



COPIAH - LINCOLN COMMUNITY COLLEGE
Audited Financial Statements
For the year ended June 30, 2020

Fortenberry & Ballard, PC
Certified Public Accountants

Copiah - Lincoln Community College
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Copiah-Lincoln Community College and its discretely presented component unit as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Copiah-Lincoln Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Copiah-Lincoln Community College and of its discretely presented component unit, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions (PERS), the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB) on pages 8 to 15 and 57 to 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copiah-Lincoln Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021 on our consideration of the Copiah-Lincoln Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Copiah-Lincoln Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Copiah-Lincoln Community College's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, P.C.
June 30, 2021

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

This section of the Copiah Lincoln Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2020 (with comparative financial data for the year ended June 30, 2019). This discussion and analysis has been prepared by management and it focuses primarily on the operation of the College. The College's foundation, Copiah Lincoln Community College Foundation, issues separately audited financial statements which can be obtained directly from the Foundation's administrative office.

Using the annual report

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

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

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

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

Copiah-Lincoln Community College

Management's Discussion & Analysis For the year ended June 30, 2020

Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Increase (decrease)
Assets			
Current assets	\$ 11,838,754	15,216,657	(3,377,903)
Non-current assets: capital assets (net)	58,405,260	53,294,575	5,110,685
Total assets	70,244,014	68,511,232	1,732,782
Deferred outflows of resources			
Pensions	4,895,361	4,801,843	93,518
Other post-employment benefits (OPEB)	261,044	101,228	159,816
Total deferred outflows of resources	5,156,405	4,903,071	253,334
Liabilities			
Current liabilities	2,932,471	3,224,607	(292,136)
Non-current liabilities	13,514,236	12,286,940	1,227,296
Net pension liability	39,720,916	36,978,421	2,742,495
Net OPEB Liability	2,259,918	2,059,602	200,316
Total liabilities	58,427,541	54,549,570	3,877,971
Deferred inflows of resources			
Pensions	2,151,454	3,565,492	(1,414,038)
Other post-employment benefits (OPEB)	149,789	147,061	2,728
Total deferred inflows of resources	2,301,243	3,712,553	(1,411,310)
Net position			
Net investment in capital assets	43,770,238	40,060,996	3,709,242
Restricted portion for capital projects	4,835,922	4,835,922	0
Unrestricted portion	(33,934,525)	(29,744,738)	(4,189,787)
Total net position	\$ 14,671,635	15,152,180	(480,545)

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 \$6,796,311 at June 30, 2020, representing a \$3,119,133 decrease in cash and cash equivalent compared to the June 30, 2019 cash and cash equivalents balance.

Short-term investments

Short-term investments at June 30, 2020 were \$73,039 representing the same amount from the previous year.

Accounts receivable

Accounts receivable relate to several transactions including county appropriations, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College net receivables totaled \$4,511,010 at June 30, 2020. Accounts receivable decreased by \$505 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 \$249,190 at June 30, 2020, representing a \$5,184 decrease in inventories compared to the total inventory balance at June 30, 2019.

Construction deposits

Funds on deposit with the Mississippi Bureau of Buildings & Grounds totaled \$21,319 at June 30, 2020. Due to the completion of the dorm, there was a decrease of \$304,514 to the construction deposits from the prior year. The balance will be used on future projects.

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

Prepaid expenses

Prepaid expenses consist of transactions such as membership renewals, maintenance agreements, and other payments for the 2020 fiscal year for which payment to vendors occurred before July 1, 2020. Prepaid expenses totaled \$187,885 at June 30, 2020, representing a \$51,433 increase in prepaid expenses compared to the June 30, 2019 prepaid expense balance.

Non-current assets

Capital assets (net)

Capital assets (net) consist of land, construction in progress, buildings, other improvements, equipment, and historical library holdings at June 30, 2020. The amount reported is net of accumulated depreciation. Capital assets (net) totaled \$58,405,260 at June 30, 2020, representing a \$5,110,685 increase in net capital assets compared to the June 30, 2019 net capital asset balance.

Deferred outflows of resources

Due to the implementation of GASB No. 68 and 71, as well as GASB No. 75, the College recognizes deferred outflows of resources related to pensions and OPEB. Deferred outflows of resources at June 30, 2020 totaled \$5,156,405, representing a \$253,334 increase from the prior year.

Current liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2020 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$717,837 at June 30, 2020 representing a \$688,473 decrease in accounts payable and accrued liabilities over the prior year balance.

Unearned revenue

Unearned revenue represents revenue received by the College during the fiscal year, but actually represents revenue that will be recorded in the College's June 30, 2020 year end. The unearned revenues totaled \$201,738 at June 30, 2020, representing a \$1,853 decrease in unearned revenue compared to the June 30, 2019 unearned revenue balance.

Accrued leave liabilities

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2020. The amount of the current portion of compensated absences at June 30, 2020 was \$335,868, representing a \$50,517 increase in accrued leave liabilities compared to the June 30, 2019 accrued leave liabilities balances.

Long-term liabilities (current portion)

Long-term liabilities (current portion) represents the portion of the notes payable and bonds payable that would be payable by the end of the June 30, 2020 fiscal year. The amount at June 30, 2020 was \$1,111,822 representing a \$174,202 increase in the current portion of long-term liabilities compared to the June 30, 2019 long-term liabilities (current portion) balance.

Bond Premium capital related (current portion)

Bond premium (current portion) represents the portion of the General Obligation bonds (Series 2016) that would be payable by the end of the June 30, 2020 fiscal year.

Non-current liabilities

Long-term liabilities

Long-term liabilities consist of the non-current portion of the notes payable and bonds payable balances at the end of June 30, 2020. The total amount of the non-current portion of long-term liabilities was \$13,217,679 at June 30, 2020 representing a \$1,236,090 net increase in long-term liabilities compared to the June 30, 2019 long-term liabilities balance.

Bond premium (capital related)

Bond premium (capital related) represents the premium amount of \$314,783 issued on the bond offering of the General Obligation bonds (2017 series) associated with the dormitory construction on the Wesson campus, a premium of \$18,331 issued on bond offering of the Educational Facilities bonds (2018 series) associated with the Simpson building construction, as well as a premium of \$1,743 on the General Obligation bonds (2019 series). The bond premium will be amortized over the life of the indebtedness associated with the respective. The bond premium (capital related) balance at June 30, 2020 was \$305,521, net of the bond premium amortization for June 30, 2020 of \$10,592.

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

Net pension liability

The College recognizes net pension liability at June 30, 2020 of \$39,720,916, representing a \$2,742,495 increase as compared to prior year.

Net OPEB liability

The College recognizes net OPEB liability related to OPEB. Net OPEB liability at June 30, 2020 totaled \$2,259,918, representing a \$200,316 increase as compared to prior year.

Deferred inflows of resources

Due to the implementation of GASB No. 68 and 71, as well as GASB No. 75, the College recognizes deferred inflows of resources related to pensions and OPEB. Deferred inflows of resources at June 30, 2020 totaled \$2,301,243, representing a \$1,411,310 decrease as compared to the prior year.

