



**COPIAH - LINCOLN
COMMUNITY COLLEGE**
Audited Financial Statements
For the year ended June 30, 2013

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**

Ronald E. Nettles, 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 and the aggregate discretely presented component unit of Copiah-Lincoln Community College as of and for the year ended June 30, 2013, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of Copiah-Lincoln Community College and of its discretely presented component unit, as of June 30, 2013, and the respective changes in financial position and 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 on pages 8 to 19 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 an opinion 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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, 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 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 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.
March 12, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 (with comparative financial data for the year ended June 30, 2012). 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 and liabilities. The College's net position (the difference between assets and liabilities) is one indicator of the College's financial health. Over time, increases or decreases in net position is a 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 amortizes the cost of an asset over its expected useful life.

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

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Increase (Decrease)
Current Assets	\$10,912,956	10,230,594	682,362
Noncurrent Assets:			
Capital, Net	40,070,590	40,326,835	(256,245)
Total Assets	50,983,546	50,557,429	426,117
Liabilities			
Current Liabilities	2,350,563	1,921,380	429,183
Noncurrent Liabilities	8,081,032	8,944,770	(863,738)
Total Liabilities	10,431,595	10,866,150	(434,555)
Net Position			
Net Investment in Capital Assets	30,895,302	30,375,479	519,823
Restricted:			
Expendable- Debt service	604,425	604,425	-0-
Expendable-Capital Projects	1,306,541	1,700,858	(394,317)
Unrestricted	7,745,683	7,010,517	735,166
Total Net Position	\$ 40,551,951	39,691,279	860,672

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts and various petty cash accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$6,466,973 at June 30, 2013, representing a \$462,583 decrease in cash and cash equivalent compared to the June 30, 2012 cash and cash equivalents balance.

Short Term Investments

Short term investments at June 30, 2013 were \$71,125 representing an \$255 increase from the previous year.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$3,397,341 at June 30, 2013. Accounts receivable increased by \$1,128,057 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 \$804,034 at June 30, 2013, representing a \$87,527 increase in inventories compared to the June 30, 2012 inventories balance.

Prepaid Expenses

Prepaid expenses consist of transactions such as membership renewal, maintenance agreements, and other payments for the 2014 Fiscal Year but required payment to vendors before July 1, 2013. Prepaid expenses totaled \$173,483 at June 30, 2013, representing a \$70,894 decrease in prepaid expenses compared to the June 30, 2012 prepaid expense balance.

Noncurrent Assets

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2013. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$40,070,590 at June 30, 2013, representing a \$256,245 decrease in net capital assets compared to the June 30, 2012 net capital asset balance.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2013 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$614,549 at June 30, 2013 representing a \$124,898 increase in accounts payable and accrued liabilities compared to the June 30, 2012 accounts payable and accrued liabilities balance.

Deferred Revenue

Deferred revenue represents revenue that was received by the College during the fiscal year, but is actually revenue that will be recorded in the College's 2013 Fiscal Year. The deferred revenues totaled \$169,323 at June 30, 2013, representing a \$24,871 decrease in deferred revenue compared to the June 30, 2012 deferred revenue balance.

Accrued Leave Liabilities

Accrued leave liabilities represents accrued compensated leave that would be payable by the end of the December 31, 2013. The amount of the current portion of compensated absences at June 30, 2013 was \$266,507, representing a \$35,558 increase in accrued leave liabilities compared to the June 30, 2012 accrued leave liabilities balances.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of the bonds payable and obligations under capital lease that would be payable by the end of the June 30, 2013 Fiscal Year. The amount at June 30, 2013 was \$1,094,256 representing a \$87,670 increase in the current portion of long-term liabilities compared to the June 30, 2012 long-term liabilities (current portion) balance.

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Noncurrent Liabilities

Long-Term Liabilities

This liability consists of the noncurrent portion of the bonds and notes payable balances at the end of June 30, 2013. The total amount of the noncurrent portion of bonds payable was \$8,081,032 at June 30, 2013 representing an \$863,738 decrease in the long-term liabilities compared to the June 30, 2012 long-term liabilities balance.

Net Position

Net Position represents the difference between the College's assets and liabilities. The net position at June 30, 2013 was \$40,551,951 representing an \$860,672 increase in the net position when compared to the June 30, 2012 net position.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Analysis of Net Position

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

	June 30, 2013	June 30, 2012	Increase (Decrease)
Capital Assets, Net of Accumulated Depreciation	\$ 40,070,590	40,326,835	(256,245)
Long-Term Liabilities-Current	(1,094,256)	(1,006,586)	87,670
Long-Term Liabilities-Noncurrent	(8,081,032)	(8,944,770)	(863,738)
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Net Investment in Capital Assets	\$ 30,895,302	30,375,479	519,823

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

The following is a breakdown of the restricted net position:

	June 30, 2013	June 30, 2012	Increase (Decrease)
Debt Service	\$ 604,425	604,425	-0-
Capital Projects	1,306,541	1,700,858	(394,317)
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Total Restricted Net Position	\$1,910,966	2,305,283	(394,317)

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. Total unrestricted net position at June 30, 2013 were \$7,745,683 representing a \$735,166 increase in unrestricted net position compared to the June 30, 2012 unrestricted net position.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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

