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**PEARL RIVER COMMUNITY COLLEGE  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2013**

**PEARL RIVER COMMUNITY COLLEGE  
Year Ended June 30, 2013**

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***FINANCIAL AUDIT REPORT***

## HERZOG CPA COMPANY, PLLC

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#### 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, Mississippi 39470

#### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Pearl River Community College as of the year ended June 30, 2013, 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Pearl River Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Pearl River Community College, as of June 30, 2013, and the respective changes in financial position and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

#### Other Matters

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 8-16 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 Pearl River Community College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014, on our consideration of Pearl River 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 on internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Herzog CPA Company, PLLC*

Herzog CPA Company, PLLC

March 17, 2014

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

## ***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, 2013. 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 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 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 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.

**Condensed Statements of Net Position  
June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current Assets	\$ 31,962,223	\$ 29,436,585
Non-current Assets:		
Capital, Net	84,001,663	69,307,686
Other	2,339,396	16,012,060
<i>Total Assets</i>	\$ 118,303,282	\$ 114,756,331
<b>Liabilities</b>		
Current Liabilities	4,822,633	3,575,625
Non-Current Liabilities	17,760,358	17,950,758
<i>Total Liabilities</i>	22,582,991	21,526,383
<b>Net Position</b>		
Net Investment in Capital Assets	66,765,406	51,787,045
Restricted:		
Nonexpendable	30,375	30,375
Expendable	18,447,896	15,218,778
Unrestricted	10,476,614	26,193,750
<i>Total Net Position</i>	\$ 95,720,291	\$ 93,229,948

**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 is \$22,153,573 at June 30, 2013, compared to the FY 2012 figure of \$20,644,080.

**Accounts Receivable**

Accounts receivable 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 \$3,985,032 at June 30, 2013, compared to FY 2012, \$3,603,835.

**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 \$1,650,426 at June 30, 2013, in comparison to \$1,421,089 for FY 2012.

## **Non-current 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 and other restricted funds. The amount of cash and cash equivalents considered noncurrent at June 30, 2013 totaled \$0 in comparison to \$5,095,852 for FY 2012.

### **Other Investments**

Other long-term investments include bank certificates of deposit held by F.D.I.C. insured banks. The value at June 30, 2013 was \$30,375 and \$30,375 at June 30, 2012.

### **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 \$84,001,663 at June 30, 2013, in comparison to \$69,307,686 for FY 2012.

## **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 \$2,109,532 at June 30, 2013, in comparison to \$1,544,655 for FY 2012.

#### **Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion, bonds, notes and capital leases, represent the portion that would be payable by the end of the June 30, 2013 fiscal year. The amount of the current portion of bonds, notes and capital leases at June 30, 2013, is \$804,197, compared to \$835,588 for FY 2012.

### **Non-current Liabilities**

#### **Long-Term Liabilities**

This liability consists of bonds, notes and capital leases. The total amount of the noncurrent portion of long-term liabilities is \$16,432,060 at June 30, 2013, compared to \$16,685,053 for FY 2012.

**Net Position**

Net position represent the difference between the College's assets and liabilities. Total net position at June 30, 2013 are \$95,720,291 compared to \$93,229,948 for FY 2012.

**Analysis of Net Position**

Restricted non-expendable net position consist of endowment gifts with specific restrictions on spending the principal given.

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

Unrestricted net position 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.

The following is a breakdown of the unrestricted net position:

	<b>2013</b>	<b>2012</b>
Unrestricted General Fund	\$ 4,794,908	\$ 21,274,156
Unrestricted Auxiliary Fund	<u>5,681,706</u>	<u>4,919,594</u>
<b><i>Total Unrestricted Net Position</i></b>	<b><u><u>\$ 10,476,614</u></u></b>	<b><u><u>\$ 26,193,750</u></u></b>

**Condensed Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2013 and 2012**

<b>Operating Revenues</b>	<b>2013</b>	<b>2012</b>
Tuition and Fees	\$ 2,344,616	\$ 3,225,778
Grants and Contracts	21,999,244	21,975,116
Sales and Services of Educational Departments	121,654	145,043
Auxiliary Enterprises	6,342,941	6,538,648
	<hr/>	<hr/>
Total Operating Revenues	30,808,455	31,884,585
Operating Expenses	<u>(48,642,047)</u>	<u>(50,734,257)</u>
<b>Operating Loss</b>	<u>(17,833,592)</u>	<u>(18,849,672)</u>
<b>Non-operating Revenues</b>		
State Appropriations	14,463,052	13,815,250
County Appropriations	5,133,451	5,156,409
Investment Income (Expense), Net	(871,046)	(669,141)
Other Non-operating Revenues (Expenses)	<u>(592,012)</u>	<u>857,519</u>
	<hr/>	<hr/>
Net Non-operating Revenues	18,133,445	19,160,037
Income Before Other Revenues	299,853	310,365
Capital Appropriations	<u>2,190,491</u>	<u>1,019,961</u>
	<hr/>	<hr/>
<b>Total Increase in Net Position</b>	2,490,344	1,330,326
<b>Net Position</b>		
Net Position - Beginning of Year	93,229,947	91,899,622
Net Position - End of Year	<u>\$ 95,720,291</u>	<u>\$ 93,229,948</u>

Total operating loss for the fiscal year 2013 is \$17,833,592 compared to \$18,849,672 for FY 2012. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will continue to 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 2013 are \$30,808,455, compared to \$31,884,585 for FY 2012. Tuition and fees are \$2,344,616, compared to \$3,225,778 for FY 2012. Operating expenses, including depreciation and amortization of \$3,080,004 totaled \$48,642,047. Of this total \$19,134,235, or 40%, is for instruction. Operating expenses for FY 2012, including depreciation and amortization of \$3,051,131, totaled \$50,734,257. Of this total \$19,029,428, or 38%, was for instruction.

