



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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PEARL RIVER COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2004

PEARL RIVER COMMUNITY COLLEGE

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PEARL RIVER COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

PEARL RIVER COMMUNITY COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

We have audited the accompanying financial statements of the business type activities of Pearl River Community College as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Pearl River Community College's management. Our responsibility is to express an opinion on the financial statements based on our audit. We did not audit the financial statements of the Pearl River Community College Development Foundation, Inc., a discretely presented component unit of Pearl River Community College. Those financial statements were audited by an other auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned statements, is based on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and discretely presented component unit of Pearl River Community College, as of June 30, 2004, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, Pearl River Community College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, for the year ended June 30, 2004, which requires reporting as component units those organizations that raise and hold economic resources for the direct benefit of the college or its constituents.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005, on our consideration of Pearl River Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 12, 2005

PEARL RIVER COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pearl River Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2004. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State appropriations and gifts as nonoperating 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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, noncapital financing, capital and related financing, and investing activities.

Condensed Statement of Net Assets

June 30, 2004

	<u>FY 2004</u>	<u>FY 2003</u>
Assets		
Current Assets	\$12,573,314	\$11,471,833
Noncurrent Assets:		
Capital, Net	29,365,179	25,182,419
Other	<u>2,673,726</u>	<u>4,537,159</u>
Total Assets	<u>44,612,219</u>	<u>41,191,411</u>
Liabilities		
Current Liabilities	2,530,176	3,573,512
Noncurrent Liabilities	<u>2,975,004</u>	<u>2,654,919</u>
Total Liabilities	<u>5,505,180</u>	<u>6,228,431</u>
Net Assets		
Invested in Capital Assets, Net	26,731,953	21,613,110
Restricted:		
Nonexpendable	29,250	29,250
Expendable	3,125,870	4,492,068
Unrestricted	<u>9,219,966</u>	<u>8,828,552</u>
Total Net Assets	\$ <u>39,107,039</u>	<u>34,962,980</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts, petty cash and certificates of deposit. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$4,731,320 at June 30, 2004, compared to the FY 2003 figure of \$2,666,294.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Accounts Receivables

Accounts receivables relate to several transactions including county appropriations, accrued interest, 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 \$1,980,774 at June 30, 2004, compared to FY 2003, \$2,976,136.

Inventories

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories maintained for internal departmental use include paper goods. Inventories totaled \$441,848 at June 30, 2004, in comparison to \$452,812 for FY 2003.

Noncurrent assets

Cash and Cash Equivalents

Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered noncurrent are cash in endowment funds. The amount of cash and cash equivalents considered noncurrent at June 30, 2004 totaled \$2,644,476 in comparison to \$4,507,909 for FY 2003. The difference can be attributed to an estate settlement received by the college during FY 2003.

Other Investments

Other long-term investments include bank certificates of deposit held by F.D.I.C. insured banks. The value at June 30, 2004 was \$29,250. There was no change in this fund balance from FY 2003.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2004. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$29,365,179 at June 30, 2004, in comparison to \$25,182,419 for FY 2003. The growth in capital assets, net, can be attributed to the construction of the Lowery Woodall Advanced Technology Center, as well as the major renovation of the Crosby Hall Student Center facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2004 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,753,206 at June 30, 2004, in comparison to \$2,311,147 for FY 2003.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion, bonds, notes and capital leases, represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2004 fiscal year. The amount of the current portion of bonds, notes and capital leases at June 30, 2004, was \$352,953 compared to \$942,485 for FY 2003.

Noncurrent Liabilities

Long-Term Liabilities

This liability consists of accrued compensated balances, bonds, notes and capital leases. The total amount of the noncurrent portion of accrued compensated balances was \$2,280,273 at June 30, 2004, compared to \$2,626,824 for FY 2003.

Net Assets

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2004 were \$39,107,039, compared to \$34,962,980 for FY 2003.

Analysis of Net Assets

Restricted nonexpendable net assets consist of endowment gifts with specific restrictions on spending the principal given.

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

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following is a breakdown of the unrestricted net assets:

	<u>FY 2004</u>	<u>FY 2003</u>
Unrestricted General Fund	\$ 7,709,470	\$7,553,201
Unrestricted Auxiliary Fund	<u>1,510,496</u>	<u>1,275,351</u>
Total Unrestricted Net Assets	<u>\$9,219,966</u>	<u>\$8,828,552</u>

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

For the year ended June 30, 2004.