Net position

Net position represents the difference between the college's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position at June 30, 2020 was \$14,671,635 representing a \$480,545 decrease in the net position when compared to the restated June 30, 2019 net position.

Analysis of net position

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

	June 30, 2020	June 30, 2019	Increase (decrease)
Capital assets (net of accumulated depreciation)	\$ 58,405,260	53,294,575	5,110,685
Long-term liabilities (current portion)	(1,111,822)	(937,620)	(174,202)
Bond Premiums (current portion)	(8,964)	(9,019)	55
Long-term liabilities (non-current portion)	(13,217,679)	(11,981,589)	(1,236,090)
Bond premiums (non-current portion)	(296,557)	(305,351)	8,794
Net investment in capital assets	\$ 43,770,238	40,060,996	3,709,242

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

The following is a breakdown of the restricted net position:

	June 30, 2020	June 30, 2019	Increase (decrease)
Restricted portion for capital projects	\$ 4,835,922	4,835,922	0
Total restricted net position	\$ 4,835,922	4,835,922	0

Unrestricted net position represents balances from operational activities that have not been restricted by parties external to the College, including normal working capital balances maintained for departmental and funds for auxiliary enterprise activities. Total unrestricted net position at June 30, 2020 was a deficit of \$34,035,753 representing a \$4,291,015 decrease in unrestricted net position compared to the June 30, 2019 unrestricted net position.

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

Total unrestricted net position (deficit)	\$ (33,934,525)
Unrestricted deficit in net position resulting from the implementation of GASB 68 and 71	39,125,672
Unrestricted net position (excluding net pension liability and net OPEB liability effect)	\$ 5,191,147

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

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

	June 30, 2020	June 30, 2019	Increase (decrease)
Operating revenues			
Tuition & fees	\$ 3,801,714	3,995,096	(193,382)
Grants & contracts	14,746,495	13,139,791	1,606,704
Auxiliary enterprises	2,210,971	2,538,387	(327,416)
Other operating revenues	399,885	372,344	27,541
Total operating revenue	21,159,065	20,045,618	1,113,447
Operating expenses	35,755,624	35,153,164	602,460
Net operating income (loss)	(14,596,559)	(15,107,546)	510,987
Non-operating revenues			
State appropriations	11,240,965	10,688,603	552,362
Local appropriations	4,920,984	5,088,789	(167,805)
Gain (loss) on sale of assets	(2,299)	2,637	(4,936)
Other non-operating revenues	777,043	532,424	244,619
Interest income	59,719	48,609	11,110
Interest expense	(421,023)	(438,372)	17,349
Other non-operating expenses	(2,209,856)	(553,335)	(1,656,521)
Total non-operating revenue (expenses)	14,365,533	15,369,355	(1,003,822)
Net increase (decrease) in net position	(231,026)	261,809	(492,835)
Net position (beginning of year)	15,152,180	16,938,733	(1,786,553)
Prior period adjustments	(249,519)	(2,048,362)	1,798,843
Net position (as restated)	14,902,661	14,890,371	12,290
Net position (end of year)	\$ 14,671,635	15,152,180	(480,545)

Total operating loss for the year end June 30, 2020 was \$14,596,559. GASB No. 35 requires appropriations from the State of Mississippi to be excluded from operating revenue; as such, the College shows a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues. Total operating revenues for year end June 30, 2020 were \$21,159,065, which was a \$1,113,447 net increase from year end June 30, 2019 amounts. Tuition and fees (net of scholarship allowance) were \$3,801,714. Operating expenses (including depreciation of \$1,811,057, scholarships of \$2,707,145, contractual services of \$3,735,590 and commodities of \$3,719,390) totaled \$35,856,852. Of the total operating expense, \$14,429,585 (or 40.36%) was for instruction, \$828,241 (or 2.32%) was for academic support, \$4,918,490 (or 13.76%) was for student services, \$5,878,056 (or 16.44%) was for institutional support, \$3,944,175 (or 11.03%) was for physical plant operations, and \$3,946,020 (or 11.03%) was for auxiliary enterprises.

Operating revenues

Tuition and fees

Tuition and fees represent amounts assessed for educational purposes totaling \$3,801,714 reflecting a \$193,382 decrease in tuition and fees compared to June 30, 2019. The College does not offer tuition discounting.

Grants and contracts

Grants and contracts includes all restricted revenues made available by government agencies as well as by private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Revenues from grants and contracts totaled \$14,746,495 representing a \$1,606,704 increase compared to the grants and contracts for June 30, 2019.

Auxiliary enterprises

Auxiliary enterprises consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. Fees charged are directly related to the cost of those goods or services. The auxiliary enterprises are intended to be self-supporting. The College's auxiliary enterprises are food service, student and faculty housing, bookstore, and the golf course. Revenues from auxiliary enterprises totaled \$2,210,971 for June 30, 2020 representing a \$327,416 decrease

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

compared to auxiliary enterprises amounts at June 30, 2019.

Operating expenses

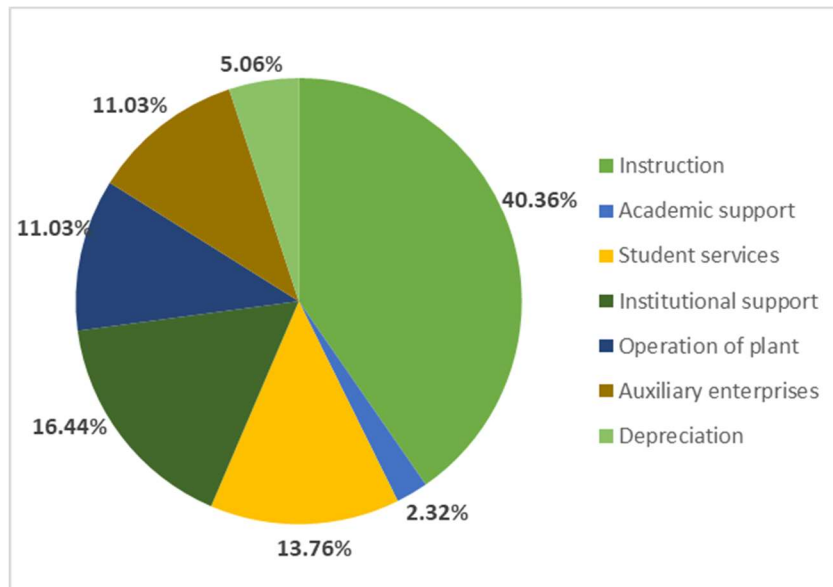
Operating expenses totaling \$35,755,624 includes salaries and benefits of \$22,492,136; net scholarships and fellowships of \$2,707,145; utilities of \$989,778; commodities of \$3,719,390; contractual services of \$3,735,590; travel of \$300,528 and depreciation of \$1,811,057.