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$2,344,616 for FY 2013, in comparison to \$3,225,778 for FY 2012.

**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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Federal Sources:		
Department of Education	\$ 18,251,395	\$ 18,029,705
Other Sources	3,747,849	3,945,411
<b><i>Total All Sources</i></b>	<b><u>\$ 21,999,244</u></b>	<b><u>\$ 21,975,116</u></b>

**Non-capital Gifts**

This consists of gifts made to the College from a nongovernmental organization and/or individuals. The cash gifts totaled \$359,281 at June 30, 2013, compared to \$748,925 for FY 2012.

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$121,654 for the 2013 fiscal year.

**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 2013 totaling \$48,642,047 include salaries and benefits of \$26,427,919 scholarships and fellowships of \$6,073,217, utilities of \$1,689,464, supplies of \$5,500,765, services of \$5,272,930, and depreciation and amortization of \$3,080,004. Operating expenses for FY 2012 totaling \$50,734,257 include salaries and benefits of \$25,760,321, scholarships and fellowships of \$7,721,208, utilities of \$1,639,658, supplies of \$6,626,502, services of \$5,457,285, and depreciation and amortization of \$3,051,131.

	<u>2013</u>	<u>2012</u>
Expenses by Function:		
Instruction	\$ 19,134,235	\$ 19,029,428
Academic Support	1,165,370	1,071,308
Student Services	8,595,008	9,936,837
Institutional Support	6,732,421	6,544,747
Operations and Maintenance of Plant	4,650,507	4,548,488
Auxiliary Enterprises	5,284,502	6,552,318
Depreciation	3,080,004	3,051,131
<b><i>Total Operating Expenses by Function</i></b>	<b><u>\$ 48,642,047</u></b>	<b><u>\$ 50,734,257</u></b>

## Non-operating Revenues (Expenses)

### State Aid

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$16,653,543 for 2012-2013 fiscal year, of which \$14,463,052 was for operations. In 2013, the College received \$2,190,491 in general obligation bonds of the State for capital improvements. During FY 2012, the College received \$14,835,211 of which \$13,815,250 was for operations. The College received \$1,019,961 in general obligation bonds of the State for capital improvements for FY 2012.

### County Appropriations

The College also receives revenue from the six county district in which the school resides. The College uses the funding for salaries, benefits, and 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 \$5,133,451 for the 2013 fiscal year from the counties and \$5,156,409 for FY 2012. 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, 2013 was \$157,504 compared to the FY 2012 amount of \$149,481.

**Other Non-operating Expenses**

Total net other non-operating revenues/expenses amounted to (\$592,012) compared to FY 2012 in the amount of \$857,519.

**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 Statements of Cash Flows (Direct Method)  
Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (7,141,127)	\$ (26,339,638)
Non-capital Financing Activities	21,151,027	20,357,034
Capital and Related Financing Activities	(5,712,827)	(6,446,937)
Investing Activities	<u>(11,883,432)</u>	<u>4,371,351</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,586,359)	(8,058,190)
Cash and Cash Equivalents:		
Beginning of the Year	<u>25,739,932</u>	<u>33,798,122</u>
End of the Year	<u>\$ 22,153,573</u>	<u>\$ 25,739,932</u>

The major sources of funds for FY 2013 included in operating activities includes student tuition and fees \$1,684,239, auxiliary enterprises \$6,342,940, and grants and contracts \$22,768,207. The major uses of funds were payments made to employees \$26,396,360, and to suppliers \$11,854,879. During FY 2012, the major sources of funds included in operating activities include student tuition and fees \$3,996,165, auxiliary enterprises \$6,538,648, and grants and contracts \$21,137,835. The major uses of funds during FY 2012 were payments made to employees \$25,750,280, and to suppliers \$12,209,967.

The largest inflow of cash for FY 2013 in the non-capital financing activities group is the State appropriation of \$14,432,834. This figure compares to the FY 2012 amount of \$13,568,729.

**Significant Capital Asset Transactions**

During the 2013 fiscal year, \$6,808,490 was paid for capital asset transactions. This figure compares to the fiscal year 2012 amount of \$6,308,096.

**Factors Impacting Future Periods**

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2013 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 forty-seven 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.

***AUDITED FINANCIAL STATEMENTS***

**EXHIBIT A**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

**ASSETS**

***CURRENT ASSETS***

Cash and Cash Equivalents	\$	22,153,573
Short-term Investments		4,016,325
Accounts Receivable, Net		3,985,032
Interest Receivable		10,709
Inventories		1,650,426
Prepaid Expenses		146,158
Total Current Assets		<u>31,962,223</u>

***NON-CURRENT ASSETS***

Deposits		1,852,925
Endowment Investments		30,375
Debt Issuance Cost, Net of Accumulated Amortization		456,096
Capital Assets, Net of Accumulated Depreciation		84,001,663
Total Non-current Assets		<u>86,341,059</u>

<b><i>Total Assets</i></b>	<b>\$</b>	<b><u>118,303,282</u></b>
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The notes to the financial statements are an integral part of this statement.