Operating Revenues:	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase/(Decrease)</u>
Tuition and Fees	\$ 2,132,851	4,098,117	(1,965,266)
Grants and Contracts	15,997,155	17,772,576	(1,775,421)
Auxiliary Enterprises	3,847,474	2,679,445	1,168,029
Other Operating Revenues	187,824	242,000	(54,176)
Total Operating Revenues	22,165,304	24,792,138	(2,626,834)
Operating Expenses	35,891,970	38,380,580	2,488,610
Operating Loss	(13,726,666)	(13,588,442)	(138,224)
Non-operating Revenues:			
State Appropriations	10,039,010	10,979,971	(940,961)
Local Appropriations	4,663,321	4,578,967	84,354
Gain on Sale of Capital Assets	503	7,692	(7,189)
Other Non-Operating Revenue	224,433	-0-	224,433
Interest Income	15,364	22,627	(7,263)
Interest Expense	(239,002)	(309,809)	70,807
Other Expenses	(120,758)	-0-	(120,758)
Total Non-operating Revenues (Expenses)	14,582,871	15,279,448	(696,577)
Net Increase (Decrease) in Net Position	856,205	1,691,006	(834,801)
Net Position:			
Net Position at Beginning of Year	39,691,279	37,893,151	1,798,128
Prior Period Adjustment	4,467	107,122	(102,655)
Net Position (Restated)	39,695,746	38,000,273	1,695,473
Net Position at End of Year	\$ 40,551,951	\$39,691,279	\$ 860,672

Total operating loss for the Fiscal Year 2013 was \$13,726,666. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College shows a significant operating loss.

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

Total operating revenues for Fiscal Year 2013 were \$22,165,304 which was a \$2,626,834 decrease over Fiscal Year 2012. Tuition and fees (net of scholarship allowance) were \$2,132,851. Operating expenses, including depreciation of \$1,563,410 and scholarships of \$4,427,568, totaled \$35,891,970. Of this total \$13,773,480 or 38.37% was for instruction, \$1,099,568 or 3.06% for academic support, \$6,912,337 or 19.26% for student services, \$4,410,701 or 12.29% for institutional support, \$4,049,554 or 11.28% for physical plant operations, and \$4,082,920 or 11.38% for auxiliary enterprises.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$2,132,851 representing a \$1,965,266 decrease in tuition and fees compared to June 30, 2012. The college does not offer tuition discounting.

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Revenues from grants and contracts totaled \$15,997,155 representing a \$1,775,421 decrease compared to the grants and contracts for June 30, 2012.

Auxiliary Enterprises

Auxiliary Enterprises consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The college's auxiliary enterprises are food service, student and faculty housing, bookstore, and the golf course. Revenues from auxiliary enterprises totaled \$3,847,474 for June 30, 2013 representing a \$1,168,029 increase compared auxiliary enterprises at June 30, 2012.

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$187,824 for the 2013 Fiscal Year, representing a \$54,176 decrease in other revenues compared to June 30, 2012.

Operating Expenses

Operating expenses totaling \$35,891,970 include salaries and benefits of \$20,709,056; scholarships and fellowships of \$4,427,568; utilities of \$917,855; commodities of \$3,773,662; services of \$3,940,003; travel of \$560,416; and depreciation of \$1,563,410.

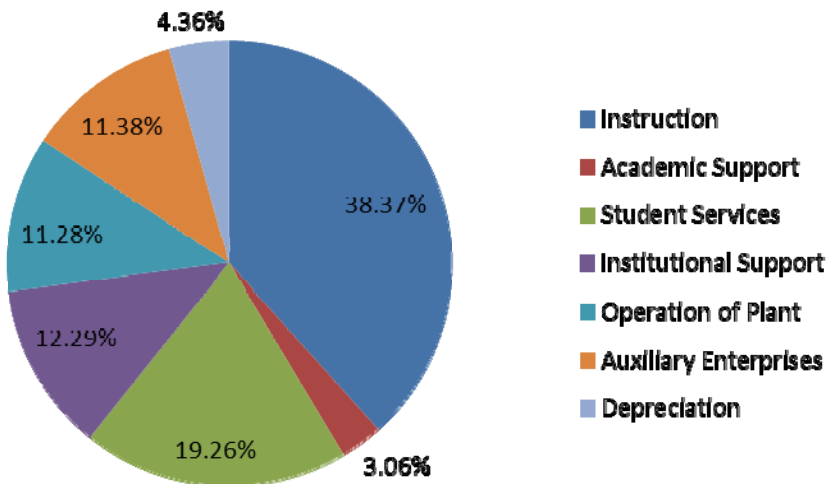
COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total	
<i>Instruction</i>	9,240,540	2,683,799	226,425	539,247	0	719,792	363,677	0	13,773,480	38.37%
<i>Academic Support</i>	648,197	204,111	5,749	213,769	0	0	27,742	0	1,099,568	3.06%
<i>Student Services</i>	1,742,580	626,806	214,279	286,957	0	3,707,776	333,939	0	6,912,337	19.26%
<i>Institutional Support</i>	2,131,844	827,050	109,665	1,153,166	0	0	188,976	0	4,410,701	12.29%
<i>Operation of Plant</i>	974,806	386,287	985	1,466,341	858,973	0	362,162	0	4,049,554	11.28%
<i>Auxiliary Enterprises</i>	990,418	252,618	3,313	280,523	58,882	0	2,497,166	0	4,082,920	11.38%
<i>Depreciation</i>	0	0	0	0	0	0	0	1,563,410	1,563,410	4.36%
<i>Total Operating Expenses</i>	15,728,385	4,980,671	560,416	3,940,003	917,855	4,427,568	3,773,662	1,563,410	35,891,970	100.00%



COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$10,039,010 for the 2013 Fiscal Year, representing a \$940,961 decrease in state appropriation compared to June 30, 2012. State appropriations are nonoperating 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 purposes. The College receives the appropriations beginning in October of each year. The College received \$4,663,321 for the 2013 Fiscal Year from these counties. This amount represents a \$84,354 increase compared to June 30, 2012. Since the county's fiscal year runs from October to September, this appropriation was fully recorded by the College during its 2013 Fiscal Year.