Functional classification of operating expenses (schedule)

Functional classification of Operating Expenses

Functional classification	Salaries & wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation	Totals	PCT.
Instruction	\$ 9,016,196	2,853,225	132,096	525,784	201	1,111,329	790,754	0	14,429,585	40.36%
Academic support	549,072	198,058	1,850	68,554	0	0	10,707	0	828,241	2.32%
Student services	1,716,474	707,551	126,871	530,450	0	1,595,816	241,328	0	4,918,490	13.76%
Institutional support	2,418,075	2,124,710	37,807	1,187,592	0	0	109,872	0	5,878,056	16.44%
Operation of plant	942,887	426,197	0	1,104,210	939,825	0	531,056	0	3,944,175	11.03%
Auxiliary enterprises	1,191,572	348,119	1,904	319,000	49,752	0	2,035,673	0	3,946,020	11.03%
Depreciation	0	0	0	0	0	0	0	1,811,057	1,811,057	5.06%
Totals	\$ 15,834,276	6,657,860	300,528	3,735,590	989,778	2,707,145	3,719,390	1,811,057	35,755,624	100.00%

Functional classification of operating expenses (pie chart)



Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

Non-operating revenues (expenses)

State appropriations

The largest source of non-operating revenue for the College is the appropriation from the State of Mississippi. The College received \$11,240,965 for the year ended June 30, 2020, representing a \$552,362 increase in state appropriation compared to June 30, 2019. State appropriations are non-operating revenues since they are provided by the State of Mississippi Legislature to the Mississippi Community College Board without the Legislature requiring a direct service in return.

Local appropriations

The College also receives revenue from Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson Counties. The College uses these funds for operational and capital improvement purposes. The College receives the appropriations beginning in October of each year. During June 30, 2020, the College received \$4,920,984 from these counties, representing a \$167,805 decrease compared to June 30, 2019. Though the county fiscal years run from October (of one year) to September (of the following year), the county appropriations are fully recorded by the College during its 2020 fiscal year.

Loss on sale of assets

The College disposed of items that were no longer needed or replaced by newer items. The losses associated with the sale of these items totaled \$2,299 for the year ended June 30, 2020, which represented a \$4,936 decrease from the 2019 fiscal year.

Other non-operating revenue

The College received \$777,043 in other non-operating revenues during the 2020 fiscal year, which represented a \$244,619 increase from June 30, 2019.

Interest income

The College received interest income from the cash in the bank accounts. The interest income at June 30, 2020 was \$59,719 representing an \$11,110 increase in interest income compared to June 30, 2019.

Interest expense on long-term debt

The College previously issued bonds to finance construction projects as well as procured other long-term financing for various capital projects. The interest payments associated with the long-term obligations totaled \$421,023 in fiscal year 2020 representing a \$17,349 decrease compared to June 30, 2019.

Other expenses

During fiscal year 2019, the College incurred non-operating expenses totaling \$2,209,856, which represented a \$1,656,521 increase from June 30, 2019.

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows

	June 30, 2020	June 30, 2019	Increase (decrease)
Cash & cash equivalents provided (used) by:			
Operating activities	\$ (12,019,362)	(13,169,223)	1,149,861
Non-capital financing activities	14,729,136	15,756,481	(1,027,345)
Capital & related financing activities	(5,888,626)	(1,220,769)	(4,667,857)
Investing activities	59,719	48,609	11,110
Net increase (decrease) to cash & cash equivalents	(3,119,133)	1,415,098	(4,534,231)
Cash & cash equivalents (beginning of year)	9,915,444	8,500,346	1,415,098
Cash & cash equivalents (end of year) \$	6,796,311	9,915,444	(3,119,133)

Copiah-Lincoln Community College

Management's Discussion & Analysis

For the year ended June 30, 2020

The major sources of funds in operating activities included funds received as cash payments by the College totaling \$8,660,249 along with grants and contracts totaling \$14,746,495. The major uses of funds were payments made to employees of \$18,582,044, to suppliers of \$8,959,705, and for student scholarships of \$9,262,569.

The largest inflow of cash for non-capital financing activities was the State appropriation of \$11,240,965 and local (county) appropriations of \$4,920,984.

Significant capital asset transactions

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

• Franklin Hall Renovations	\$	72,369
• Completion of new President's Home		542,377
• Completion of Nettles Hall		304,514
• Presbyterian Church		152,000
• Construction in Progress on Tennis Complex		1,381,082
• Completion of CTE Building (Simpson)		2,646,526
Total	\$	<u>5,098,868</u>

Factors influencing future periods

In general, the economic outlook for Mississippi projects slow growth between 2012 and 2020. The growth rate of output and employment in Mississippi during these years will gradually improve as the economy recovers. It is anticipated Mississippi will average an annual growth rate of around 2.7% during this period. The Mississippi Development Authority looks toward 2020 as the year the state will build upon the continued strength of both the state and national economy. It is further anticipated there will be an average of 1.3% employment growth between 2012 and 2020. It will not be until 2020 or beyond where Mississippi will potentially achieve the level of employment that was attained in 2000 and 2007. The Mississippi Development Authority has targeted seven industries in the state for growth, which include advanced manufacturing, aerospace technology, agribusiness, automotive services, energy production, healthcare, and shipbuilding.

Appropriations from the State of Mississippi to support the College have fluctuated the past three years but are expected to increase slightly in future periods. Though initial projections reflect expectations that sales tax collections will begin to move up in future periods, significant increases in total state appropriations to Mississippi community colleges are not expected. Recent dips in student tuition revenue is expected to level out as enrollment begins to normalize after several years of significant decline. Changes in federal financial aid guidelines and requirements may cause tuition revenue to increase if summer Pell grants are reinstated.

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

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

The projected rise in high school graduating classes in the South will hopefully assist in a resurgence and upward trend in enrollment levels at the College; the anticipated increase could help mitigate the decrease endured over the past few years in student numbers. Copiah-Lincoln Community College's 2020 enrollment level is currently lower than previously anticipated due to COVID-19. By forecasting data, considering the various aforementioned factors, it is expected that the enrollment will make gradual increases in the years to come. Coupled with the forecasts, efforts will be required to increase emphasis on reaching high school students through dual-credit/dual enrollment programs, increased student support services, and more non-traditional student programming delivery models.

