recovery Act Programs	84.938	35,500
Pass through programs from:		
Mississippi State Board for Community & Junior Colleges Adult Education - State Grant Program	84.002	462,289
Mississippi Post Secondary Education Financial Assistance Board - Leveraging Educational Assistance Partnership	84.069	53,595
Mississippi Department of Education Vocational Education - Basic Grants to States	84.048A	121,896
Tech-Prep Education	84.243	16,849
Sub-total pass-through programs		<u>654,629</u>
Total U.S. Department of Education		1,386,819
U.S. Department of Homeland Security		
Pass through programs from:		
Mississippi Emergency Management Agency - Disaster Grants Public Assistance (Presidentially Declared Disaster)	97.036	37,181
Total U.S. Department of Homeland Security		<u>37,181</u>
Small Business Administration		
Pass-through programs from:		
Small Business Development Center	59.037	45,263
Total Small Business Administration		<u>45,263</u>
Total Expenditures of Federal Awards		<u>\$ 9,677,733</u>

Notes to the Schedule of Federal Awards

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

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited the financial statements of the business-type activities of the Copiah - Lincoln Community College as of and for the year ended June 30, 2007, which collectively comprise the Copiah - Lincoln Community College's basic financial statements and have issued our report thereon dated December 17, 2009. We did not audit the financial statements of the Copiah - Lincoln Community College Foundation, Inc., a discretely presented component unit of the college, which statements reflect total assets of \$4,351,915 as of June 30, 2007, and total revenues of \$691,488 for the year then ended. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component unit is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Copiah - Lincoln Community College Foundation, Inc., which were audited by another auditor upon whose report we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as finding 2007-1, 2007-2 and 2007-3 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the college's internal control.

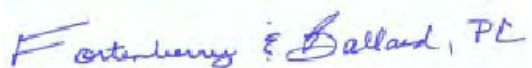
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 2007-1, 2007-2 and 2007-3 to be material weaknesses.

Compliance and Other Matters

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

Copiah - Lincoln Community College's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the college's response and, accordingly, we express no opinion on it.

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



Fortenberry & Ballard, PC
December 17, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

Compliance

We have audited the compliance of the Copiah - Lincoln Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The college's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

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

In our opinion, the Copiah - Lincoln Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Copiah - Lincoln Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the college's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over compliance.

AICPA & MSCPA

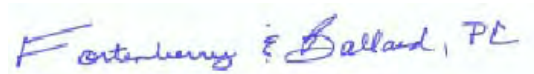
1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292, Fax (601)992-2033

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Fortenberry & Ballard, PC
December 17, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

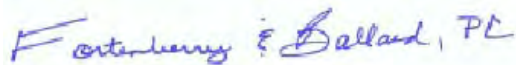
Ronald E. Nettles, President and Board of Trustees
Copiah - Lincoln Community College
Wesson, Mississippi 39191

We have audited the financial statements of the business-type activities of the Copiah - Lincoln Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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



Fortenberry & Ballard, PC
December 17, 2009

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Copiah - Lincoln Community College

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Student Financial Aid Cluster:
 - Federal Supplemental Education Opportunity Grants (FSEOG)
CFDA # 84.007
 - Federal Family Education Loans (FFEL)
CFDA # 84.032
 - Federal Work-Study Programs (FWS)
CFDA # 84.033
 - Federal Pell Grant Program
CFDA # 84.063
 - Federal Academic Competitive Grant (FACG)
CFDA # 84.375
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? No.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weaknesses

Finding 2007-1:

The college implemented a new software system in January of 2007. Internal controls were not in place to ensure that general ledger balances from the old system were accurately brought forward and reflected in the new system upon conversion. In addition, internal controls were not in place to ensure that transactions being generated by and through the new software system were being accurately recorded and adequately reflected in the general ledger balances of the new system.

Internal control weaknesses of this nature increase the risk of the financial statements being materially misstated. Extensive audit analysis was performed and numerous adjustments were proposed to management, agreed to by management and recorded as audit adjustments in order to properly reflect the balances presented in this report.