Gain on Sale of Assets

The college disposed of items that were no longer needed or replaced by newer items. The gains associated with the sale of these items totaled \$503 for the 2013 Fiscal Year which represented a \$7,189 decrease from the 2012 Fiscal Year.

Other Non-Operating Revenue

The college received \$224,433 in other non-operating revenues during the 2013 Fiscal Year which represented a \$224,433 increase from June 30, 2012.

Interest Income

This includes the interest income from the cash in the bank accounts. The interest income at June 30, 2013 was \$15,364 representing a \$7,263 decrease in interest income compared to June 30, 2012.

Interest Expense on Capital Debt

The College previously issued bonds to finance construction projects. The interest payments associated with those bond issuances totaled \$239,002 in the 2013 Fiscal Year representing a \$70,807 decrease compared to June 30, 2012.

Other Expenses

In Fiscal Year 2013, the college incurred non-operating expenses totaling \$120,758 which represented a \$120,758 increase from June 30, 2012.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013	June 30, 2012	Increase (Decrease)
Cash and Cash Equivalents Provided (Used) by:			
Operating Activities	\$ (12,827,451)	\$ (9,635,499)	\$(3,191,952)
Non-capital Financing Activities	14,806,006	15,579,500	(773,494)
Capital and Related Financing Activities	(2,456,247)	(3,902,659)	1,446,412
Investing Activities	15,109	2,065	13,044
Net Increase/Decrease in Cash and Cash Equivalents	\$ (462,583)	\$ 2,043,407	\$(2,505,990)
Cash and Cash Equivalents -- Beginning of the Year	\$ 6,929,556	\$ 4,886,149	\$ 2,043,407
Cash and Cash Equivalents - End of the Year	\$ 6,466,973	\$ 6,929,556	\$ (462,583)

The major sources of funds included in operating activities included funds received as cash payments from auxiliary enterprises \$3,847,474; grants and contracts \$15,997,155. The major uses of funds were payments made to employees \$20,673,498; to suppliers \$8,594,149; and payments for scholarships and fellowships \$4,427,568.

The largest inflow of cash for noncapital financing activities was the State appropriation of \$10,039,010 and local (county) appropriations of \$4,663,321.

COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Significant Capital Asset Transactions

The College has engaged in several transactions regarding capital assets during the 2013 Fiscal Year. These transactions were:

• Repairs to the Henley Building	164,358
• Repairs to the Roof on the Wesson Building	245,755
• Repairs to the Roof on the Oswalt Library	11,386
• Ellzey Hall Renovations	357,827
• ADA Renovations for the Anderson Building	78,128
• Computer/Technology Purchases	111,666
• Library Books and Reference Databases	145,015
• Furniture for the Library	5,428
• Lawn Mowers (2) for the Natchez Campus	16,476
• Floor Scrubber for the Simpson Center	5,350
• Water Line/Fire Hydrant Improvement	11,835
• Ellis Hall Renovations	17,872
• Construction of a Retaining Wall at the Wesson Building	25,920
• Resurfaced the Track at Stone Stadium	107,691
• Softball Field Improvements	9,508
• Purchased a Truck for the Natchez Campus	17,542
• Purchased Golf Course Equipment	91,086
• Purchased Equipment for the Cafeteria	195,432
• Purchased a Tractor and Mower for the Wesson Campus	27,783
• Purchased Student Retention Software	11,990
• Purchased Software for the Human Resource Department	15,000
• Replaced the Boilers (2) in the Library	32,906
• Replaced a A/C Unit at the Gymnasium	18,800

TOTAL	\$ 1,724,754
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COPIAH LINCOLN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Factors Impacting Future Periods

The national economic outlook at this time is for a continued slow economic growth. The Mississippi forecast is for slowly improving economic growth, after a slow start to 2013 as the 2% increase in the payroll tax hits. Employment growth will pick up mid-year, led by healthcare and manufacturing. There are signs of a turn-around in housing and construction employment is expected to pick up steam by 2014. The state is forecast to regain 2007 employment levels by 2018. The recovery will peak in 2015 at a real growth rate of output of 2.7%, with employment growth of 1.3%. The unemployment rate will gradually decline, falling from an average of 9.0% in 2012 to 7.2% by 2017.

Mississippi tax revenues continue to exceed Legislative Budget Office estimates and unemployment rates continue to drop slightly in the College's service district. The Mississippi Development Authority has announced that economic development activity has increased and several new companies have plans to locate to Mississippi. Statewide health care & social assistance, durables manufacturing, and transportation & utilities were the leading job creators in 2012 and will also be at the forefront of job creation in 2013. There were several new small to medium size companies that are expected to begin operation within the Copiah-Lincoln Community College district. As a result, additional workforce training dollars may be directed to the College for training for employees of these companies.