	<u>FY 2004</u>	<u>FY 2003</u>
Operating Revenues:		
Tuition and Fees	\$1,507,189	\$1,816,083
Grants and Contracts	12,866,760	12,942,318
Sales and Services of Educational Auxiliary Enterprises	206,729	120,560
Other Operating Revenues	<u>3,176,920</u>	<u>3,047,013</u>
	<u>438,035</u>	<u>259,802</u>
Total Operating Revenues	<u>18,195,633</u>	<u>18,185,776</u>
Operating Expenses	<u>29,467,113</u>	<u>28,282,560</u>
Operating Loss	<u>(11,271,480)</u>	<u>(10,096,784)</u>
Nonoperating Revenues:		
State Appropriations	8,420,999	8,294,443
County Appropriations	3,710,134	3,636,716
Investment Income, Net	(21,998)	1,548
Other Nonoperating Expenses	<u>(62,407)</u>	<u>(113,155)</u>
Net Nonoperating Revenues	<u>12,046,728</u>	<u>11,819,552</u>
Income Before Other Revenues	775,248	1,722,768
Capital Appropriations	4,062,395	401,317
Total Increase in Net Assets	4,837,643	2,124,085
Net Assets		
Net Assets at Beginning of Year, as Restated	<u>34,269,396</u>	<u>32,838,895</u>
Net Assets at End of Year	<u>\$39,107,039</u>	<u>\$34,962,980</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Total operating loss for the fiscal year 2004 was \$11,271,480 compared to \$10,096,784 for FY 2003. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show 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.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2004 were \$18,195,633, compared to \$18,185,776 for FY 2003. Tuition and fees were \$1,507,189, compared to \$1,816,083 for FY 2003. Operating expenses, including depreciation of \$1,600,415 totaled \$29,467,113. Of this total \$12,043,722 or 41%, was for instruction. Operating expenses for FY 2003, including depreciation of \$1,508,609, totaled \$28,282,560. Of this total \$11,922,209, or 42%, was for instruction.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$1,507,189 for FY 2004, in comparison to \$1,816,083 for FY 2003. The difference is due to FY 2003 being net of scholarship funds.

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. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2004:

	<u>FY 2004</u>	<u>FY 2003</u>
Federal Sources:		
Department of Education	\$9,510,838	\$8,761,589
Other Sources	<u>3,355,922</u>	<u>4,180,729</u>
Total All Sources	<u>\$12,866,760</u>	<u>\$12,942,318</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

Noncapital Gifts

This consists of gifts made to the college from a nongovernmental organization and/or individuals. The cash gifts totaled \$251,920 at June 30, 2004, compared to \$230,615 for FY 2003.

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$206,729 for the 2004 fiscal year, and \$120,560 for FY 2003.

Sales and Services, Net

Sales and services, net, 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.

Auxiliary enterprises primarily include the College bookstore.

Operating Expenses

Operating expenses for FY 2004 totaling \$29,467,113 include salaries and benefits of \$12,905,988 scholarships and fellowships of \$4,196,138, utilities of \$902,085 supplies of \$3,316,156 services of \$3,117,639 and depreciation of \$1,600,415. Operating expenses for FY 2003 totaling \$28,282,560 include salaries and benefits of \$14,638,911, scholarships and fellowships of \$4,730,999, utilities of \$873,170, supplies of \$2,943,306 services of \$3,295,273 and depreciation of \$1,508,609.

	<u>FY 2004</u>	<u>FY 2003</u>
Expenses by Function:		
Instruction	\$ 12,043,722	\$11,922,209
Academic Support	565,368	541,936
Student Services	5,701,564	2,668,754
Institutional Support	3,932,440	3,128,670
Operations and Maintenance of Plant	2,612,198	2,310,240
Auxiliary Enterprises	3,011,406	2,752,526
Depreciation	<u>1,600,415</u>	<u>1,508,609</u>
 Total Operating Expenses by Function	 \$ <u>29,467,113</u>	 \$ <u>28,282,560</u>

Nonoperating Revenues (Expenses)

State Aid

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$12,483,394 for 2003-2004 fiscal year, of which \$8,420,999 was for operations. In addition, the College received \$4,062,395 in general obligation bonds of the State for capital improvements. During FY 2003, the College received \$8,695,760 of which \$8,294,443 was for operations. The college received \$401,317 in general obligation bonds of the state for capital improvements for FY 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

County Appropriations

The College also receives revenue from the six county district in which the school resides. The College uses the funding for salaries and benefits, for operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$3,710,134 for the 2004 fiscal year from the counties, and \$3,636,716 for FY 2003.. This appropriation was fully recorded by the College during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2004 was \$144,397 compared to the FY 2003 amount of \$179,478.

Other Nonoperating Expenses

This consists of the losses on the sale of fixed assets that the College incurred during the 2004 fiscal year. Total net other nonoperating revenues/expenses amounted to (\$62,407), compared to FY 2003 in the amount of \$113,155.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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. 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, and
- A need for external financing.

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year Ended June 30, 2004

	<u>FY 2004</u>	<u>FY 2003</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (9,401,556)	(8,461,072)
Noncapital Financing Activities	12,388,781	12,060,428
Capital and Related Financing Activities	(2,883,089)	(2,151,557)
Investing Activities	<u>97,457</u>	<u>(4,735,895)</u>
Net Increase in Cash and Cash Equivalents	201,593	(3,288,096)
Cash and Cash Equivalents – Beginning of the Year	<u>7,174,203</u>	<u>10,462,299</u>
Cash and Cash Equivalents – End of the Year	\$ <u>7,375,796</u>	\$ <u>7,174,203</u>

The major sources of funds for FY 2004 included in operating activities include student tuition and fees, \$1,507,353 auxiliary enterprises, \$3,176,919 and grants and contracts, \$13,726,885. The major uses of funds were payments made to employees, \$16,304,055 and to suppliers, \$6,600,483. During FY 2003, the major sources of funds included in operating activities include student tuition and fees, \$6,114,921, auxiliary enterprises, \$3,263,029, grants and contracts, \$11,948,024. The major uses of funds during FY 2003 were payments to employees, \$14,082,055 and to suppliers, \$6,864,976.

The largest inflow of cash for FY 2004 in the noncapital financing activities group is the State appropriation of \$8,589,494. This figure compares to the FY 2003 amount of \$7,743,077.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Significant Capital Asset Transactions

None noted for the FY 2003 or FY 2004.