**EXHIBIT A  
PAGE TWO  
PEARL RIVER COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

**LIABILITIES**

***CURRENT LIABILITIES***

Accounts Payable and Accrued Liabilities	\$	2,109,532
Retainage Payable		362,367
Deferred Revenues		1,546,537
Long-term Liabilities - Current Portion		804,197
Total Current Liabilities		4,822,633

***NON-CURRENT LIABILITIES***

Accrued Leave Liabilities		1,328,298
Long-term Liabilities		16,432,060
Total Noncurrent Liabilities		17,760,358

<b><i>Total Liabilities</i></b>		22,582,991
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***NET POSITION***

Net Investment in Capital Assets		66,765,406
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		30,375
Expendable:		
Scholarships and Fellowships		1,118
Capital Projects		2,775,415
Debt Service		15,671,363
Unrestricted		10,476,614

<b><i>Total Net Position</i></b>	\$	95,720,291
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The notes to the financial statements are an integral part of this statement.

**EXHIBIT B**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF FINANCIAL POSITION**  
**PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**JUNE 30, 2013**

	OPERATING FUNDS			Total All Funds 6/30/2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 167,900	\$ 164,289	\$ 332,312	\$ 664,501
Certificates of Deposit	105,000	414,120	1,541,764	2,060,884
Treasury Notes	-	-	10,000	10,000
Cash Value of Annuity Investments	496,792	532,916	267,734	267,734
<b>Total Current Assets</b>	<u>769,692</u>	<u>1,111,325</u>	<u>3,171,582</u>	<u>2,049,480</u>
Property and Equipment at Cost Less Accumulated Depreciation of \$46,160	<u>77</u>	<u>-</u>	<u>-</u>	<u>77</u>
<b>Total Assets</b>	<u>\$ 769,769</u>	<u>\$ 1,111,325</u>	<u>\$ 3,171,582</u>	<u>\$ 5,052,676</u>

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

EXHIBIT B  
PAGE TWO

PEARL RIVER COMMUNITY COLLEGE  
STATEMENT OF FINANCIAL POSITION

PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
JUNE 30, 2013

	OPERATING FUNDS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 6/30/2012
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 6,166	\$ 23,465	\$ -	\$ 29,631
Total Current Liabilities	<u>6,166</u>	<u>23,465</u>	<u>-</u>	<u>29,631</u>
<b>Net Assets</b>				
Unrestricted	763,603	-	-	763,603
Temporarily Restricted	-	1,087,860	-	1,087,860
Permanently Restricted	-	-	3,171,582	3,171,582
<b>Total Net Assets</b>	<u>763,603</u>	<u>1,087,860</u>	<u>3,171,582</u>	<u>5,023,045</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 769,769</u>	<u>\$ 1,111,325</u>	<u>\$ 3,171,582</u>	<u>\$ 5,052,676</u>

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

**EXHIBIT C**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

**OPERATING REVENUES**

Tuition and Fees (Net of Scholarship Allowances of \$9,234,603)	\$ 2,344,616
Federal Grants and Contracts	18,251,395
State Grants and Contracts	3,388,568
Non-governmental Grants and Contracts	359,281
Sales and Services of Educational Departments	121,654
Auxiliary Enterprises:	
Student Housing	1,534,763
Food Services	1,305,181
Bookstore	3,502,997
Total Operating Revenue	<u>30,808,455</u>

**OPERATING EXPENSES**

Salaries and Wages	20,480,236
Fringe Benefits	5,947,683
Travel	597,748
Contractual Services	5,272,930
Utilities	1,689,464
Scholarships and Fellowships	6,073,217
Commodities	5,500,765
Depreciation and Amortization Expense	3,080,004
Total Operating Expenses	<u>48,642,047</u>

**OPERATING INCOME (LOSS)** (17,833,592)

**NON-OPERATING REVENUES (EXPENSES)**

State Appropriations	14,463,052
Local Appropriations	5,133,451
Investment Income	157,504
Interest Expense on Capital Asset-related Debt	(1,028,550)
Other Non-operating Revenues (Expenses)	(592,012)
Total Non-operating Revenues (Expenses)	<u>18,133,445</u>

**INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES** 299,853

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

**EXHIBIT C**  
**PAGE TWO**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

State Appropriations Restricted for Capital Purposes	<u>\$ 2,190,491</u>
<b>CHANGE IN NET POSITION</b>	2,490,344
<b>NET POSITION</b>	
Net Position - Beginning of Year	<u>93,229,947</u>
Net Position - End of Year	<u><u>\$ 95,720,291</u></u>

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

**EXHIBIT D**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF ACTIVITIES**  
**PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**YEAR ENDED JUNE 30, 2013**

	OPERATING FUNDS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 6/30/2013
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 66,202	\$ 504,857	\$ 93,186	\$ 664,245
Other	39,455	16,212	-	55,667
Dividend and Interest Income	27,250	24,694	44,222	96,166
Realized Gain (Loss) on Investments	27,432	57,054	4,930	89,416
Unrealized Gain (Loss) on Investments	17,235	6,723	15,719	39,677
Net Assets Released From Restriction:				
Expiration of Usage Restrictions	588,990	(579,571)	(9,419)	-
<b>Total Revenues, Gains, and Other Support</b>	<u>766,564</u>	<u>29,969</u>	<u>148,638</u>	<u>945,171</u>
<b>EXPENSES</b>				
<b>Program Services:</b>				
Scholarships	285,300	-	-	285,300
Educational Departments	298,367	-	-	298,367
Service Awards	1,349	-	-	1,349
Special Projects	2,206	-	-	2,206
<b>Total Program Services</b>	<u>587,222</u>	<u>-</u>	<u>-</u>	<u>587,222</u>