Direct state appropriations to support the College have remained relatively level the past few years and are expected to only increase slightly in future periods. The expectation is sales tax collections will continue to move up in future periods but significant increases in total state appropriations to Mississippi community colleges are not expected. Student tuition revenue is expected to continue to trend downward as enrollment begins to normalize after several years of significant growth. Furthermore, elimination of federal financial aid for summer terms and other eligibility restrictions will likely cause student revenue to decline.

On the positive side, local county support to the college is expected to move upward slightly in the coming years.

The population demographics for entering college freshmen who graduate from high school the next four years indicate slow growth. Improved job opportunities mentioned above may impact enrollment downward but the overall benefit to the community will have a positive impact on the College. Good recruitment and retention programs may result in level student enrollments at community colleges statewide. Student enrollment at the College is expected to trend downward to pre-recession levels during future economic periods.

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

FINANCIAL STATEMENTS

COPIAH LINCOLN COMMUNITY COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2013

Assets:

Current Assets:

Cash and cash equivalents	\$ 6,466,973
Investments	71,125
Accounts receivable (net of allowance of \$4,557,963)	3,397,341
Inventories	804,034
Prepaid expenses	173,483
Total Current Assets	<u>10,912,956</u>

Non-Current Assets:

Capital assets, net	40,070,590
Total Non-Current Assets	<u>40,070,590</u>

Total Assets	<u>50,983,546</u>
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Liabilities:

Current Liabilities:

Accounts payable and accrued liabilities	614,549
Deferred revenues	169,323
Other current liabilities	205,928
Accrued leave liabilities - current portion	266,507
Long-term liabilities - current portion	1,094,256
Total Current Liabilities	<u>2,350,563</u>

Non-Current Liabilities:

Long-term liabilities - non-current portion	8,081,032
Total Non-Current Liabilities	<u>8,081,032</u>

Total Liabilities	<u>10,431,595</u>
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Net Position

Net investment in capital assets	30,895,302
Restricted Net Position	
Expendable:	
Debt service	604,425
Capital projects	1,306,541
Unrestricted	7,745,683
Total Net Position	<u>\$ 40,551,951</u>

The accompanying notes are an integral part of this statement.

Copiah-Lincoln Community College Foundation, Inc.

Statement of Financial Position

June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash	\$ 759	2,313	9,911	12,983
Investments	395,104	1,203,976	5,158,368	6,757,448
Total Assets	<u>395,863</u>	<u>1,206,289</u>	<u>5,168,279</u>	<u>6,770,431</u>
Liabilities				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets				
Unrestricted	395,863	-	-	395,863
Temporarily Restricted	-	1,206,289	-	1,206,289
Permanently Restricted	-	-	5,168,279	5,168,279
Total Net Assets	<u>395,863</u>	<u>1,206,289</u>	<u>5,168,279</u>	<u>6,770,431</u>
Total Liabilities & Net Assets	<u>\$ <u>395,863</u></u>	<u><u>1,206,289</u></u>	<u><u>5,168,279</u></u>	<u><u>6,770,431</u></u>

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

COPIAH LINCOLN COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues:

Tuition and fees (net of scholarship allowance of \$5,319,273)	\$ 2,132,851
Federal grants and contracts	11,371,474
State grants and contracts	4,019,655
Local grants and contracts	606,026
Sales and services of educational departments	10,608
Auxiliary enterprises (net of scholarship allowance of \$1,261,949)	3,847,474
Other operating revenues	177,216
Total Operating Revenues	<u>22,165,304</u>

Operating Expenses:

Salaries and wages	15,728,385
Fringe benefits	4,980,671
Travel	560,416
Contractual services	3,940,003
Utilities	917,855
Scholarships and fellowships	4,427,568
Commodities	3,773,662
Depreciation	1,563,410
Total Operating Expenses	<u>35,891,970</u>

Operating Income (Loss) (13,726,666)

Non-Operating Revenues (Expenses):

State appropriations	10,039,010
Local appropriations	4,663,321
Gain on sale of assets	503
Other revenues	224,433
Interest income	15,364
Interest expense	(239,002)
Other expenses	(120,758)
Total Non-operating Revenues (Expenses)	<u>14,582,871</u>

Net Increase (Decrease) in Net Position 856,205

Net Position:

Net Position - Beginning, as originally reported	39,691,279
Prior Period Adjustment	4,467
Net Position - Beginning, as restated	<u>39,695,746</u>
Net Position - End of Year	<u>\$ 40,551,951</u>

The accompanying notes are an integral part of this statement.

Copiah-Lincoln Community College Foundation, Inc.