Factors Impacting Future Periods

There are a number of issues of community college-wide importance that directly impacted the fiscal year 2004 financial situation. The level of State support, compensation increases, student tuition and fee increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately fifty-five percent of general operations' revenue. The level of State support is therefore one of the key factors influencing the College's financial condition.

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the College in the years to come.

Various committees and individuals are assessing the College's performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

PEARL RIVER COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

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PEARL RIVER COMMUNITY COLLEGE
Statement of Net Assets
June 30, 2004

ASSETS

Current assets:

Cash and cash equivalents	\$	4,731,320
Short-term investments		5,116,918
Accounts receivables, net		1,980,774
Inventories		441,848
Prepaid expenses		<u>302,454</u>

Total Current Assets 12,573,314

Noncurrent assets:

Restricted cash and cash equivalents		2,644,476
Endowment investments		29,250
Capital assets, net of accumulated depreciation		<u>29,365,179</u>

Total Noncurrent Assets 32,038,905

Total Assets 44,612,219

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities		1,753,206
Deferred revenues		397,680
Accrued leave liabilities - current portion		26,337
Long-term liabilities - current portion		<u>352,953</u>

Total Current Liabilities 2,530,176

Noncurrent liabilities:

Deposits refundable		28,328
Accrued leave liabilities		666,403
Long-term liabilities		<u>2,280,273</u>

Total Noncurrent Liabilities 2,975,004

Total Liabilities 5,505,180

NET ASSETS

Invested in capital assets, net of related debt 26,731,953

Restricted for:

Nonexpendable:

Scholarships and fellowships 29,250

Expendable:

Scholarships and fellowships 12,412

Capital projects 1,442,853

Debt service 1,670,605

Unrestricted: 9,219,966

Total Net Assets \$ 39,107,039

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

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004**

	OPERATING FUNDS			Total All Funds 6/30/04
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and cash equivalents	\$ 104,507	\$ 222,358	\$ 97,679	\$ 424,544
Certificates of deposit	285,000	100,000	890,791	1,275,791
Treasury notes	-	-	9,980	9,980
Prepaid insurance	825	-	-	825
Pledges receivable	-	7,250	-	7,250
Common fund investments	241,165	-	-	241,165
Total current assets	<u>631,497</u>	<u>329,608</u>	<u>998,450</u>	<u>1,959,555</u>
Common fund investments, restricted	-	627,156	48,915	676,071
Property and equipment at cost less accumulated depreciation of \$26,390	4,772	8,957	-	13,729
Construction in progress – Chapel	-	726,436	-	726,436
Total assets	<u>\$ 636,269</u>	<u>\$ 1,692,157</u>	<u>\$ 1,047,365</u>	<u>\$ 3,375,791</u>

See the independent auditor's report and accompanying notes to financial statements.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004**

	<u>OPERATING FUNDS</u>		<u>Permanently Restricted</u>	<u>Total All Funds 6/30/04</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 7,804	\$ 88,839	\$ -	\$ 96,643
Accrued expenditures	-	21,747	-	21,747
Total current liabilities	<u>7,804</u>	<u>110,586</u>	<u>-</u>	<u>118,390</u>
NET ASSETS				
Unrestricted	628,465	-	-	628,465
Temporarily restricted	-	1,581,571	-	1,581,571
Permanently restricted	-	-	1,047,365	1,047,365
Total net assets	<u>628,465</u>	<u>1,581,571</u>	<u>1,047,365</u>	<u>3,257,401</u>
Total liabilities and net assets	<u>\$ 636,269</u>	<u>\$ 1,692,157</u>	<u>\$ 1,047,365</u>	<u>\$ 3,375,791</u>

See the independent auditor's report and accompanying notes to financial statements.

PEARL RIVER COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$4,929,263)	\$ 1,507,189
Federal grants and contracts	9,510,838
State grants and contracts	3,104,002
Nongovernmental grants and contracts	251,920
Sales and services of educational departments	206,729
Auxiliary enterprises:	
Student housing	326,297
Food services	1,039,576
Bookstore	1,811,047
Other operating revenues	<u>438,035</u>
Total Operating Revenues	<u>18,195,633</u>
Operating Expenses:	
Salaries and wages	12,905,988
Fringe benefits	3,000,190
Travel	428,502
Contractual services	3,117,639
Utilities	902,085
Scholarships and fellowships	4,196,138
Commodities	3,316,156
Depreciation expense	<u>1,600,415</u>
Total Operating Expenses	<u>29,467,113</u>
Operating Income (Loss)	<u>(11,271,480)</u>
Nonoperating Revenues (Expenses):	
State appropriations	8,420,999
Local appropriations	3,710,134
Investment income	144,397
Interest expense on capital asset-related debt	(166,395)
Other nonoperating revenues (expenses)	<u>(62,407)</u>
Total Net Nonoperating Revenues (Expenses)	<u>12,046,728</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>775,248</u>
State appropriations restricted for capital purposes	<u>4,062,395</u>
Change in Net Assets	<u>4,837,643</u>
Net Assets:	
Net Assets - Beginning of Year, as Originally Reported	34,962,980
Prior period adjustments	<u>(693,584)</u>
Net Assets - Beginning of Year, as Restated	<u>34,269,396</u>
Net Assets - End of Year	<u>\$ <u>39,107,039</u></u>