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

EXHIBIT D  
PAGE TWO

PEARL RIVER COMMUNITY COLLEGE  
STATEMENT OF ACTIVITIES

PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
YEAR ENDED JUNE 30, 2013

	OPERATING FUNDS			Total All Funds 6/30/2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Supporting Services:</b>				
General Administration	\$ 88,584	\$ -	\$ 3,974	\$ 92,558
Fund Raising Expense	27,059	-	-	27,059
Alumni Activities	11,517	-	-	11,517
<b>Total Supporting Services</b>	<u>127,160</u>	<u>-</u>	<u>3,974</u>	<u>131,134</u>
<b>Other Income and Expenses:</b>				
Transfers In	-	7,667	-	7,667
Transfers Out	-	-	(7,667)	(7,667)
<b>Total Other Income and Expenses</b>	<u>(714,382)</u>	<u>7,667</u>	<u>(11,641)</u>	<u>(718,356)</u>
<b>Change in Net Assets</b>	<u>52,182</u>	<u>37,636</u>	<u>136,997</u>	<u>226,815</u>
<b>NET ASSETS:</b>				
Beginning of Year	711,421	1,050,224	3,034,585	4,796,230
End of Year	<u>\$ 763,603</u>	<u>\$ 1,087,860</u>	<u>\$ 3,171,582</u>	<u>\$ 5,023,045</u>

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

**EXHIBIT E**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2013**

***CASH FLOWS FROM OPERATING ACTIVITIES***

Tuition and Fees	\$	1,684,239
Grants and Contracts		22,768,207
Sales and Services of Educational Departments		121,654
Payments to Suppliers		(11,854,879)
Payments to State		8,555,922
Payments to Employees for Salaries and Benefits		(26,396,360)
Payments for Utilities		(1,690,166)
Payments for Travel		(599,467)
Payments for Scholarships and Fellowships		(6,073,217)
Auxiliary Enterprise Charges:		
Student Housing		1,534,763
Food Services		1,305,181
Bookstore		3,502,996
Net Cash Used by Operating Activities		(7,141,127)

***CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES***

State Appropriations		14,432,834
Local Appropriations		5,171,587
Other Sources		1,546,606
Net Cash Provided by Non-capital Financing Activities		21,151,027

***CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES***

Cash paid for Capital Assets		(6,808,490)
Proceeds from Debt		13,025,000
Principal Paid on Capital Debt and Leases		(13,309,383)
Interest Paid on Capital Debt and Leases		(810,445)
Capital Appropriations Received		2,190,491
Net Cash Used by Capital and Related Financing Activities		(5,712,827)

***CASH FLOWS FROM INVESTING ACTIVITIES***

Purchases of Investments		(12,023,040)
Interest Received on Investments		139,608
Net Cash Provided by Investing Activities		(11,883,432)

***NET INCREASE IN CASH AND CASH EQUIVALENTS***

(3,586,359)

***CASH AND CASH EQUIVALENTS BALANCES***

Beginning of Year		25,739,932
End of Year	\$	22,153,573

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

**EXHIBIT E**  
**PAGE TWO**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2013**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating (Loss)	\$ (17,833,592)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	3,080,004
Loss on Disposal of Assets	(1,345,694)
(Increase) Decrease in Net Assets:	
Receivables, Net	(722,659)
Inventories	(229,337)
Prepaid Expenses	41,531
Deposits	8,555,922
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	318,478
Retainage Payable	136,980
Deferred Revenues	576,542
Accrued Expenses	280,698
Total Adjustments	<u>10,692,465</u>
Net Cash Used by Operating Activities	<u>\$ (7,141,127)</u>

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

**EXHIBIT F**  
**PEARL RIVER COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**PEARL RIVER COUMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**YEAR ENDED JUNE 30, 2013**

***CASH FLOWS FROM OPERATING ACTIVITIES:***

Increase in Net Assets	\$	226,815
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		646
Unrealized Gains on Investments		(48,536)
Realized Gains on Investments		(52,104)
Increase (Decrease) in:		
Accounts Payable		18,568
<b>Net Cash (Used) by Operating Activities</b>		<b>145,389</b>

***CASH FLOWS FROM INVESTING ACTIVITIES:***

Purchase of Investments		(44,430)
<b>Net Cash (Used) by Investing Activities</b>		<b>(44,430)</b>

***NET (DECREASE) IN CASH*** 100,959

***CASH BALANCES***

Beginning of Year		563,542
End of Year	\$	664,501

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

***NOTES TO FINANCIAL STATEMENTS***

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity - Pearl River Community College was founded in 1924 and is one of Mississippi's fifteen (15) public community colleges. The legal authority for the establishment of Pearl River Community College is found in § 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 § 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 Development 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, 2013, the Foundation distributed \$240,305 to the College. Of this amount, \$217,505 was for scholarships and \$22,800 was for salary reimbursement.

- 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.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE TWO**  
**YEAR ENDED JUNE 30, 2013**

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

- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents.
  
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
  
- F. Accounts Receivable, Net - Accounts receivable consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivable are recorded net of an allowance for doubtful accounts.
  
- G. Student Notes Receivable, Net - Student notes receivable 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 Position 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 non-current assets on the Statement of Net Position.
  
- 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 Position.
  