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

FINANCIAL STATEMENTS

Copiah-Lincoln Community College*Statement of Net Position*

June 30, 2020

Assets

Current assets	
Cash & cash equivalents	\$ 6,796,311
Investments	73,039
Accounts receivable (net of allowance of \$7,252,309)	4,511,010
Inventories	249,190
Construction deposits	21,319
Prepaid expenses	187,885
Total Current Assets	<u>11,838,754</u>
Non-current assets	
Capital assets, net of accumulated depreciation	58,405,260
Total Non-Current Assets	<u>58,405,260</u>
Total Assets	<u>70,244,014</u>

Deferred Outflows of Resources

Deferred outflows - pensions	4,895,361
Deferred outflows - OPEB	261,044
Total Deferred Outflows of Resources	<u>5,156,405</u>

Liabilities

Current liabilities	
Accounts payable & accrued liabilities	717,837
Unearned revenues	201,738
Other current liabilities	556,242
Long-term liabilities	1,111,822
Bond premium	8,964
Accrued leave balances	335,868
Net OPEB liability	87,711
Total Current Liabilities	<u>3,020,182</u>
Non-current liabilities	
Long-term liabilities	13,217,679
Bond premium	296,557
Net pension liability	39,720,916
Net OPEB liability	2,172,207
Total non-current liabilities	<u>55,407,359</u>
Total Liabilities	<u>58,427,541</u>

Deferred inflows of resources

Deferred inflows - pensions	2,151,454
Deferred inflows - OPEB	149,789
Total Deferred Inflows of Resources	<u>2,301,243</u>

Net Position

Net investment in capital assets	43,770,238
Restricted for:	
Expendable:	
Capital projects	4,835,922
Unrestricted	(33,934,525)
Total Net Position	<u>\$ 14,671,635</u>

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

Copiah-Lincoln Community College Foundation, Inc.
(A component unit of Copiah - Lincoln Community College)
Statement of Financial Position
June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Assets			
Cash and cash equivalents	\$ 31,478	\$ 751,785	\$ 783,263
Contributions receivable, net	-	364,480	364,480
Investments	339,748	8,114,073	8,453,821
Total Assets	371,226	9,230,338	9,601,564
Liabilities			
Total Liabilities	0	0	0
Net Assets			
Without donor restrictions (See Note 6)	371,226	-	371,226
With donor restrictions (See Note 6)	-	9,230,338	9,230,338
Total Net Assets	\$ 371,226	\$ 9,230,338	\$9,601,564

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

Copiah-Lincoln Community College*Statement of Revenues, Expenses, and Changes in Net Position*

For the year ended June 30, 2020

Operating Revenues

Tuition & fees (net of scholarship allowance of \$4,859,883)	\$ 3,801,714
Federal grants & contracts	11,329,393
State grants & contracts	3,240,211
Local grants & contracts	176,891
Sales & services of educational departments	399,885
Auxiliary enterprises (net of scholarship allowance of \$1,695,541)	2,210,971
Total Operating Revenues	<u>21,159,065</u>

Operating Expenses

Salaries & wages	15,834,276
Fringe benefits	6,657,860
Travel	300,528
Contractual services	3,735,590
Utilities	989,778
Scholarships & fellowships (net of scholarship allowance \$7,380,232)	2,707,145
Commodities	3,719,390
Depreciation	1,811,057
Total Operating Expenses	<u>35,755,624</u>

Operating income (loss) (14,596,559)

Non-operating Revenues (Expenses)

State appropriations	11,240,965
Local appropriations	4,920,984
Loss on sale of assets	(2,299)
Other revenues	777,043
Interest income	59,719
Interest expense	(421,023)
Other expenses	(2,209,856)
Total Non-operating Revenues (Expenses)	<u>14,365,533</u>

Change in Net Position (231,026)

Net Position

Net Position - Beginning of Year	15,152,180
Prior period adjustments	(249,519)
Net Position - Beginning, as restated	<u>14,902,661</u>
Net Position - End of Year	<u>\$ 14,671,635</u>

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

Copiah-Lincoln Community College Foundation, Inc.
(A component unit of Copiah - Lincoln Community College)
Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains and Support			
Contributions	\$ 24,599	\$ 782,077	\$ 806,676
Investment income	1,324	11,115	12,439
Net assets released from restrictions (Note 6)	490,116	(490,116)	-
Total Revenues, Gains and Support	516,039	303,076	819,115
Expenses			
Program Services			
Scholarships	235,994	-	235,994
Payments directly to the college	131,328	-	131,328
Special events	29,442	-	29,442
Athletic expenses	43,676	-	43,676
Alumni operations	14,316	-	14,316
Fundraising expenses	67,136	-	67,136
Other Expenses			
Management and general	71,115	-	71,115
Total Expenses	593,007	-	593,007
Changes in Net Assets before Other Sources/Uses	(76,968)	303,076	226,108
Other Sources (Uses)			
Transfers from other funds	-	2,468	2,468
Transfers to other funds	(2,468)	-	(2,468)
Total Other Sources (Uses)	(2,468)	2,468	-
Changes in Net Assets	(79,436)	305,544	226,108
Net Assets at Beginning of Year	450,662	8,924,794	9,375,456
Net Assets at End of Year	\$ 371,226	\$ 9,230,338	\$ 9,601,564

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

Copiah-Lincoln Community College*Statement of Cash Flows*

For the year ended June 30, 2020

Cash Flows from Operating Activities

Cash received from tuition and fees	\$ 8,660,249
Cash received from grants	14,746,495
Cash received from sales & services	405,069
Cash received from auxiliary enterprises	3,906,512
Cash payments to employees	(18,582,044)
Cash payments made for employees (retirement)	(2,581,408)
Cash payments for goods & services	(8,959,705)
Cash payments for scholarships & fellowships	(9,262,569)
Other operating cash (payments)	<u>(351,961)</u>
Net Cash Provided (Used) in Operating Activities	<u>(12,019,362)</u>

Cash Flows from Non-capital Financing Activities

Other proceeds (payments)	(1,432,813)
State appropriations	11,240,965
Local appropriations	4,920,984
Federal loan receipts	1,822,115
Federal loan payments	<u>(1,822,115)</u>
Net Cash Provided in Non-capital Financing Activities	<u>14,729,136</u>

Cash Flows from Capital & Related Financing Activities

Principal & interest payments	(1,421,323)
Proceeds from bond issuance	2,401,743
Proceeds from sale of assets	(2,299)
Acquisition or construction of capital assets (net)	<u>(6,866,747)</u>
Net Cash Used in Capital & Related Financing Activities	<u>(5,888,626)</u>

Cash flows from investing activities

Interest & dividend on investments	<u>59,719</u>
Net Cash Provided from Investing Activities	<u>59,719</u>

<i>Increase (Decrease) in Cash & Cash Equivalents</i>	<u>(3,119,133)</u>
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Cash and Cash Equivalents, Beginning of Year	<u>9,915,444</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,796,311</u>

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

Copiah-Lincoln Community College*Statement of Cash Flows*

For the Year Ended June 30, 2020

Reconciliation of Operating Income (Loss) to Net Cash Provided (used)**in Operating Activities**

<i>Operating income (loss)</i>	\$ <u>(14,596,559)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:	
Depreciation	1,811,057
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	505
(Increase) decrease in inventories	5,184
(Increase) decrease in prepaid expenses	(51,433)
(Increase) decrease in deferred outflows	(253,334)
Increase (decrease) in AP & accrued liabilities	(688,473)
Increase (decrease) in unearned revenue	(1,853)
Increase (decrease) in other current liabilities	173,526
Increase (decrease) in accrued leave balances	50,517
Increase (decrease) in net pension liability	2,742,495
Increase (decrease) in net OPEB liability	200,316
Increase (decrease) in deferred inflows	(1,411,310)
Total adjustments	<u>2,577,197</u>
Net Cash Provided (Used) in Operating Activities	\$ <u><u>(12,019,362)</u></u>