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

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	OPERATING FUNDS			Total All Funds 6/30/04
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 32,905	\$ 350,616	\$ 59,815	\$ 443,336
Gifts in-kind	-	36,107	-	36,107
Other	145,933	-	-	145,933
Fund raising	50,795	-	-	50,795
Interest income	24,090	39,550	2,447	66,087
Unrealized gain (loss) on investments	50,987	50,986	5,426	107,399
Net assets released from restriction:				
Expiration of usage restrictions	280,941	(278,448)	(2,493)	-
Total revenues, gains, and other support	<u>585,651</u>	<u>198,811</u>	<u>65,195</u>	<u>849,657</u>
EXPENSES				
Program services:				
Scholarships	186,962	-	-	186,962
Wildcat Club	1,163	-	-	1,163
Educational departments	82,833	-	-	82,833
Service awards	3,915	-	-	3,915
Special projects	1,000	-	-	1,000
Total program services	<u>275,873</u>	<u>-</u>	<u>-</u>	<u>275,873</u>

See the independent auditor's report and accompanying notes to financial statements.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	OPERATING FUNDS			Total All Funds 6/30/04
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Supporting services:				
General administration	\$ 189,596	\$ -	\$ -	\$ 189,596
Fund raising expense	32,614	-	-	32,614
Alumni activities	7,246	-	-	7,246
Transfers to Pearl River Community College	7,500	-	-	7,500
Total supporting services	<u>236,956</u>	<u>-</u>	<u>-</u>	<u>236,956</u>
Total expenses	<u>512,829</u>	<u>-</u>	<u>-</u>	<u>512,829</u>
Change in net assets	72,822	198,811	65,195	336,828
NET ASSETS:				
Beginning of year	552,426	1,385,977	982,170	2,920,573
Transfers	3,217	(3,217)	-	-
End of year	<u>\$ 628,465</u>	<u>\$ 1,581,571</u>	<u>\$ 1,047,365</u>	<u>\$ 3,257,401</u>

See the independent auditor's report and accompanying notes to financial statements.

PEARL RIVER COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flows from Operating Activities:	
Tuition and fees	\$ 1,507,353
Grants and contracts	13,726,885
Sales and services of educational departments	206,729
Other sales and services	433,253
Payments to suppliers	(6,600,483)
Payments to employees for salaries and benefits	(16,304,055)
Payments for travel	(422,467)
Payments for utilities	(929,552)
Payments for scholarships and fellowships	(4,196,138)
Auxiliary enterprise charges:	
Student housing	326,297
Food services	1,039,576
Bookstore	<u>1,811,046</u>
Net Cash Provided (Used) by Operating Activities	<u>(9,401,556)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	8,589,494
Local appropriations	<u>3,799,287</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>12,388,781</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid for capital assets	(5,835,862)
Capital appropriations received	4,062,395
Principal paid on capital debt and leases	(936,083)
Interest paid on capital debt and leases	<u>(173,539)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,883,089)</u>
Cash Flows from Investing Activities:	
Proceeds from sales and maturities of investments	5,379,820
Interest received on investments	72,933
Purchases of investments	<u>(5,355,296)</u>
Net Cash Provided (Used) by Investing Activities	<u>97,457</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>201,593</u>
Cash and Cash Equivalents - Beginning of the Year	<u>7,174,203</u>
Cash and Cash Equivalents - End of Year	\$ <u><u>7,375,796</u></u>

PEARL RIVER COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2004
(Continued from previous page)

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

Operating income (loss)	\$ <u>(11,271,480)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,600,415
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	735,235
Inventories	10,964
Prepaid expenses	4,063
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(1,123,318)
Deferred revenues	642,333
Deposits refundable	<u>232</u>
Total adjustments	<u>1,869,924</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(9,401,556)</u></u>

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

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ 336,828
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	1,986
Unrealized gains on investments	(107,399)
(Increase) decrease in:	
Pledges receivable	369,590
Prepaid insurance	714
Increase (decrease) in:	
Accounts payable	89,714
Accrued expenditures	20,107
Contributions restricted for permanent investment	(59,815)
Net cash provided by (used by) operating activities	<u>651,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Construction and purchase of assets	(705,393)
Investment in common fund	(13,942)
Net cash provided by (used by) investing activities	<u>(719,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for permanent investment	59,815
Net cash provided by financing activities	<u>59,815</u>
NET INCREASE (DECREASE) IN CASH	(7,795)
CASH BALANCES	
Beginning of year	<u>432,339</u>
End of year	<u>\$ 424,544</u>

See the independent auditor's report and accompanying notes to financial statements.

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2004

(1) Summary of Significant Accounting Policies.

- A. Reporting Entity - Pearl River Community College was founded in 1924 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Pearl River Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Pearl River Community College is locally-governed by a sixteen-member board of trustees, selected by the board of supervisors of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a five-year term. In addition, Pearl River 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.

Pearl River Community College reports the following discretely presented component unit:

Pearl River Community College Foundation, Inc. (Foundation) - The Foundation is a legally separate, tax-exempt nonprofit organization founded in 1987. The Foundation acts primarily as a fund raising organization to supplement the resources available to Pearl River Community College (college) in support of its programs.