- 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.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE THREE**  
**YEAR ENDED JUNE 30, 2013**

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

- 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 repair 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 5 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 eighteen (18) days per year for three (3) months to three (3) years of service, twenty-one (21) days per year for three (3) to eight (8) years of service, twenty-four (24) days per year for eight (8) to fifteen (15) years of service and twenty-seven (27) days per year for over fifteen (15) years of service. Personal leave accrual is also provided for eleven (11) month, ten (10) month, nine and one-half (9.5) month and nine (9) month employees. Part-time regular employees working twenty (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 (50%) of the employee's daily rate of pay based on their annual primary contract. The liability for accrued leave at June 30, 2013, as reported in the Statement of Net Position is \$1,328,298. The current portion cannot be reasonably estimated. Therefore, all liability for accrued leave is classified as long-term.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE FOUR**  
**YEAR ENDED JUNE 30, 2013**

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

- N. Classification of Revenues - The College has classified its revenues as either operating or non-operating 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.

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

- O. State Appropriations - Pearl River Community College receives funds from the State of Mississippi based on 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.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE FIVE**  
**YEAR ENDED JUNE 30, 2013**

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

- Q. Net Position - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Net Assets". Net position is classified in three categories. Net Investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or others. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted-expendable.

The unrestricted net position balance of \$10,476,614 at June 30, 2013, includes \$1,650,426 reserved for inventories, \$5,681,706 reserved for auxiliaries, and a remaining amount of \$3,144,482.

- R. Blended Component Unit - The Pearl River Community College Student Housing Corporation, although legally separate from the College, is so intertwined with the College that is, in substance, the same as the College. The College appoints the Corporation's Board. Therefore, this component unit is reported as if it is part of the College.
- S. Changes in Accounting Standards - As required, the College has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Policies:

- A. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by §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.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE SIX**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont.)**

The carrying amount of the College's deposits with financial institutions reported in the accompanying financial statements was \$25,771,028, of which \$3,617,455 were certificates of deposit. The bank balance was \$26,830,277.

**Custodial Credit Risk – Deposits**

Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. As of June 30, 2013, the College's bank balance was not exposed to custodial credit risk.

**B. Investments**

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

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Standard &amp; Poors' Rating</u>
Short-term Investments			
Certificates of Deposit	Less than 1	\$3,587,080	AAA
U.S. Treasury and Local Government Bond Fund	Less than 1	218,622	AAA
Endowment Investments			
Certificates of Deposit	1-2 years	\$ 30,375	AAA
U.S. Treasury and Local Government Bond Fund	1-2 years	210,623	AAA

**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 § 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 a financial institutions failure, the College will not be able to recover the value of its investments. The College does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the College's investment balance was not exposed to custodial credit risk.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE SEVEN**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont.)**

Concentration of Credit Risk

Disclosures of investments by amount and issuer for any issuer that represents five percent (5%) 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 had the following investments:

<u>Total Issuer</u>	<u>Fair Value</u>	<u>% of Investments</u>
First Southern Bank Certificate of Deposit	\$ 1,140,825	28.19%
Bank Plus Certificate of Deposit	597,170	14.76%
Bank Plus Certificate of Deposit	598,525	14.79%
Bank Plus Certificate of Deposit	1,146,784	28.34%
U.S. Government	218,622	5.40%
U.S. Government	210,623	5.20%

**NOTE 3 - ACCOUNTS RECEIVABLE**

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

Student tuition	\$ 7,847,478
Federal, state, and private grants and contracts	2,494,752
Local appropriations	134,603
Other	17,370
Total accounts receivable	<u>10,494,203</u>
Less allowance for doubtful accounts	<u>(6,509,171)</u>
<i>Net accounts receivable</i>	<u><u>\$ 3,985,032</u></u>

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE EIGHT**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 4 - NOTES RECEIVABLE FROM STUDENTS**

Notes receivable from students are payable in installments over a period of up to ten (10) years, commencing three (3) to twelve (12) 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, 2013.

	<b>Interest Rates</b>	<b>June 30, 2013</b>	<b>Current Portion</b>	<b>Non-Current Portion</b>
Nursing Student Loans	3 % to 5%	\$ 15,066	\$ -	\$ 15,066
Total Notes Receivable		<u>15,066</u>	<u>-</u>	<u>15,066</u>
Less Allowance for Doubtful Accounts		(15,066)	-	(15,066)
<b>Net Notes Receivable</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 - CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Ending Balance</b>
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 458,882	-	-	-	\$ 458,882
Construction in Progress	8,188,820	18,552,736	-	(3,069,450)	23,672,106
Total Nondepreciable Capital Assets	<u>\$ 8,647,702</u>	<u>\$ 18,552,736</u>	<u>\$ -</u>	<u>\$ (3,069,450)</u>	<u>\$24,130,988</u>

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
PAGE NINE  
YEAR ENDED JUNE 30, 2013

**NOTE 5 - CAPITAL ASSETS (Cont.)**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<b>Depreciable Capital Assets:</b>					
Improvements Other than Buildings	\$ 42,084,907	\$ 154,575	\$ (1,794,977)	\$ 392,892	\$ 40,837,397
Buildings	40,363,586	114,180	(435,293)	2,676,558	42,719,031
Equipment	9,231,744	259,888	(76,670)	-	9,414,962
Library Books	1,032,806	17,407	(108,834)	-	941,379
Leased Property Under Capital Leases	1,040,697	-	-	-	1,040,697
Total Depreciable Capital Assets	<u>93,753,740</u>	<u>546,050</u>	<u>(2,415,774)</u>	<u>3,069,450</u>	<u>94,953,466</u>
<b>Less Accumulated Depreciation for:</b>					
Improvements Other than Buildings	14,607,387	1,475,008	(574,829)	-	15,507,566
Buildings	9,810,831	853,195	(348,234)	-	10,315,792
Equipment	7,469,108	584,309	(38,182)	-	8,015,235
Library Books	587,670	94,138	(108,834)	-	572,974
Leased Property Under Capital Leases	618,760	52,464	-	-	671,224
Total Accumulated Depreciation	<u>33,093,756</u>	<u>3,059,114</u>	<u>(1,070,079)</u>	<u>-</u>	<u>35,082,791</u>
Total Depreciable Capital Assets, Net	<u>60,659,984</u>	<u>(2,513,064)</u>	<u>(1,345,695)</u>	<u>3,069,450</u>	<u>59,870,675</u>
<b>Capital Assets, Net</b>	<u>\$ 69,307,686</u>	<u>\$ 16,039,672</u>	<u>\$ (1,345,695)</u>	<u>\$ -</u>	<u>\$ 84,001,663</u>