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

Copiah-Lincoln Community College Foundation, Inc.
(A component unit of Copiah - Lincoln Community College)
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows From Operating Activities:

Change in net assets	\$ 226,108
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net unrealized (gains) losses on investments	146,075
Change in contributions restricted for permanent investment	782,077
Change in pledges receivable	4,459
Net cash provided by operating activities	<u>1,158,719</u>

Cash Flows From Investing Activities:

Purchases of investments	(2,435,096)
Sales of investments	2,810,042
Net cash provided by investing activities	<u>374,946</u>

Cash Flows From Financing Activities:

Contributions restricted for permanent investment	<u>(782,077)</u>
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Net change in cash	751,588
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Cash and cash equivalents at beginning of year	31,675
Cash and cash equivalents at end of year	<u><u>\$ 783,263</u></u>

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

Copiah-Lincoln Community College

Notes to the Financial Statements
For the year ended June 30, 2020

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

Note (1): Summary of Significant Accounting Policies

A. Reporting entity

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

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

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

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

During the year ended June 30, 2020, the Foundation distributed \$131,328 directly to the College.

B. Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

C. Basis of accounting

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

D. Cash equivalents

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

E. Investments

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

F. Accounts receivable

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

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

of an allowance for doubtful accounts.

G. Student notes receivable

Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances are expected to be paid during the next fiscal year and are presented on the statement of net position as current assets net of allowances.

H. Inventories

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

I. Capital assets (net of accumulated depreciation)

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expenditure was incurred. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

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

J. Unearned revenues

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

K. Deferred outflows / inflows of resources

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

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

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

L. Compensated absences

Twelve-month employees receive 12 days of annual leave per year. Ten-month employees receive no annual leave. Annual leave earned in one fiscal year must be taken by December 31 of the following fiscal year. Up to five days of unused annual leave may be added to an employee's sick leave accumulation upon written request and approval of the president. The liability for accrued leave at June 30, 2020 was \$335,868.

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

M. Classification of revenues

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

- 1) *Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as: (a) student tuition, net of scholarship discounts & allowances, (b) sales and services of auxiliary enterprises, net of scholarship discounts & allowances, and (c) most federal, state & local grants and contracts;
- 2) *Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.

N. State appropriations

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

O. Scholarship discounts and allowances

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

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

P. Net position

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

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

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

Q. Impairment of capital assets

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

R. Pensions

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

S. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

Note (2): Cash & cash equivalents and investments

A. Policies for Cash, cash equivalents and investments

Cash policies as set forth by policy and state statute authorize the College to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. For the year ended June 30, 2020, the College had \$6,796,311 in cash and cash equivalents.

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

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the College. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2020, none of the bank balances of the College totaling \$7,510,218 was exposed to custodial credit risk.

B. Investments

Investment policies as set forth by policy and state statute also authorize the College to invest in equity securities, bond and other securities. Investments are reported at fair value (market).

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

As of June 30, 2020, the College had the following investments:

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

Interest Rate Risk. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), MS Code Ann. (1972). The College does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2020, the College did not have any investments to which this would apply.

Note (3): Accounts receivable

Accounts receivable consisted of the following at June 30, 2020:

Tuition (students)	\$ 8,765,532
Local appropriations	228,528
State sources	741,406
Federal sources	1,710,262
Other	317,591
Total accounts receivable	11,763,319
LESS: Allowance for doubtful accounts	(7,252,309)
Net accounts receivable	\$ 4,511,010

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

Note (4): Capital assets

A summary of changes in capital assets for the year ended June 30, 2020, is presented as follows:

	Beginning balance	Additions	Deletions	Completed construction	Ending balance
<i>Non-depreciable capital assets:</i>					
Land	\$ 755,732				755,732
Construction-in-progress	5,247,019	5,608,140		(1,837,026)	9,018,133
Total non-depreciable capital assets	6,002,751	5,608,140	0	(1,837,026)	9,773,865
<i>Depreciable capital assets:</i>					
Buildings	62,522,781	152,000		304,514	62,979,295
Structures & improvements	11,908,585	802,391		1,532,512	14,243,488
Equipment	7,490,867	356,728	30,169		7,817,426
Library books & media	1,016,267	5,500			1,021,767
Total	82,938,500	1,316,619	30,169	1,837,026	86,061,976
<i>LESS: Accumulated depreciation</i>					
Buildings	22,582,623	1,104,976			23,687,599
Structures & improvements	5,779,943	412,087			6,192,030
Equipment	6,310,543	282,705	27,152		6,566,096
Library books & media	973,567	11,289			984,856
Total	35,646,676	1,811,057	27,152	0	37,430,581
Total depreciable capital assets (net)	47,291,824	(494,438)	3,017	1,837,026	48,631,395
Capital assets (net) \$	53,294,575	5,113,702	3,017	0	58,405,260

Depreciation is computed on a straight-line basis except for 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:

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

Commitments under construction contracts at June 30, 2020, are summarized as follows:

Project	Funds spent as of June 30, 2020	Remaining commitment
Ellzey Hall (Bureau)	\$ 1,441,507	1,190,220
Tennis Complex	1,381,082	837,717
President's Home	542,377	233,896
Simpson Center CTE Building (Joint)	5,555,535	371,064
Franklin Hall Renovations	72,369	25,489
Diesel Mechanic Shop (Bureau)	25,263	616,993
Totals \$	9,018,133	3,275,379

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

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

Note (5): Long-term liabilities

Long-term liabilities of the College consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2020. 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. Following the schedule of long-term liabilities, information regarding original issue amounts, interest rates and maturity dates for bonds, notes, and capital leases included in the long-term liabilities is provided.

	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
General OB (2017)	\$ 1,961,000		304,000	1,657,000	315,000
General OB (2016A)	1,003,800		280,100	723,700	285,500
General OB (2016) (dorm construction)	4,310,000		95,000	4,215,000	100,000
General OB (2016) (bond premium)	296,039		9,641	286,398	8,067
General OB (2010)	68,519		68,519	0	
General OB Sports (2019)		2,000,000		2,000,000	165,000
General OB Sports Premium (2019)		1,743		1,743	174
Education Facilities (2018)	5,500,000		130,000	5,370,000	135,000
Education Facilities (2018) Premium	18,331		951	17,380	723
Note Payable - Valley	75,890		60,480	15,410	15,410
MS School Series Lease (2020)		400,000	51,609	348,391	95,912
Accrued Compensated Leave	285,351	50,517		335,868	
Totals	\$ 13,518,930	2,452,260	1,000,300	14,970,890	1,120,786

Bonded Debt:

Description	Interest rate	Fiscal year Maturity date	Amount issued	Amount outstanding
General OB (2017)	1.90%	2025	\$ 2,258,000	1,657,000
General OB (2016A)	1.86%	2023	1,840,000	723,700
General OB (2016) (dorm construction)	3.45%	2046	4,500,000	4,215,000
General OB (2016) (bond premium)	3.45%	2046	314,783	286,398
General OB Sports (2019)	2.00%	2029	2,000,000	2,000,000
General OB Sports Premium (2019)	2.00%	2029	1,743	1,743
Education Facilities (2018)	4.00%	2043	5,500,000	5,370,000
Education Facilities (2018) Premium	4.00%	2043	18,331	17,380
Total bonded debt			\$ 16,432,857	\$ 14,271,221

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

Long-term debt will mature as follows:

Year ending June 30	General bonds	Other LT Debt	Capital leases	Interest	Total
2021	1,000,500	351,278	103,218	326,789	1,781,785
2022	1,035,800		103,218	476,369	1,615,387
2023	912,400		103,218	431,290	1,446,908
2024	789,000		38,737	406,136	1,233,873
2025	813,000			388,081	1,201,081
2026 - 2030	2,630,000			1,570,413	4,200,413
2031 - 2035	1,860,000			1,177,000	3,037,000
2036 - 2040	2,260,000			766,400	3,026,400
2041 - 2045	2,410,000			272,600	2,682,600
2046	255,000			5,100	260,100
<i>Totals</i>	<u>\$13,965,700</u>	<u>351,278</u>	<u>348,391</u>	<u>5,820,178</u>	<u>20,485,547</u>

Note (6): Operating leases

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

<i>For the fiscal year ending:</i>	
2021	\$ 125,715
2022	60,611
2023	72,476
2024	65,380
2025	35,736
2026-2027	10,965
Total minimum payments required	\$ <u>370,883</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2020, was \$257,968.

Note (7): Pension plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended only by the Mississippi State Legislature. The College contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$2,561,103, \$2,316,057, and \$2,236,068, respectively, which was equaled to the required contributions for each year.

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

At June 30, 2020, the College reported a liability of \$39,720,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2020 net pension liability was 0.225790 percent, which was based in a measurement date of June 30, 2019. This was an increase of 0.00347 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the College recognized pension expense of \$3,712,449. At June 30, 2020 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 23,136	42,432
Net difference between projected and actual earnings on pension plan investments		1,937,897
Change in assumptions	389,384	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,921,738	171,125
College contributions subsequent to the measurement date	2,561,103	
Totals	\$ 4,895,361	2,151,454

\$2,561,103 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the fiscal year ended June 30, 2021.

Copiah-Lincoln Community College

Notes to the financial statements

For the Year Ended June 30, 2020

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>For the fiscal year ending:</i>		
2021	\$	251,870
2022		(482,075)
2023		231,663
2024		181,346
Total	\$	182,804

Actuarial assumptions. The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112 % of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

Asset class	Target Allocation	Long-term expected real rate of return
Domestic Equity	27%	4.90%
International Equity	22%	4.75%
Global Equity	12%	5.00%
Fixed Income	20%	1.50%
Real Estate	10%	4.00%
Private Equity	8%	6.25%
Cash	1%	0.25%
Total	100%	

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

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

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

Description	1% decrease	Current discount rate	1% increase
	6.75%	7.75%	8.75%
College's proportionate share of net pension liability	\$ 52,214,520	39,720,916	29,408,567

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

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

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

are funded primarily by their employer. Contributions to the OPEB plan from the College were \$83,489 for the year ended June 30, 2020.

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

At June 30, 2020, the College reported a liability of \$2,259,918 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the College's proportion was 0.26632990 percent. This was an increase of 0.00007671 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the College recognized other post-employment benefit (OPEB) expense of \$126,717. The following schedule reflects the deferred outflows of resources and deferred inflows of resources related to OPEB reported by the college:

Description	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 3,417	32,348
Change in assumptions	168,483	117,188
Net difference between projected and actual earnings on OPEB plan investments	43	
Changes in proportion and differences between contributions and proportionate share of contributions	5,612	253
College contributions subsequent to the measurement date	83,489	
Totals	\$ 261,044	149,789

\$83,489 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>For the fiscal year ending:</i>		
2021	\$	(2,191)
2022		(2,191)
2023		(2,191)
2024		2,996
2025		21,221
Thereafter		10,122
Total	\$	27,766

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

Inflation	2.75 percent
Salary increases	3.00 – 18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net Of OPEB plan investment expense, Including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Costs Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scale down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capital costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

Description	1% decrease	Current discount rate	1% increase
	2.50%	3.50%	4.50%
College proportionate share of net OPEB liability	\$ 2,510,375	2,259,918	2,045,629

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

Description	1% decrease	Healthcare Cost Trend Rates Current	1% increase
College proportionate share of net OPEB liability	\$ 2,094,163	2,259,918	2,447,692

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

Note (9): Functional classification of Operating Expenses

Functional classification of Operating Expenses

Functional classification	Salaries & wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation	Totals	PCT.
Instruction	\$ 9,016,196	2,853,225	132,096	525,784	201	1,111,329	790,754	0	14,429,585	40.36%
Academic support	549,072	198,058	1,850	68,554	0	0	10,707	0	828,241	2.32%
Student services	1,716,474	707,551	126,871	530,450	0	1,595,816	241,328	0	4,918,490	13.76%
Institutional support	2,418,075	2,124,710	37,807	1,187,592	0	0	109,872	0	5,878,056	16.44%
Operation of plant	942,887	426,197	0	1,104,210	939,825	0	531,056	0	3,944,175	11.03%
Auxiliary enterprises	1,191,572	348,119	1,904	319,000	49,752	0	2,035,673	0	3,946,020	11.03%
Depreciation	0	0	0	0	0	0	0	1,811,057	1,811,057	5.06%
Totals	\$ 15,834,276	6,657,860	300,528	3,735,590	989,778	2,707,145	3,719,390	1,811,057	35,755,624	100.00%

Note (10): Prior period adjustment

Adjustments were made to document the effect of prior period adjustments for the presentation of the net OPEB liability associated with GASB 75 net of deferred outflows of resources associated with such, to properly reflect prior balances on various accounts, and to record the reversal of amounts expensed in prior years (voided) in the current year. Details associated with the prior period adjustments are as follows:

Copiah-Lincoln Community College

Notes to the financial statements For the Year Ended June 30, 2020

<u>Explanation:</u>	<u>Amount</u>
To correctly present net pension liability components.	\$ <u>(249,519)</u>

Note (11): Effects of deferred amounts on Net Position

The unrestricted net position amount of (\$33,934,525) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,561,103 resulting from the College contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$2,334,258 balance of the deferred outflows of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$33,934,525) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,151,454 balance of deferred inflows of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$33,934,525) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$83,489 resulting from the College contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$177,555 balance of the deferred outflows of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$33,934,525) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$149,789 balance of deferred inflows of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note (12): Other Matters

Due to continuing impact of the COVID-19 pandemic, the College continues to adjust operations as necessary to respond to the changing dynamic brought by the pandemic. The continuing impact upon the College operation is uncertain at this time.