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

During the year ended June 30, 2004, the Foundation distributed \$7,500 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 - for Public College and Universities*, issued in June and November 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.
- C. Basis of Accounting - The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

- F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the Statement of Net Assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.
- H. Inventories - Inventories consist of the bookstore and printing supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.
- J. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor with the restrictions that only the income is to be utilized .
- K. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 6 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- L. 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.
- M. Compensated Absences - Twelve-month employees earn annual personal leave at a rate of 18 days per year for 3 months to 3 years of service, 21 days per year for 3 to 8 years of service, 24 days per year for 8 to 15 years of service and 27 days per year for over 15 years of service. Personal leave accrual is also provided for 11 month, 10 month, 9.5 month and 9 month employees. Part-time regular employees working 20 hours or more per week shall accrue the same personal leave benefits as full-time employees on a pro rata basis as full-time employees with a comparable length of contract. There is no requirement that annual leave be taken and there is no maximum accumulation. Upon retirement from employment, each employee shall be paid for not more than thirty days of unused accumulated personal leave. This payment shall be made based on the remaining number of days (up to 30) after the employee has banked all applicable unused personal leave as creditable service for the purposes of the retirement system. Such payment shall be made by the college at a rate equal to fifty percent of the employee's daily rate of pay based on their annual primary contract. The liability for accrued leave at June 30, 2004, as reported in the Statement of Net Assets is \$692,740 with \$26,337 of this amount estimated as current.

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

- N. Classification of Revenues - The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:
- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances and (3) most federal, state and local grants and contracts.
- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.
- O. State Appropriations - Pearl River Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula is being phased in over a five-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.
- P. 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.
- Q. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.
- The unrestricted net asset balance of \$9,219,966 at June 30, 2004, includes \$441,848 reserved for inventories, \$1,068,648 reserved for auxiliaries, and a remaining amount of \$7,709,470.
- R. Changes in Accounting Standards - Pearl River Community College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, in the current fiscal year as required. The provisions of this new standard have been incorporated into the financial statements and accompanying notes as a discrete presentation.

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(2) Prior Period Adjustments.

For the year ended June 30, 2004, the college recorded prior period adjustments of \$693,584, to correctly record an audit entry relating to the inception of an accrued leave policy.

(3) Cash and Investments.

Policies:

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

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

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

The following table summarizes the carrying values of the college's investments reported on the statement of net assets:

	June 30, 2004
Endowment investments	\$ 29,250
Total	\$ <u>29,250</u>

In accordance with the GASB Statement No. 3, investments are classified into three categories of custodial risk:

- | | |
|-----------------|--|
| Category 1 | Investments that are insured or registered, or securities held by the college or by its agent in the college's name. |
| Category 2 | Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the college's name. |
| Category 3 | Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the college's name. |
| Not Categorized | Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. |

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

The following table summarizes the categorization of investments at June 30, 2004:

	<u>Category 1</u>	<u>Total Per Bank</u>
Investments:		
Certificates of deposit	\$ <u>29,250</u>	<u>29,250</u>
Total Investments	\$ <u><u>29,250</u></u>	<u><u>29,250</u></u>

(4) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2004:

Student tuition	\$ 2,881,382
Federal, state, and private grants and contracts	1,371,407
Local appropriations	137,820
Other	<u>24,032</u>
Total Accounts Receivable	4,414,641
Less allowance for doubtful accounts	<u>2,433,867</u>
Net Accounts Receivable	\$ <u><u>1,980,774</u></u>

(5) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2004:

	<u>Interest Rates</u>	<u>June 30, 2004</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Nursing student loans	3% to 5%	\$ <u>18,719</u>	<u> </u>	<u>18,719</u>
Total Notes Receivable		18,719	<u> </u>	18,719
Less allowance for doubtful accounts		<u>18,719</u>	<u> </u>	<u>18,719</u>
Net Notes Receivable		\$ <u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(6) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2004, is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 458,882			458,882
Construction in progress	757,871	5,336,671	304,075	5,790,467
Total Nondepreciable Capital Assets	<u>1,216,753</u>	<u>5,336,671</u>	<u>304,075</u>	<u>6,249,349</u>
Depreciable Capital Assets:				
Improvements other than buildings	18,062,785	304,075		18,366,860
Buildings	15,228,880			15,228,880
Equipment	5,806,012	389,209	573,655	5,621,566
Library books	1,372,359	105,550	137,236	1,340,673
Total Depreciable Capital Assets	<u>40,470,036</u>	<u>798,834</u>	<u>710,891</u>	<u>40,557,979</u>
Less Accumulated Depreciation for:				
Improvements other than buildings	6,076,484	673,929		6,750,413
Buildings	5,402,770	297,575		5,700,345
Equipment	4,210,091	494,844	525,400	4,179,535
Library books	815,025	134,067	137,236	811,856
Total Accumulated Depreciation	<u>16,504,370</u>	<u>1,600,415</u>	<u>662,636</u>	<u>17,442,149</u>
Total Depreciable Capital Assets, Net	<u>23,965,666</u>	<u>(801,581)</u>	<u>48,255</u>	<u>23,115,830</u>
Capital Assets, Net	<u>\$ 25,182,419</u>	<u>4,535,090</u>	<u>352,330</u>	<u>29,365,179</u>