Statement of Activities

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support				
Contributions	\$ 92,045	15,686	191,164	298,895
Investment Income	18,420	59,968	256,904	335,292
Net Assets Released from Restrictions	235,971	-	(235,971)	-
Total Revenues, Gains and Support	<u>346,436</u>	<u>75,654</u>	<u>212,097</u>	<u>634,187</u>
Expenses				
Program Services				
Scholarships	226,910	3,260	-	230,170
Payments Directly to the College	17,328	34,701	-	52,029
Special Events	12,842	-	-	12,842
Athletic Expenses	29,441	2,309	-	31,750
Alumni Operations	3,986	-	-	3,986
Other Expenses				
Management and General	9,635	53	-	9,688
Total Expenses	<u>300,142</u>	<u>40,323</u>	<u>-</u>	<u>340,465</u>
Change in Net Assets before Transfers	<u>46,294</u>	<u>35,331</u>	<u>212,097</u>	<u>293,722</u>
Transfers				
Transfers from Other Funds	-	287,056	-	287,056
Transfers to Other Funds	(286,479)	-	(577)	(287,056)
Total Transfers	<u>(286,479)</u>	<u>287,056</u>	<u>(577)</u>	<u>-</u>
Change in Net Assets	<u>(240,185)</u>	<u>322,387</u>	<u>211,520</u>	<u>293,722</u>
Net Assets at Beginning of Year	<u>636,048</u>	<u>883,902</u>	<u>4,956,759</u>	<u>6,476,709</u>
Net Assets at End of Year	<u>\$ 395,863</u>	<u>1,206,289</u>	<u>5,168,279</u>	<u>6,770,431</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, 2013

Cash Flows from Operating Activities:

<i>Cash Received from Tuition and Fees</i>	\$ 1,004,794
<i>Cash Received from Grants</i>	15,997,155
<i>Cash Received from Sales and Services</i>	10,608
<i>Cash Received from Auxiliary Enterprises</i>	3,847,474
<i>Cash Payments to Employees for Services</i>	(20,673,498)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(8,594,149)
<i>Cash Payments for Scholarships and Fellowships</i>	(4,427,568)
<i>Other Operating Cash Receipts (Payments)</i>	7,733
Net Cash Provided (Used) by Operating Activities	<u>(12,827,451)</u>

Cash Flows from Non-capital Financing Activities:

<i>Other Proceeds (Payments)</i>	103,675
<i>State Appropriations</i>	10,039,010
<i>Local Appropriations</i>	4,663,321
<i>Federal Loans Receipts</i>	2,789,852
<i>Federal Loans Disbursements</i>	(2,789,852)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>14,806,006</u>

Cash Flows from Capital and Related Financing Activities:

<i>Proceeds from Issuance of Long-term Debt</i>	275,000
<i>Principal and Interest Paid</i>	(1,290,070)
<i>Acquisition or Construction of Capital Assets</i>	(1,441,680)
<i>Proceeds from Sale of Capital Assets</i>	503
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,456,247)</u>

Cash Flows from Investing Activities:

<i>Purchase of Investment Securities</i>	(255)
<i>Interest and Dividends on Investments</i>	15,364
Net Cash Provided (Used) for Investing Activities	<u>15,109</u>

Net Increase (Decrease) in Cash and Cash Equivalents (462,583)

Cash and Cash Equivalents at Beginning of Year 6,929,556

Cash and Cash Equivalents at End of Year \$ 6,466,973

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	\$ (13,726,666)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	1,563,410
<i>Other receipts (payments)</i>	138,982
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(1,128,057)
<i>Decrease (Increase) in Inventories</i>	(87,527)
<i>Decrease (Increase) in Prepaid Expenses</i>	70,894
<i>Increase (Decrease) in Accounts Payable</i>	124,898
<i>Increase (Decrease) in Other Payables</i>	205,928
<i>Increase (Decrease) in Accrued Leave</i>	35,558
<i>Increase (Decrease) in Deferred Revenue</i>	(24,871)
Total Adjustments	<u>899,215</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (12,827,451)</u>

The accompanying notes are an integral part of this statement.

Copiah-Lincoln Community College Foundation, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2013

Cash Flows From Operating Activities:	
Increase in net assets	\$ 293,722
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Net unrealized (gains) losses on investments	(41,028)
Increase (decrease) in:	
Contributions restricted for permanent investment	<u>(191,164)</u>
Net cash provided by operating activities	<u>61,530</u>
Cash Flows From Investing Activities:	
Purchases of Investments	(1,044,152)
Sales of Investments	<u>635,955</u>
Net cash used by investing activities	<u>(408,197)</u>
Cash Flows From Financing Activities:	
Contributions restricted for permanent investment	<u>191,164</u>
Net Increase (Decrease) in Cash	<u>(155,503)</u>
Cash Balance	
Beginning of Year	<u>168,486</u>
End of Year	<u>\$ 12,983</u>

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

Notes to the Financial Statements

For the year ended
June 30, 2013

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

(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, 2013, the Foundation distributed \$52,029 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 now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

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 Receivables

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

G. Student Notes Receivables

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

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

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. Deferred Revenues

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

K. 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, 2013 was \$266,507.

L. Classification of Revenues

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

- 1) **Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.
- 2) **Nonoperating revenues:** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

M. 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.

N. 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.

O. 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 (2) categories: Expendable and Non-expendable. Non-expendable restricted net position represents gifts that have been received for endowment purposes, the corpus of which cannot be expended. Currently, there is no net position classified as such. Expendable restricted net position represent funds that have been gifted

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

for specific purposes and funds held in federal loan programs.

- 3) Unrestricted net position are amounts that remained available for spending for other purposes.

P. Impairment of Capital Assets

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

(2) Cash and Cash Equivalents 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, 2013 the College had \$6,466,973 in cash and cash equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the college's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal 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, 2014, none of the College's bank balance of \$7,957,578 was exposed to custodial credit risk.