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE TEN**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 5 - CAPITAL ASSETS (Cont.)**

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

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

**NOTE 6 - LONG-TERM LIABILITIES**

Long-term liabilities of the College consists of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one (1) year from June 30, 2013. The various leases cover a period not to exceed five (5) 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, 2013, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

(See Schedule on Next Page)

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**YEAR ENDED JUNE 30, 2013**

**NOTE 6 - LONG TERM LIABILITIES (CONT.)**

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2013	Due Within One Year
<b>Compensated Absences</b>								
<b>Bonded Debt:</b>								
Educational Facilities Notes, Series 2004	\$ 1,660,000	3.00% to 4.20%	2019	\$ 990,000	\$ -	\$ (990,000)	\$ -	\$ -
Student Housing Corporation, Series 2005	10,595,000	3.75% to 5.35%	2036	9,695,000	-	(9,695,000)	-	-
Career Tech Series 2007	3,330,000	3.75% to 4.00%	2022	2,440,000	-	(2,303,795)	136,205	136,205
General Obligation Bonds, Series 2010	1,765,000	3.29%	2026	1,670,000	-	(100,000)	1,570,000	100,000
General Obligation Bonds, Series 2011	2,450,000	3.29%	2026	2,320,000	-	(135,000)	2,185,000	140,000
Special Obligation Refunding Bonds - Student Housing Series 2012	10,000,000	2.00%	2037	-	10,000,000	-	10,000,000	195,000
General Obligation Refunding Bonds - Series 2013	3,025,000	2.00%	2022	-	3,025,000	-	3,025,000	145,000
<b>Total Bonded Debt</b>	<b>413,648</b>	<b>3.06%</b>	<b>2017</b>	<b>405,419</b>	<b>-</b>	<b>(85,366)</b>	<b>320,053</b>	<b>87,992</b>
Loans:								
FEMA Loan	12,000		2013	222	-	(222)	-	-
<b>Total Loans</b>	<b>12,000</b>		<b>2013</b>	<b>222</b>	<b>-</b>	<b>(222)</b>	<b>-</b>	<b>-</b>
Capital Leases:								
Copier								
Total Capital Leases								
<b>Total</b>	<b>\$ 18,786,346</b>			<b>\$ 13,087,593</b>	<b>\$ (13,309,383)</b>	<b>\$ 18,564,556</b>	<b>\$ 804,197</b>	
Due Within One Year								
<b>Total Long-term Liabilities</b>	<b>\$ 16,916,205</b>			<b>\$ 12,868,171</b>	<b>\$ (13,309,383)</b>	<b>\$ 17,760,359</b>	<b>\$ 804,197</b>	

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE TWELVE**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 6 - LONG-TERM LIABILITIES (CONT.)**

Current Refunding – On April 25, 2013, the College issued \$3,025,000 in general obligation refunding bonds with an average interest rate of 2.00% to refund \$2,983,795 of the following outstanding bond issue(s):

Issue	Average Interest Rate	Outstanding Amount Refunded
Career Tech, Series 2007	3.75 - 4.00%	\$ 2,103,795
Educational Facilities Note, Series 2004	3.00 - 4.20%	880,000

The College refunded the above bonds to reduce its total debt service payments over the next 10 years by almost \$162,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,002,456.

The Career Tech, Series 2007 had an outstanding balance of \$2,240,000 at the time of refunding, but only \$2,103,795 of the bond was refunded, leaving a remaining principal balance of \$136,205, of which \$136,205 will be redeemed during fiscal year 2014.

The net proceeds of \$2,103,795 (after payment of \$39,740 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

Advance Refunding – On December 27, 2012, the College issued \$10,000,000 in special obligation refunding bonds with an average interest rate of 2.00-3.375% to advance refund \$9,695,000 of the following outstanding bond issue(s):

Issue	Average Interest Rate	Outstanding Amount Refunded
Student Housing Corporation, Series 2005	3.75 - 5.35%	\$ 9,695,000

The College refunded the above bonds to reduce its total debt service payments over the next 24 years by almost \$1,431,484 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,534,376.

The net proceeds of \$9,919,245 (after payment of \$80,755 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**YEAR ENDED JUNE 30, 2013**

***NOTE 7 - OPERATING LEASES***

Leased property under operating leases is composed of various office equipment. 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	\$ 138,571
2015	98,303
2016	58,948
2017	<u>3,919</u>
<i>Total minimum payments required</i>	<u>\$ 299,741</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 \$137,653.