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

	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

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(7) Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2004. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2004, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Int. Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Bonded Debt:								
Housing Revenue Bonds of 1967	\$ 150,000	3.00%	2007	\$ 30,000		6,000	24,000	6,000
District building notes, Series 1988	1,000,000	6.75% to 9.5%	2004	110,000		110,000		
Educational facilities notes, Series 1998	1,500,000	6.75% to 9.5%	2004	155,000		155,000		
District building notes, Series 1989	3,200,000	6.75% to 9.5%	2004	330,000		330,000		
District building notes, Series 1994	825,000	5% to 5.9%	2009	410,000		60,000	350,000	60,000
Educational facilities notes, Series 1995	1,600,000	4.3% to 6.125%	2011	1,015,000		105,000	910,000	110,000
Total Bonded Debt				<u>2,050,000</u>	<u>0</u>	<u>766,000</u>	<u>1,284,000</u>	<u>176,000</u>
Capital Leases:								
Energy Lease 2000	1,020,130	5.50%	2015	876,626		53,265	823,362	56,235
Total Capital Leases				<u>876,626</u>	<u>0</u>	<u>53,265</u>	<u>823,362</u>	<u>56,235</u>
Other Long-term Liabilities:								
Revenue shortfall note	225,245	2.70%	2006	225,245		73,090	152,155	75,064
CAPS loan	600,000	3.70%	2012	417,438		43,728	373,709	45,654
Total Other Long-term Liabilities				<u>642,683</u>	<u>0</u>	<u>116,818</u>	<u>525,864</u>	<u>120,718</u>
Total				\$ <u>3,569,309</u>	<u>0</u>	<u>936,083</u>	2,633,226	<u>352,953</u>
Due within one year							<u>352,953</u>	
Total Long-term Liabilities							\$ <u>2,280,273</u>	

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

		<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2005	\$	176,000	56,235	120,718	127,192	480,145
2006		186,000	59,370	117,820	109,658	472,848
2007		196,000	62,681	42,262	93,328	394,271
2008		211,000	66,175	43,853	77,884	398,912
2009		215,000	69,865	45,503	61,410	391,778
2010-2014		300,000	412,287	155,708	117,015	985,010
2015-2019		<u>96,749</u>	<u>96,749</u>	<u>96,749</u>	<u>4,009</u>	<u>100,758</u>
Totals	\$	<u>1,284,000</u>	<u>823,362</u>	<u>525,864</u>	<u>590,496</u>	<u>3,223,722</u>

(8) Operating Leases.

Leased property under operating leases is composed of 26 copiers, one mail machine, and one risograph machine. 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>
2005	\$ 95,058
2006	49,567
2007	<u>14,740</u>
Total Minimum Payments Required	<u>\$ 159,365</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, 2004, was \$98,545.

PEARL RIVER COMMUNITY COLLEGE

Note to Financial Statements
For the Year Ended June 30, 2004

(9) Natural Classifications with Functional Classifications.

The college's operating expenses by functional classification were as follows for the year ended June 30, 2004:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 7,800,889	1,752,080	183,594	581,606	4,113	648,839	1,072,601		12,043,722
Academic support	405,651	99,301	52	31,353			29,011		565,368
Student services	1,471,246	335,714	200,866	246,606	542	3,218,114	228,476		5,701,564
Institutional support	2,119,121	498,149	40,156	813,320	1,292	293,208	167,194		3,932,440
Operation of plant	825,369	242,334	673	290,308	866,177		387,337		2,612,198
Auxiliary enterprises	283,712	72,612	3,161	1,154,446	29,961	35,977	1,431,537		3,011,406
Depreciation								1,600,415	1,600,415
Total Operating Expenses	\$ 12,905,988	3,000,190	428,502	3,117,639	902,085	4,196,138	3,316,156	1,600,415	29,467,113

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(10) Construction Commitments and Financing.

The college has contracted for various construction projects as of June 30, 2004. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Funded by</u>			<u>Other</u>
		<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>	
Advanced Technology Center \$	726,287		726,287		
Student Center	72,524		72,524		
Huff Hall - stair renovation	181,683				181,683
Faculty housing - lift station	20,126				20,126
Chapel	700,000				700,000
Total	\$ <u>1,700,620</u>	<u>0</u>	<u>798,811</u>	<u>0</u>	<u>901,809</u>

(11) Pension Plan.

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

Funding policy - PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2004, 2003 and 2002 were \$1,247,222, \$1,082,670 and \$1,090,170, respectively, equal to the required contributions for each year.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pearl River Community College Development Foundation, Inc., a nonprofit organization, was founded in 1987. The Foundation's mission is to raise funds in order to provide scholarships, faculty awards, teacher grants and endowments for the students and faculty of Pearl River Community College. Revenue is derived primarily from outside contributors.

The accounting policies of Pearl River Community College Development Foundation, Inc. conform to accounting principles generally accepted in the United States of America applicable to non-profit organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting - The financial statements of the Foundation have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined and presented for the Foundation as a whole in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property, equipment, marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
PAGE TWO
YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair Value of Financial Instruments - The carrying amount at June 30, 2004 for cash and cash equivalents, certificates of deposit, treasury notes, investments, pledges receivable, accounts payable, and accrued expenditures are a reasonable estimate of their fair values.

Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

Cash and Cash Equivalents - For purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

Contributed Facilities - The Foundation occupies without charge certain premises located in Pearl River Community College owned buildings. The Foundation does not have a lease with the College for the office space and office furniture which is for future benefits to be received from the Foundation. The College also provides other operating expenses, such as staff payroll and benefits, which have been shown on the Statement of Activities as both support and general administration expenses. The value of the office space, office furniture and utilities has not been included in the Statement of Activities because they cannot be reasonably determined.