Recommendation:

Internal controls should be in place to ensure that transactions being generated by and through the new software system are accurately recorded and adequately reflected in the general ledger.

College's Response:

Problems with the initial setup of the new administrative software has been identified. Working with the software vendor and an outside consultant; we have corrected these problems. We have made the necessary adjustments to the general ledger for FY 2007. We will continue to work with the software company to ensure that we eliminate all problems (and any potential problems) associated with this conversion.

Finding 2007-2:

As a result of the issues discussed in Finding 2007-1 above, the college did not perform bank reconciliations in a timely manner. Bank reconciliations were prepared just prior to the audit engagement. Failure to reconcile bank statements upon receipt from the bank in a timely manner throughout the year increases the risk that material transactions that have occurred may be unrecorded and/or not accurately reflected in the general ledger. This also increases the risk that fraud or other irregularities could occur and not be detected by college business office personnel during the normal course of their duties.

Recommendation:

Bank reconciliations should be performed upon receipt from the bank in a timely manner.

College's Response:

The Vice President of Business Affairs will work directly with the Assistant Business Manager to reconcile all bank statements with the general ledger on a monthly basis. The college will make the necessary modifications in the software system to eliminate the need of adjusting entries in order to reconcile the college's bank accounts.

Finding 2007-3:

As a result of the issues discussed in Finding 2007-1 above, year end accruals of receivables and payables were not timely and were incomplete and/or inaccurate in many instances. Failure to record year end accruals of receivables and payables in a timely and accurate manner increases the risk of the financial statements being materially misstated.

Recommendation:

Year end accruals of receivables and payables should be performed in a timely and accurate manner.

College's Response:

The Assistant Business Manager has been assigned the task of assisting the Payroll/Benefits Manager with reconciling all payroll receivables and payables on a monthly basis. This working arrangement together with a better understanding of the new software system should eliminate this problem from occurring in the future.

Section 3: Findings and Questioned Costs for Federal Awards

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

AUDITEE'S CORRECTIVE ACTION PLAN



Copoliah-Lincoln Community College

...the place to be

AUDITEE'S CORRECTIVE ACTION PLAN **For the Year Ended June 30, 2007**

As required by Section .315(b) of OMB Circular A-133, Copoliah Lincoln Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2007:

FINDINGS

CORRECTIVE ACTION PLAN DETAILS

2007-1

- a. Name of Contact Person Responsible for Corrective Action:
Name: Michael Tanner
Title: Vice President of Business Affairs
Phone: (601) 643-8302

- b. Corrective Action Planned:
Problems with the initial setup of the new administrative software has been identified. Working with the software vendor and a outside consultant; we have corrected these problems. We have made the necessary adjustments to the general ledger for FY 2007. We will continue to work with the software company to ensure that we eliminate all problems (and any potential problems) associated with this conversion.

- c. Anticipated Completion Date:
March 1, 2010



AUDITEE'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2007

2007-2

- a. Name of Contact Person Responsible for Corrective Action:
Name: Michael Tanner
Title: Vice President of Business Affairs
Phone: (601) 643-8302

- b. Corrective Action Planned:
The Vice President of Business Affairs will work directly with the Assistant Business Manager to reconcile all bank statements with the general ledger on a monthly basis. The college will make the necessary modifications in the software system to eliminate the need of adjusting entries in order to reconcile the college's bank accounts.

- c. Anticipated Completion Date:
March 1, 2010

2007-3

- a. Name of Contact Person Responsible for Corrective Action:
Name: Michael Tanner
Title: Vice President of Business Affairs
Phone: (601) 643-8302

- b. Corrective Action Planned:
The Assistant Business Manager has been assigned the task of assisting the Payroll/Benefits Manager with reconciling all payroll receivables and payables on a monthly basis. This working arrangement together with a better understanding of the new software system should eliminate this problem from occurring in the future.

- c. Anticipated Completion Date:
Completed and currently in place