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

B. Investments

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

As of June 30, 2013, the college had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificate of Deposit	N/A	Less than 1 year	\$ <u>71,125</u>

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), Miss. 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, 2013, the college did not have any investments to which this would apply.

(3) Accounts Receivable

Accounts receivable consisted of the following at June 30, 2013:

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

Student tuition	\$	5,685,448
Local appropriations		1,793,719
State sources		134,257
Federal sources		264,206
Other		77,674
Total Accounts Receivable		<u>7,955,304</u>
Less allowance for doubtful accounts		<u>(4,557,963)</u>
Net Accounts Receivable	\$	<u><u>3,397,341</u></u>

(4) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013, is presented as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Adjustments	Ending Balance
Non-depreciable Capital Assets:						
Land	\$ 755,732					755,732
Construction in progress	279,046	930,081		(753,178)		455,949
Total Non-depreciable Capital Assets	<u>1,034,778</u>	<u>930,081</u>	<u>0</u>	<u>(753,178)</u>	<u>0</u>	<u>1,211,681</u>
Depreciable Capital Assets:						
Buildings	48,845,815		200,795	753,178		49,398,198
Improvements other than buildings	8,546,974	143,119				8,690,093
Equipment	5,692,868	348,446	212,392		36,161	5,865,083
Library books	2,818,759	20,034			(1,385,066)	1,453,727
Total Depreciable Capital Assets	<u>65,904,416</u>	<u>511,599</u>	<u>413,187</u>	<u>753,178</u>	<u>(1,348,905)</u>	<u>65,407,101</u>
Less Accumulated Depreciation for:						
Buildings	15,830,095	902,131	67,590			16,664,636
Improvements other than buildings	3,554,934	306,450				3,861,384
Equipment	4,615,578	294,958	208,373		31,681	4,733,844
Library books	2,611,752	59,871			(1,383,295)	1,288,328
Total Accumulated Depreciation	<u>26,612,359</u>	<u>1,563,410</u>	<u>275,963</u>	<u>0</u>	<u>(1,351,614)</u>	<u>26,548,192</u>
Total Depreciable Capital Assets, Net	<u>39,292,057</u>	<u>(1,051,811)</u>	<u>137,224</u>	<u>753,178</u>	<u>2,709</u>	<u>38,858,909</u>
Capital Assets, Net	\$ <u><u>40,326,835</u></u>	<u><u>(121,730)</u></u>	<u><u>137,224</u></u>	<u><u>0</u></u>	<u><u>2,709</u></u>	<u><u>40,070,590</u></u>

Adjustments were made to correctly present capital assets at year end.

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

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

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

Commitments under construction contracts at June 30, 2013, are summarized as follows:

	Spent to June 30, 2013	Remaining Commitment
Water Line/Fire Hydrant Upgrade	\$ 23,672	94,042
Ellis /Ellzey Hall (Bureau)	389,808	990,676
Library Roofing (Bureau)	11,386	205,841
Energy Conservation Measures (Bureau)	26,298	517,402
Copiah Hall (Bureau)	4,785	10,370
	<u>\$ 455,949</u>	<u>1,818,331</u>

Construction projects included above are funded through the Bureau of Building, Grounds, and Real Property Management.

(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, 2013. 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 this schedule, information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities is listed.

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Educational Facilities Bond 2011	\$ 2,245,000		295,000	1,950,000	300,000
Educational Facilities Bond 2009	3,605,000		210,000	3,395,000	220,000
General Obligation Note 2010	644,074		82,222	561,852	82,222
Dorm Construction	620,000		115,000	505,000	120,000
Capital Lease - Equipment	0	275,000	44,482	230,518	67,710
Capital Lease - Mini Buses	59,480		39,169	20,311	20,311
Energy Management Lease	2,366,294		134,307	2,231,987	146,941
MS School Series 2011 A Lease	411,508		130,888	280,620	137,072
Accrued Leave	230,949	35,558		266,507	266,507
Total	\$ <u>10,182,305</u>	<u>310,558</u>	<u>1,051,068</u>	<u>9,441,795</u>	<u>1,360,763</u>

Bonded Debt:

Description	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Bonded Debt				
Educational Facilities Bond 2011	2.0-2.5%	2019	\$ 2,270,000	1,950,000
Educational Facilities Bond 2009	3.2 - 4.5%	2025	4,000,000	3,395,000
General Obligation Note 2010	0%	2020	<u>740,000</u>	<u>561,852</u>
Total Bonded Debt			\$ <u>7,010,000</u>	<u>5,906,852</u>

Revenue Bond:

Description	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Revenue Bond				
Dorm Construction	3.0%	2017	\$ <u>2,554,000</u>	<u>505,000</u>
Total Revenue Bond			\$ <u>2,554,000</u>	<u>505,000</u>

Capital Leases:

Description	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Capital Leases				
Energy Management	3.25%	2023	2,814,170	2,231,987
Mini Buses	4.93%	2014	166,164	20,311
MS School Series 2011 A	4.67%	2015	545,200	280,620
Equipment - Café & Golf	4.73%	2017	<u>275,000</u>	<u>230,518</u>
Total Capital Leases			\$ <u>3,800,534</u>	<u>2,763,436</u>

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

Other Long-Term Liabilities:

<u>Description</u>	<u>Amount Outstanding</u>
Other Long-Term Liabilities	
Accrued Leave	\$ <u><u>266,507</u></u>

Long-term debt will mature as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>Revenue Bond</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 602,222	120,000	372,034	289,922	1,384,178
2015	627,222	125,000	372,812	254,980	1,380,014
2016	647,222	130,000	244,690	220,482	1,242,394
2017	657,222	130,000	213,185	190,609	1,191,016
2018	677,222		205,385	162,716	1,045,323
2019-2023	2,000,742		1,355,330	431,220	3,787,292
2024-2025	<u>695,000</u>			<u>26,259</u>	<u>721,259</u>
Total	\$ <u><u>5,906,852</u></u>	<u><u>505,000</u></u>	<u><u>2,763,436</u></u>	<u><u>1,576,188</u></u>	<u><u>10,751,476</u></u>

(6) Operating Leases

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 110,189
2015	53,249
2016	15,646
2017	9,072
2018	3,750
2019	<u>3,750</u>
Total Minimum Payments Required	\$ <u><u>195,656</u></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, 2013, was \$148,701.

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

(7) Pension Plan

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

Funding policy. PERS members are required to contribute 9% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The rate was 14.26% of annual covered payroll at June 30, 2013. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2013, 2012 and 2011 were \$2,094,273, \$1,851,358 and \$1,708,736, respectively, equal to the required contributions for each year.

(8) Impairment of Capital Assets

In August 2012, the College lost a building due to a fire. The College received \$218,927 to replace the building that was carried on the books at a cost of \$200,795 and an accumulated depreciation of \$67,590 for a carrying value of \$133,205. The proceeds received from the insurance recovery have been recorded under non-operating revenues. The building will be restored and is expected to be completed in fiscal year 2014.

(9) Prior Period Adjustment

The prior period adjustment was mainly to properly present capital assets at year end.

(10) Subsequent Events

Events that occur after the Statement of Net 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 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 the Copiah-Lincoln Community College evaluated the activity of the College through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statement.

Copiah - Lincoln Community College

Notes to the Financial Statements For the Year Ended June 30, 2013

Starting in August 2014, the College will begin receiving a \$1 million Grant from the Department of Transportation. The grant will be used to create a pedestrian corridor on the Wesson Campus. This pedestrian corridor will re-establish a now-closed street on the Wesson Campus and enhance it with designer unit pavers, seat walls, sod areas, shrubbery, irrigation systems, and flowering trees.

Copiah - Lincoln Community College

Notes to the Financial Statements
For the Year Ended June 30, 2013

(11) Functional Classification of Operating Expenses

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 9,240,540	\$ 2,683,799	\$ 226,425	\$ 539,247		\$ 719,792	\$ 363,677		\$ 13,773,480
Academic Support	648,197	204,111	5,749	213,769			27,742		\$ 1,099,568
Student Services	1,742,580	626,806	214,279	286,957		3,707,776	333,939		\$ 6,912,337
Institutional Support	2,131,844	827,050	109,665	1,153,166			188,976		\$ 4,410,701
Operation of Plant	974,806	386,287	985	1,466,341	858,973		362,162		\$ 4,049,554
Auxiliary Enterprises	990,418	252,618	3,313	280,523	58,882		2,497,166		\$ 4,082,920
Student Aid								1,563,410	\$ -
Depreciation									\$ 1,563,410
Total Operating Expenses	\$ 15,728,385	\$ 4,980,671	\$ 560,416	\$ 3,940,003	\$ 917,855	\$ 4,427,568	\$ 3,773,662	\$ 1,563,410	\$ 35,891,970

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 Summary of Significant Accounting Policies

Statement of Organizational Activities

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

Basis of Presentation

The Foundation prepares its financial statements on the accrual basis of accounting. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. In accordance with FASB Accounting Standards Codification Subtopic 958-205, Not-For-Profit Entities—Presentation of Financial Statements, fund balances are classified on the statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets, based on the absence or existence and type of donor-imposed restrictions.

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2013

Income Taxes

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

Donated Assets

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

Donated Services and Facilities

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

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 unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

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

Fixed Assets

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2013

Pledges Receivable

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

The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no pledges receivable and therefore no allowance for uncollectible pledges receivable at June 30, 2013.

Estimates

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

Functional Allocation of Expenses

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

Note 2 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 has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment managers who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Foundation.

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

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

Copiah-Lincoln Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 3 Investments

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

Pooled investments at June 30, 2013 consist of the following:

Description	Market	Cost
U.S. Government Obligations	\$ 284,937	\$ 284,903
Corporate Bonds	357,463	309,212
Municipal Bonds	4,257,845	3,982,902
Mutual Funds - Equity		
Dodge and Cox Stock Fund	223,003	182,966
Federated Equity Income Fund	183,709	170,800
Federated Strategic Value Div. Fund - Inst.	819,427	726,222
Goldman Sachs Satellite Strategies Port. - SVC	130,669	128,430
Oppenheimer Main St. Small Cap FD CL A	203,215	111,564
Ridgeworth Small Cap Value Equity Fund	29,944	25,215
Ridgeworth Mid Cap Value Equity Fund	267,237	190,870
Total Mutual Funds - Equity	1,857,204	1,536,067
Total Investments	\$ 6,757,449	\$ 6,113,084