Fixed Assets - The Foundation's fixed assets consist of computer equipment and office furniture. All assets are valued at cost and depreciated using the straight-line method over the estimated useful life of the asset. Office furniture and equipment are being depreciated over 5-7 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation charged to expense in the current year totaled \$1,986.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
PAGE THREE
YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets - Net assets of the Foundation consist of the following:

Unrestricted - These amounts are available for general obligations of the Foundation and for operating activities such as general scholarships, awards, projects, administration, etc.

Temporarily restricted - These amounts are restricted by donors to be used for a specific purpose or scholarship.

Permanently restricted - (Scholarship endowments) - These amounts are permanently restricted by donors and cannot be used by the Foundation. Income and capital gains may or may not be used depending on the endowment agreement.

NOTE 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - FUND RAISING

The Foundation had one major fund-raising event during the year. The event consisted of a food festival and auction known as the Extravaganza. The Foundation sold tickets and auctioned donated items. This event has been shown in the Statement of Activities as a source of unrestricted revenue and expense. The following is a summary of the event.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED JUNE 30, 2004**

NOTE 3 - FUND RAISING (Cont.)

Revenues earned (exclusive of contributions)	\$ 49,615
Less: Expenses	<u>16,440</u>
Net funds raised	<u>\$ 33,175</u>

The fund raising expenses included under supporting services in the Statement of Activities are for expenses incurred in inducing others to contribute money for which the contributor will receive no direct economic benefit, such as printing, mailing and maintaining mailing lists.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

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

Financial instruments that potentially subject the Foundation to credit risk include cash and investments.

Deposits are maintained at several financial institutions. The FDIC provides up to \$100,000 coverage at each institution. At June 30, 2004, \$340,135 of cash deposits were uninsured. However, management feels there is minimal risk exposure as a result of this uninsured balance.

The Foundation's investments are not collateralized. Future changes in market prices may make such investments less valuable.

NOTE 5 - COMMON FUND INVESTMENTS

During the year ended June 30, 1996, the Foundation received a \$250,000 Endowment Challenge Grant. This grant, along with the funds raised during the Endowment Challenge period, was invested with "The Common Fund - Investment Management for Educational Institutions."

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
PAGE FIVE
YEAR ENDED JUNE 30, 2004**

NOTE 5 - COMMON FUND INVESTMENTS (Cont.)

The activity in the Common Fund for the year ended June 30, 2004, was as follows:

Market value at June 30, 2003	\$	795,893
Income		18,944
Market gains		107,399
Expenses		<u>(5,000)</u>
 Market value at June 30, 2004	 \$	 <u>917,236</u>
 Cost basis at June 30, 2004	 \$	 <u>634,509</u>

The Foundation is restricted from spending the fund corpus for twenty (20) years from the grant date. The Foundation is allowed to spend 50% of the income earned each year; however, it is not the Foundation's intent to do so.

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2004 consisted of the following:

Temporarily restricted	\$	7,250
Permanently restricted		<u>-</u>
 Total	 \$	 <u>7,250</u>

These pledges are due as follows:

Due in less than one year	\$	1,000
Due in one to five years		<u>6,250</u>
 Total	 \$	 <u>7,250</u>

No provision has been made for uncollectible amounts as management believes that all will be collected.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
PAGE SIX
YEAR ENDED JUNE 30, 2004**

NOTE 7 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restrictions by meeting the time restrictions or by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Restriction accomplished:	
Scholarships	\$ 186,962
Wildcat Club	1,163
Educational departments	82,836
Other	9,980
	<u>280,941</u>
	<u>\$ 280,941</u>

Temporarily and permanently restricted net assets at 6/30/04, were restricted as follows:

Temporarily restricted:	
Scholarships and grants	\$ 863,707
Chapel campaign	717,864
	<u>1,581,571</u>
	<u>\$ 1,581,571</u>
Permanently restricted:	
Endowment scholarships and grants	\$ 1,047,365
	<u>1,047,365</u>

PEARL RIVER COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

PEARL RIVER COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster:			
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 130,000
Federal Family Education Loans (FFEL) {1}	84.032		1,998,872
Federal Work-study Program (FWS)	84.033		144,093
Federal Pell Grant Program	84.063		7,021,208
Pass-through program from:			
Board of Trustees of the Institution's of Higher Learning - Leveraging Educational Assistance Partnership	84.069		<u>4,670</u>
Total U.S. Department of Education			<u>9,298,843</u>
Total Student Financial Aid Cluster			<u>9,298,843</u>
Other Programs:			
<u>U.S. Department of Agriculture</u>			
Pass-through programs from:			
Mississippi Community College Foundation - Mississippi Rural Health Corporation Program - Cooperative Extension Service	10.500		<u>142,264</u>
Total U.S. Department of Agriculture			<u>142,264</u>
<u>U.S. Department of Justice</u>			
Public Safety Partnership & Community Policing Grants	16.710		<u>17,534</u>
Total U.S. Department of Justice			<u>17,534</u>
<u>U.S. Department of Labor</u>			
Pass-through programs from:			
Mississippi Employment Security Commission - Trade Adjustment Assistance - Workers	17.245		<u>28,539</u>
WIA Cluster:			
Mississippi Employment Security Commission - WIA Adult Programs	17.258		133,217
Southern Mississippi Planning and Development - WIA Youth Activities	17.259		118,208
Mississippi Employment Security Commission - WIA Dislocated Workers	17.260		<u>334,043</u>
Total WIA Cluster			<u>585,468</u>
Total U.S. Department of Labor			<u>614,007</u>