Note (13): Subsequent events

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the year ended June 30, 2020

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

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 the College. The Foundation is an auxiliary organization of the College and administers scholarships to both students and faculty members and raises funds to supplement different areas of the entire College.

Basis of Presentation

The Foundation prepares its financial statements on the accrual basis of accounting. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The Foundation adopted FASB Accounting Standards Update 2016-14 (Topic 958) *Presentation of Financial Statements of Not-for-Profits Entities*, Not-For-Profit Entities. The new standard requires net assets to be classified on the statement of financial position as net assets with donor restrictions and net assets without donor restrictions, based on the absence or existence and type of donor-imposed restrictions.

Net Assets with Donor Restrictions

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

Net Assets without Donor Restrictions

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

Income Taxes

The Foundation is organized as a nonprofit organization and has been recognized by the IRS as exempt from federal income tax. Section 501 of the U.S. tax code outlines which types of not-for-profit organization are tax exempt. The Section of this code that provides for exemption is 501(a), which states that organizations are exempt from some federal income taxes if they fall under sections 501 (c), 501(d) or section 401(a). Copiah-Lincoln Community College Foundation, Inc. is a Section 501(c)(3) organization and qualifies for the charitable contribution deduction under IRC Section 170 (b)(1)(A)(vi). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that derived from business activities that are unrelated to their exempt purposes. As of June 30, 2020, the Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Donated Assets

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

Donated Services and Facilities

The Foundation receives a substantial amount of services donated by citizens interested in the Foundation's programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in the accompanying financial statements.

Investments

The Foundation follows FASB Accounting Standards Codification Subtopic 958-320, Not-For-Profit Entities—Investments—Debt and Equity Securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investment in Life Insurance Policies

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

Cash and Cash Equivalents

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

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

Contributions Receivable

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value which approximates fair value at the date of the pledge. Unconditional promises to give in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The discount rates are determined at the time the unconditional promise to give is initially received. Contributions to be received in future years are discounted using a risk-free rate of approximately 3.25 percent for the year ended June 30, 2020. Contributions receivable are written off on an annual basis when determined by management to be uncollectible. Management determines that a contribution receivable is uncollectible based on the length of time that has passed since the last contribution has been received from that donor, which is usually in excess of one year. The Foundation's contributions receivable for the fiscal year end June 30, 2020 was \$364,480.

Estimates

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

Contributions

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

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

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

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

Revenue Recognition

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

Planned Giving

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

Operating Measure

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

Functional Allocation of Expenses

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 2. Contributions Receivable, Net

The amount of contributions receivable as of June 30, 2020 is as follows:

	2020
Contributions receivable	\$ 455,600
Less allowance for uncollectible promises to give	(91,120)
Contributions receivable, net	\$ 364,480

Note 3. Cash and Investments

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable. The Foundation places its cash and temporary investments with creditworthy, high quality financial institutions. Cash deposits in excess of \$250,000 are not insured by the FDIC.

The Foundation's total cash and cash equivalents for the fiscal year ended June 30, 2020 was \$783,263.

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 creditworthiness of the individual who has made the pledge.

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

Investments

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly and indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes to the methodologies used at June 30, 2020:

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

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

Long-lived assets are measured at fair value on a nonrecurring basis based upon inputs that are derived principally from, or corroborated by appraisals, comparable market data by correlation or other means only when there is evidence of impairment. The Foundation had no long-lived or Level 3 assets at June 30, 2020.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. The Foundation maintains cash accounts at various financial institutions. As of June 30, 2020, this account did not exceed FDIC limits. Cash deposits in the amount of \$780,968 which is held by the Foundation's investment broker as of June 30, 2020, respectively, are not covered by the FDIC. However, these amounts are covered by the Securities Investor Protection Corporation (SIPC) up to \$250,000.

As of June 30, 2020, the Foundation maintained \$8,453,821 of securities in its investment portfolio. Although these funds reduce risk through diversification of investment holdings and are held with reputable brokers, they are exposed to custodial risk. The investments are not covered by the Securities Investor Protection Corporation (SIPC), subjecting the Foundation to the risk of uninsured losses.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy at June 30, 2020.

Description	Fair Value	Level 1	Level 2
June 30, 2020			
Mutual bond funds	\$ 298,924	298,924	
Exchange bond funds	1,225,730	1,225,730	
Alternative Real Estate Investment Funds	718,819		718,819
Exchange Traded Stock Funds	3,081,483	3,081,483	
Corporate bonds	114,840		114,840
Municipal bonds	2,888,459		2,888,459
US Treasury/Agency Securities	125,566	125,566	
Total	\$ 8,453,821	4,731,703	3,722,118

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

The following schedule summarizes the investment return in the statement of activities for the year ended June 30, 2020:

	2020
Interest and dividends	\$ 323,713
Net realized and unrealized gains	(269,299)
Less investment fees	(41,975)
Total	<u>\$ 12,439</u>

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

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

Overall Investment Objective

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 4. Availability and Liquidity

The following represents the Foundation's financial assets at June 30, 2020:

	<u>2020</u>
Cash and cash equivalents	\$783,263
Contributions receivable, net	364,480
Investments	<u>8,453,821</u>
Total financial assets	<u>9,601,564</u>
Less amounts not available to be used within one year	
Net Assets with donor restrictions	<u>(9,230,338)</u>
Financial assets available to meet general expenditures	\$371,226

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

Note 5. Endowments

The Foundation's endowment consists of approximately 198 individual donor-restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

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

The following is a summary of the Foundation's endowment net asset composition by type of fund as of June 30, 2020:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted:	\$	\$	\$
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	(3,405)	6,054,717	6,051,312
Accumulated investment gains	(12,123)	991,464	979,341
Board - designated	-	-	-
Total endowment net assets	\$ (15,528)	\$ 7,046,181	\$ 7,030,653

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2020

Changes in the Foundation's endowment net assets for the year June 30, 2020 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ (5,822)	6,906,526	6,900,704
Investment returns, net	(5,266)	14,670	9,404
Contributions	0	392,725	392,725
Appropriation of endowment assets	(4,440)	(267,740)	(272,180)
Endowment net assets, end of year	\$ (15,528)	7,046,181	7,030,653

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

Note 6 - Net Assets

Net assets with donor restrictions were as follows for the year ended June 30, 2020:

	2020
Endowments	
Subject to Not-For-Profit (NFP) endowment spending policy and appropriation:	
Scholarships	\$ 6,107,709
General support	3,138,269
Underwater endowments	(15,640)
Total Net Assets With Donor Restrictions	\$ 9,230,338

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by other events specified by the donors as follows for the year ended June 30, 2020:

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

	2020
Restricted-purpose spending rate	
Scholarships	\$ 235,994
General support	254,122
Total	<u>\$ 490,116</u>

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 7. – Related Party Transactions