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE FOURTEEN**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 8 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

The College's operating expense by functional classifications were as follows for the year ended June 30, 2013:

Functional Classification	Salaries and Wages		Fringe Benefits		Travel		Contractual Services		Utilities		Scholarships and Fellowships		Commodities		Depreciation and Amortization Expense		Total
	\$		\$		\$		\$		\$		\$		\$		\$		
Instruction	\$ 12,619,676		\$ 3,511,002		\$ 242,920		\$ 652,230		\$ 5,729		\$ 1,201,049		\$ 901,629		\$ -		\$ 19,134,235
Academic Support	663,707		206,025		1,021		79,235		-		-		215,382		-		1,165,370
Student Services	2,536,953		699,515		290,919		376,457		90		4,278,874		412,200		-		8,595,008
Institutional Support	2,937,813		897,699		55,662		1,886,592		2,526		523,105		429,024		-		6,732,421
Operation of Plant	1,347,109		491,039		902		607,030		1,593,354		-		611,073		-		4,630,507
Auxiliary Enterprises	374,978		142,403		6,324		1,671,386		87,765		70,189		2,931,457		-		5,284,502
Depreciation	-		-		-		-		-		-		-		3,080,004		3,080,004
<b>Total Operating Expenses</b>	<b>\$ 20,480,236</b>		<b>\$ 5,947,683</b>		<b>\$ 597,748</b>		<b>\$ 5,272,930</b>		<b>\$ 1,689,464</b>		<b>\$ 6,073,217</b>		<b>\$ 5,500,765</b>		<b>\$ 3,080,004</b>		<b>\$ 48,642,047</b>

**NOTE 9 - CONSTRUCTION COMMITMENTS AND FINANCING**

The College has contracted for various construction projects as of June 30, 2013. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Project Title	Total Costs to Complete		Federal Sources		Institutional Funds		Other	
	\$		\$		\$		\$	
New Coliseum	\$ 3,930,520		\$ 1,965,260		\$ -		\$ 1,965,260	
Parking Facility	349,959		-		349,959		-	
Lamar Hall	1,884,000		942,000		-		942,000	
<b>Total</b>	<b>\$ 6,164,479</b>		<b>\$ 2,907,260</b>		<b>\$ 349,959</b>		<b>\$ 2,907,260</b>	

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE FIFTEEN**  
**YEAR ENDED JUNE 30, 2013**

***NOTE 10 - 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 9.00% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 14.26% 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, 2013, 2012 and 2011 were \$2,760,443, \$2,344,443, and \$2,212,327, respectively, equal to the required contributions for each year.

***NOTE 11 - RISK MANAGEMENT***

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

***NOTE 12 - CONCENTRATIONS***

The College receives a significant portion of its revenues from federal and state funded programs and grants. Future funding of these programs is necessary for the College to continue the current level of programs and courses offered.

***NOTE 13 - CONTINGENCIES***

The College is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the College with respect to the various proceedings. However, the College's legal counsel believes that the ultimate liability resulting from these lawsuits will not have a material adverse effect of the financial position of the College.

***NOTE 14 - 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 College evaluated the activity of the College through March 17, 2014 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

***PEARL RIVER COMMUNITY COLLEGE  
DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS***

**PEARL RIVER COMMUNITY COLLEGE  
DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

***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 nonprofit 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.

***Fair Value of Financial Instruments*** - The carrying amount at June 30, 2013 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.

**PEARL RIVER COMMUNITY COLLEGE  
DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
PAGE TWO  
YEAR ENDED JUNE 30, 2013**

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

***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 \$646.

***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.

**PEARL RIVER COMMUNITY COLLEGE  
DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
PAGE THREE  
YEAR ENDED JUNE 30, 2013**

***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 conducts various fundraising events throughout the year. Fundraising revenue included under revenues in the Statement of Activities are for funds received from contributors related to a fundraising activity.

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 Federal Deposit Insurance Corporation (FDIC) provides up to \$250,000 coverage at each institution. At June 30, 2013, \$212,485 of cash deposits were uninsured. Because the Foundation is classified as a private non-profit foundation, many financial institutions will not pledge securities for deposits in excess of FDIC coverage. 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, is invested with a regional investment firm.

**PEARL RIVER COMMUNITY COLLEGE  
DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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YEAR ENDED JUNE 30, 2013**

**NOTE 5 - COMMON FUND INVESTMENTS (Cont.)**

The activity in the Common Fund for the year ended June 30, 2013, was as follows:

Market Value at June 30, 2012	\$	1,451,657
Purchases		-
Income		35,226
Realized Market Gain		88,491
Unrealized Market Gain		55,597
Expenses		(11,046)
<i>Market value at June 30, 2013</i>	<u>\$</u>	<u>1,619,925</u>
<i>Cost basis at June 30, 2013</i>	<u>\$</u>	<u>1,472,699</u>

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

The Foundation also maintains a stock account at another regional investment firm. The activity in this investment account for the year ended June 30, 2013, was as follows:

Market Value at June 30, 2012	\$	434,841
Market Gain (Loss)		(5,286)
<i>Market Value at June 30, 2013</i>	<u>\$</u>	<u>429,555</u>
<i>Cost Basis at June 30, 2013</i>	<u>\$</u>	<u>506,837</u>

The Foundation maintains an annuity at a national life insurance company. The cost basis in the annuity at June 30, 2013 was \$267,734, the cash surrender value was \$265,218, and the total contract value was \$265,218. The annuity has a guaranteed annual withdrawal amount of six percent and a current death benefit of \$302,000.

**PEARL RIVER COMMUNITY COLLEGE  
DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
PAGE FIVE  
YEAR ENDED JUNE 30, 2013**

***NOTE 6 - 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	\$ 285,300
Educational Departments	298,367
Special Projects	2,206
Other	3,117
	\$ 588,990

Temporarily and permanently restricted net assets at June 30, 2013, were restricted as follows:

Temporarily Restricted:

Scholarships and Grants	\$ 1,087,860
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Permanently Restricted:

Endowment Scholarships and Grants	\$ 3,171,582
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***NOTE 7 - SUBSEQUENT EVENTS***

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of The Foundation evaluated the activity of the association through March 17, 2014, and determined that no subsequent events require disclosure in the notes to the financial statements.