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through program from:			
University of Mississippi - Aerospace Education Services Program	43.001		<u>3,949</u>
Total National Aeronautics and Space Administration			<u>3,949</u>
<u>National Science Foundation</u>			
Pass-through program from:			
Brevard Community College - Education and Human Resources	47.076		<u>55,045</u>
Total National Science Foundation			<u>55,045</u>
<u>Small Business Administration</u>			
Pass-through program from:			
University of Mississippi - Small Business Development Center	59.037		<u>40,091</u>
Total Small Business Administration			<u>40,091</u>
<u>U.S. Department of Education</u>			
Trio - Student Support Services	84.042		<u>298,919</u>
Pass-through programs from:			
Mississippi State Board for Community & Junior Colleges - Adult Education - State Grant Program	84.002		378,429
Mississippi Department of Education - Vocational Education - Basic Grants to States	84.048	EV048A99024	499,177
Mississippi Department of Education - Tech-Prep Education	84.243	EV048A990295	38,541
Mississippi Department of Education - School to Work Opportunities	84.278	U44034008860	<u>48,983</u>
Subtotal pass-through programs			<u>965,130</u>
Total U.S. Department of Education			<u>1,264,049</u>
<u>U.S. Department of Health & Human Services</u>			
Pass-through program from:			
Mississippi Department of Mental Health Developmental Disabilities Basic Support and Advocacy Grants	93.630		<u>66,433</u>
Total U.S. Department of Health & Human Services			<u>66,433</u>
<u>Federal Emergency Management Agency</u>			
Pass-through program from:			
Mississippi Emergency Management Agency Community Emergency Response Team Grant	83.565		<u>7,495</u>
Total Federal Emergency Management Agency			<u>7,495</u>
Total Other Programs			<u>2,210,867</u>
Total Expenditures of Federal Awards			<u>\$ 11,509,710</u>

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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Notes to Schedule of Expenditures of Federal Awards

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

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

PEARL RIVER COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

We have audited the financial statements of the business type activities of Pearl River Community College as of and for the year ended June 30, 2004, as listed in the table of contents and have issued our report thereon dated May 12, 2005. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the college's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-1 and 2004-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 12, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

Compliance

We have audited the compliance of Pearl River Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The college's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

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

In our opinion, Pearl River Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 12, 2005

PEARL RIVER COMMUNITY COLLEGE

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

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

We have audited the financial statements of Pearl River Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of William R. Dooss in black ink.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 12, 2005

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PEARL RIVER COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PEARL RIVER COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Student financial aid cluster | |
| | CFDA #84.007 | |
| | CFDA #84.032 | |
| | CFDA #84.033 | |
| | CFDA #84.063 | |
| | CFDA #84.069 | |
| | b. Adult education - state grant program; CFDA #84.002 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | Yes |

PEARL RIVER COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 2: Financial Statement Findings

Reportable Conditions Not Considered To Be Material Weaknesses

2004-1. Finding

During our test of travel expenditures, we noted three instances where travel authorization forms were approved after the travel actually occurred.

Recommendation

The institution should implement procedures to insure that travel is properly approved prior to departure date.

2004-2. Finding

During our test of capital assets, we noted the following:

- a. There was one instance where a \$40,147 piece of equipment could not be located.
- b. In four instances, the equipment was in the wrong location.

Recommendation

The institution should implement procedures to insure that all capital assets are physically present in their proper locations. Also, transfers of equipment from one location to another should be properly documented and the resulting change in location should be reflected in the subsidiary listing.

PEARL RIVER COMMUNITY COLLEGE

AUDITEE'S CORRECTIVE ACTION PLAN
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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PEARL RIVER COMMUNITY COLLEGE

MISSISSIPPI'S PIONEER COMMUNITY COLLEGE

Pearl River Community College Auditee's Corrective Action Plan

As required by Section .315b of OMB Circular A-133, the Pearl River 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, 2004.

Finding 2004-1

- A) Contact Person(s): Roger Knight, Betty Clark.
- B) Corrective Action Planned:

The institution has in place adequate policies and procedures that serve to govern the travel activities of faculty and staff. These policies and procedures require pre-approval for all forms of travel. These policies and procedures will continue to be enforced by administration.

- C) Anticipated Completion Date:

Immediate.



PEARL RIVER COMMUNITY COLLEGE

MISSISSIPPI'S PIONEER COMMUNITY COLLEGE

Finding 2004-2

- A) Contact Person(s): Roger Knight, Nancy Sidock
- B) Corrective Action Planned:

The institution implemented aggressive inventory control measures during FY 2004, including the employment of a full-time Inventory Control Manager. Policies and procedures are in place to ensure that all capital assets are physically present in their proper locations, and that transfers of fixed assets are properly documented and reflected in the subsidiary listing.

- C) Anticipated Completion Date:

These corrective actions have been implemented and are currently on going.



PEARL RIVER COMMUNITY COLLEGE

MISSISSIPPI'S PIONEER COMMUNITY COLLEGE

Pearl River Community College
Auditee's Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004

As required by Section .315(b) of OMB Circular A-133, the Pearl River Community College has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2004.

Finding:

Status:

2003-1	Corrective action implemented.
2003-2	Corrective action implemented.
2003-3	Corrective action implemented.
2003-4	Corrective action implemented.