	2020
Salaries, wages, and benefits	<u>\$ 181,143</u>
	2020
Amount paid to the College for Scholarships	<u>\$ 235,994</u>

Note 8. - Donor-Designated Endowment

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

Note 9. - Uncertainty in Income Taxes

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

Note 10. - Support for Copiah Lincoln Community College

	2020
Equipment and software	<u>\$ 131,328</u>

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 11. - Statement of Functional Expenses

Statement of Functional Expenses for the fiscal year 2020 consisted of:

Supporting Service 2020

	Programs Service	Management and General	Total
Scholarships	\$ 235,994		\$ 235,994
Support for college	131,328		131,328
Alumni Association	2,000	12,316	14,316
Special Events	24,670	4,772	29,442
Administrative expenses	17,088	41,994	59,082
Accounting fees		8,578	8,578
Athletic expense	43,676		43,676
Fundraising expenses	67,136		67,136
Office supplies		3,455	3,455
Other			
	\$ 521,892	71,115	\$ 593,007

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

	<u>2020</u>
Program	88.01%
Management and General	<u>11.99%</u>
Total	<u>100.00%</u>

Note 12 – Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the Foundation is uncertain at this time. We are uncertain of what ultimate impact it will have on the operations of the Foundation.

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 13 – Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

Copiah Lincoln Community College

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

PERS

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 39,720,916	36,978,421	37,248,538	40,148,999	35,897,406	29,038,870
College's proportion of the net pension liability	0.225790%	0.222320%	0.224073%	0.224767%	0.232225%	0.239236%
College's covered payroll	13,310,672	14,197,257	14,374,413	14,378,883	14,508,063	14,618,546
College's proportionate share of the net pension liability as a percentage of its covered payroll	298.41%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,561,103	2,316,057	2,236,068	2,263,970	2,264,674	2,285,020
Contributions in relation to the contractually required contribution	2,561,103	2,316,057	2,236,068	2,263,970	2,264,674	2,285,020
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll	14,718,983	14,705,124	14,197,257	14,374,413	14,378,883	14,508,063
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Copiah Lincoln Community College

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

OPEB

Last 10 Fiscal Years*

	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 2,259,918	2,059,602	2,089,395
District's proportion of the net OPEB liability	0.26632990%	0.26625319%	0.26629757%
District's covered-employee payroll	12,196,381	12,042,451	11,964,018 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	2020	2019	2018
Actuarially determined contribution	\$ 83,489	90,584	89,074 **
Contributions in relation to the actuarially determined contribution	83,489	90,584	89,074 **
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	14,591,906	14,829,484	14,365,418
Contributions as a percentage of covered-employee payroll	0.57%	0.61%	0.62%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amount(s) reported in prior year audit report(s).

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

Copiah-Lincoln Community College

Notes to the Required Supplementary Information For the Year Ended June 30, 2020

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project

Copiah-Lincoln Community College

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2020

future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017:

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

2018:

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

Copiah-Lincoln Community College

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2020

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) Changes in benefit provisions

2017:

None.

2018:

None.

2019:

None.

(3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.25 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	4.75 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89 percent

SUPPLEMENTARY INFORMATION

Copiah-Lincoln Community College
Schedule of expenditures of federal awards
For the year ended June 30, 2020

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Labor</u>			
<i>Pass-through programs from Senior Service America, Inc.:</i>			
Senior Community Service Employment Program	17.235	AD-29496-16-55-A-24	\$ 560,479
<i>Pass-through Southwest Mississippi Planning and Development District</i>			
Senior Community Service Employment Program	17.239	N/A	19,046
<i>Pass-through Central Mississippi Planning and Development District</i>			
WIOA - Adult Program	17.258	AA-28325-16-55-A-28	119,497
WIOA - Youth Activities	17.259	AA-32190-18-55-A-28	60,022
WIOA - Dislocated Worker Formula Grant	17.278	AA-30753-17-55-A-28	106,990
Total U.S. Department of Labor			866,034
<u>U.S. Department of Education</u>			
<i>Student Financial Aid Cluster</i>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	124,737
Federal Work-Study Programs (FWS)	84.033	N/A	75,015
Federal Pell Grant Program	84.063	N/A	7,194,555
Federal Direct Student Loans (FDSL)	84.268	N/A	1,822,115
Total Student Financial Aid cluster			9,216,422
TRIO - Student Support Services	84.042A	N/A	280,057
<i>Pass-through program from:</i>			
Mississippi Community College Board			
Adult Education - Basic Grants to States	84.002A	208-017	420,148
Mississippi Department of Education			
Career Technical Education - Basic Grants to States	84.048A	N/A	98,085
<i>Direct Programs:</i>			
COVID-19 CARES Act - Higher Education Emergency Relief Fund - Strengthening Institutions Program	84.425M	N/A	163,251
COVID-19 CARES Act - Higher Education Emergency Relief Fund - Institutional Support	84.425F	N/A	512,122
COVID-19 CARES Act - Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	N/A	1,517,778
Total U.S. Department of Education			12,207,863
<u>U.S. Department of Human Services</u>			
<i>Pass-through program from:</i>			
Mississippi Community College Board			
Child Care and Development Block Grant	93.575	N/A	190,562
Total U.S. Department of Human Services			190,562
Total Expenditures of Federal Awards			\$ 13,264,459

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

Copiah-Lincoln Community College

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

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

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component unit of Copiah-Lincoln Community College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Copiah-Lincoln Community College's basic financial statements, and have issued our report thereon dated June 30, 2021. The financial statements of the Copiah-Lincoln Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Copiah-Lincoln Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Copiah-Lincoln Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Copiah-Lincoln Community College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 30, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Copiah-Lincoln Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Copiah-Lincoln Community College major federal programs for the year ended June 30, 2020. The Copiah-Lincoln Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Copiah-Lincoln Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the College's compliance.

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BRANDON, MISSISSIPPI 39047
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Opinion on Each Major Federal Program

In our opinion, the Copiah-Lincoln Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Copiah-Lincoln Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Copiah-Lincoln Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
June 30, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the business-type activities of the Copiah - Lincoln Community College and the aggregate discretely presented component unit as of and for the year ended June 30, 2020, and have issued our report thereon dated June 30, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 30, 2021

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, 2020

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major program:
 - a. Student Financial Aid Cluster:
Federal Supplemental Education Opportunity Grants (FSEOG)
CFDA # 84.007
Federal Work-Study Programs (FWS)
CFDA # 84.033
Federal Pell Grant Program
CFDA # 84.063
Federal Direct Student Loans
CFDA # 84.268
 - b. CARES ACT:
COVID-19 CARES ACT Higher Education Emergency Relief Fund - Student Aid Portion
CFDA #84.425E
COVID-19 CARES ACT - Higher Education Emergency Relief Fund - Institutional Support
CFDA #84.425F
COVID-19 CARES ACT - Higher Education Emergency Relief Fund - Strengthening Institutions Program
CFDA #84.425M

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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