***PEARL RIVER COMMUNITY COLLEGE  
SUPPLEMENTARY INFORMATION***

**PEARL RIVER COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**  
**SCHEDULE 1**

<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>U.S. Department of Agriculture</u>			
Supplemental Nutrition Assistance Program	10.561		\$ 24,396
Total U.S. Department of Agriculture			<u>24,396</u>
<u>U.S. Department of Labor</u>			
<u>WIA Cluster:</u>			
Southern Mississippi Planning and Development - WIA Adult Programs	17.258		60,702
Total WIA Cluster			<u>60,702</u>
Southern Mississippi Planning and Development - WIA Youth Programs	17.261	7-590-010-W6835-1	93,422
Mississippi Employment Security Commission- Job Training Grant			
Pass through Program from Mississippi Community College Board-			
Trade Adjustment Assistance Community College and Career Training Grant			
Total U.S. Department of Labor			<u>154,124</u>

**PEARL RIVER COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

SCHEDULE I

PAGE TWO

<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		\$ 4,762
Total National Aeronautics and Space Administration			
<b>Student Financial Aid Cluster</b>			
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)*	84.007		153,219
Federal Work-Study Program (FWS)*	84.033		163,664
Federal Pell Grant Program*	84.063		12,510,401
Federal Direct Student Loans*	84.268		5,317,940
Total Student Financial Aid Cluster			
18,145,224			
 Higher Education Institutional Aid*			
333,265			
 Trio - Student Support Services*			
315,848			

PEARL RIVER COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2013  
 SCHEDULE 1  
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<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>
Pass-through Programs from:			
Mississippi Community College Board-Adult Education-Basic Grants to States*	84.002		\$ 277,897
Mississippi Community College Board-Vocational Education	84.048		311,291
Basic Grants for States*	84.243		100,552
Mississippi Department of Education - Tech-Prep Education			
Subtotal Pass-through Programs			<u>689,740</u>
Total U.S. Department of Education			<u>19,484,077</u>
<u>U.S. Department of Homeland Security</u>			
Pass-through Program from:			
Mississippi Emergency Management Agency			
Public Assistant Grant*	97.036	PW #8941	4,978,965
Public Assistant Grant*	97.036	PW #11243	1,705,701
Public Assistant Grant*	97.036	PW #00664	11,262
Total U.S. Department of Homeland Security			<u>6,695,928</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 26,363,287</u>

\*- denotes major program

**PEARL RIVER COMMUNITY COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

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 Direct Student Loans (CFDA # 84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

***REPORTS ON COMPLIANCE AND INTERNAL CONTROL***

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

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

### **Independent Auditor's Report**

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 discretely presented component unit of Pearl River Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pearl River Community College's basic financial Statements, and have issued our report thereon dated March 17, 2014. The Pearl River Community College Development Foundation, Inc. was 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 Pearl River 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl River Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Pearl River Community College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 13-1 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Pearl River Community College's Response to Findings**

The college's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The 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 result 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.

  
Herzog CPA Company, PLLC  
March 17, 2014

## HERZOG CPA COMPANY, PLLC

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON 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

#### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of Pearl River Community College with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. 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.

#### **Management's Responsibility**

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.

#### **Auditor's Responsibility**

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. However, our audit does not provide a legal determination on the College's compliance with those requirements.

### Opinion on Each Major Federal Program

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

### Report on Internal Control Over Compliance

The management of Pearl River Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 exist when the design or operation of the control 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 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. However, this report is a matter of public record and its distribution is not limited.

*Herzog CPA Company, PLLC*  
**Herzog CPA Company, PLLC**  
March 17, 2014

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

**HERZOG CPA COMPANY, PLLC**

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LIMITED INTERNAL CONTROL AND COMPLIANCE  
REVIEW MANGEMENT REPORT

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

In planning and performing our audit of the financial statements of Pearl River Community College for the year ended June 30, 2013, we considered Pearl River Community College's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pearl River Community College's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the College's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 17, 2014 on the financial statements of Pearl River Community College.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

*Herzog CPA Company, PLLC*

Herzog CPA Company, PLLC

March 17, 2014

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

**PEARL RIVER COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(s) identified that is not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(s) identified not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section \_\_.510(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.002	Mississippi Community College Board - Basic Grants to States
84.007	Student Financial Aid Cluster - FSEOG
84.031	Higher Education Institutional Aid
84.033	Student Financial Aid Cluster - FWS
84.042	Trio - Student Support Services
84.048	Mississippi Community College Board - Vocational Education Basic Grants for States
84.063	Student Financial Aid Cluster - PELL
84.268	Student Financial Aid Cluster - Federal Direct Student Loans
97.036	MEMA - Public Assistant Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$631,360

Auditee qualified as low-risk auditee? No

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 OMB Circular A-133, Section \_\_.315(b)? No

**PEARL RIVER COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PAGE TWO**  
**YEAR ENDED JUNE 30, 2013**

*Section II - Financial Statement Findings*

13-1.      Finding

An effective system of internal control should include an accurate inventory system documenting the completeness and valuation of the books available for rental.

Recommendation

The college should establish adequate control procedures to document the completeness and valuation of rental book inventory.

Response

The college has implemented new inventory procedures to correct this finding.

*Section III - Federal Award Findings and Questioned Costs*

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