Investment Income for the year ended June 30, 2013 was calculated as follows:

Interest and Dividends	\$ 304,539
Realized Gains and Losses	4,027
Unrealized Gains and Losses	41,028
Subtotal	349,594
Less Investment Fees	(14,302)
Net Investment Income	\$ 335,292

SUPPLEMENTARY INFORMATION

COPIAH-LINCOLN COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>		
Student Financial Aid-Cluster		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 117,606
Federal Direct Student Loans	84.268	2,789,852
Federal Work-Study Programs (FWS)	84.033	137,366
Federal Pell Grant Program	84.063	9,500,251
Total Student Financial Aid Cluster		<u>12,545,075</u>
Total U.S. Department of Education		<u>12,545,075</u>
<u>U.S. Department of Labor</u>		
Passed through programs from:		
Senior Service America, Inc.		
Senior Community Service Employment Program	17.235	<u>509,735</u>
Central Mississippi Planning and Development District		
WIA Cluster		
WIA Adult Program	17.258	45,647
WIA Youth Activities	17.259	15,714
WIA Dislocated Worker Formula Grants	17.278	<u>27,972</u>
Total WIA Cluster		<u>89,333</u>
Southwest Mississippi Planning and Development District		
Senior Community Service Employment Program	17.235	<u>36,755</u>
Bossier Parish Community College		
Trade Adjustment Assistance Community College and Career Training	17.282	<u>14,824</u>
Total U.S. Department of Labor		<u>650,647</u>
<u>U.S. Department of Education</u>		
TRIO Cluster		
TRIO-Student Support Services	84.042	<u>253,661</u>
Pass through program from:		
Mississippi Community College Board		
Adult Education - Basic Grants to States	84.002A	<u>217,365</u>
Mississippi Department of Education		
Career Technical Education - Basic Grants to States	84.048A	276,426
Tech-Prep Education	84.243	<u>15,000</u>
Sub-total pass-through programs		<u>508,791</u>
Total U.S. Department of Education		<u>762,452</u>
<u>Small Business Administration</u>		
Small Business Development Centers	59.037	<u>6,798</u>
Total Small Business Administration		<u>6,798</u>
<u>U. S. Department of Justice</u>		
Bulletproof Vest Partnership Grant	16.607	<u>4,492</u>
Total U.S. Department of Justice		<u>4,492</u>
<u>U.S. Department of Agriculture</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>39,643</u>
Total U.S. Department of Agriculture		<u>39,643</u>
Total Expenditures of Federal Awards	\$	<u><u>14,009,107</u></u>

Notes to Schedule

1 This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.

2 For purposes of this schedule, loans made to students under 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

46 financial statements, since the loans are made and subsequently collected by the federal government.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, 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, 2013, and the related notes to the financial statements, which collectively comprise the Copiah-Lincoln Community College's basic financial statements, and have issued our report thereon dated March 12, 2014. The financial statements of the Copiah-Lincoln Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefor, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and question costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [Finding 2013-1].

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.

Compliance and Other Matters

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

Copiah-Lincoln Community College's Response to Finding

Copiah-Lincoln Community College's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. Copiah-Lincoln Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

This report is intended solely for the information and use of the college, members of the legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 12, 2014

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
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ronald E. Nettles, 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Copiah-Lincoln Community College major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinion on Each Major Federal Program

In our opinion, the Copiah-Lincoln Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

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 type 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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the college, members of the legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 12, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the business-type activities of the Copiah - Lincoln Community College and the aggregate discretely presented component unit as of and for the year ended June 30, 2013, and have issued our report thereon dated March 12, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with 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 state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the college, members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 12, 2014

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, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - 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: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No.
7. Identification of major programs:
 - a. Student Financial Aid Cluster:
Federal Supplemental Education Opportunity Grants (FSEOG)
CFDA # 84.007
Federal Direct Student Loans
CFDA # 84.268
Federal Work-Study Programs (FWS)
CFDA # 84.033
Federal Pell Grant Program
CFDA # 84.063
 - b. Senior Community Service Employment Program
CFDA # 17.235
8. Dollar threshold used to distinguish between type A and type B programs: \$336,578
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Material Weakness

Finding 2013-1:

Condition: The College did not perform a complete inventory of its capital assets. The College did not reconcile assets on hand to inventory lists.

Criteria: The control cycle surrounding capital assets should provide the College with assurances that capital assets and related outflows are properly recorded, that capital assets are safeguarded, and that accurate and timely financial information is available for reporting requirements and for use in preparing the annual financial statements.

Cause: The failure to have capital assets recorded and reconciled could potentially result in overstatement or understatement of capital assets and depreciation expense.

Effect: Audit adjustments were proposed and made to correct these issues.

Recommendation:

The College should perform a capital assets inventory periodically.

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.

AUDITEE'S CORRECTIVE ACTION PLAN



AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315 (c) of OMB Circular A-133, the Copiah - Lincoln Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2013:

Finding

2013-1 a. Name of Contact Person Responsible for Corrective Action:

Name: Michael Tanner
Title: Vice President of Business Affairs
Phone: (601) 643-8302

b. Corrective Action Planned:

The College has assigned the responsibility of inventory control to an accountant who will work with the VP of Business Affairs and other members of the business office staff to ensure that a capital asset inventory is performed periodically.

c. Anticipated Completion Date: 06-30-2014