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**PEARL RIVER COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015**

PEARL RIVER COMMUNITY COLLEGE
Year Ended June 30, 2015

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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITORS' 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, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified 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, 2015, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the Schedule of the Proportionate Share of the Net Pension Liability, and the Schedule of the College's Contributions 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.

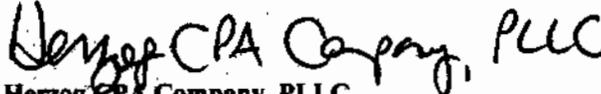
Other Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, 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
March 15, 2016

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, 2015. 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, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) is one indicator of the College's financial health. Over time, increases or decreases in net position 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, 2015 and 2014**

	2015	2014
Assets		
Current Assets	\$ 28,310,024	\$ 28,924,096
Non-current Assets:		
Capital, Net	87,095,445	89,764,316
Other	282,313	376,014
<i>Total Assets</i>	115,687,782	119,064,426
 Deferred Outflows of Resources		
Deferred outflows related to pension	3,634,970	-
<i>Total Deferred Outflows of Resources</i>	3,634,970	-
 Liabilities		
Current Liabilities	3,622,804	3,307,520
Non-Current Liabilities	54,055,657	16,784,323
<i>Total Liabilities</i>	57,678,461	20,091,843
 Deferred Inflows of Resources		
Deferred inflows related to pension	5,524,883	-
<i>Total Deferred Inflows of Resources</i>	5,524,883	-
 Net Position		
Net Investment in Capital Assets	71,615,445	73,564,316
Restricted:		
Nonexpendable	30,375	30,375
Expendable	14,309,132	14,574,062
Unrestricted	(29,835,544)	10,803,830
<i>Total Net Position</i>	\$ 56,119,408	\$ 98,972,583

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 \$19,535,951 at June 30, 2015, compared to the FY 2014 figure of \$19,054,087.

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 \$4,219,928 at June 30, 2015, compared to FY 2014, \$3,918,281.

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 \$260,772 at June 30, 2015, in comparison to \$1,669,965 for FY 2014.

Non-current Assets

Other Investments

Other long-term investments include bank certificates of deposit held by F.D.I.C. insured banks. The value at June 30, 2015 was \$30,375 and \$30,375 at June 30, 2014.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical College holdings at June 30, 2015. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$87,095,445 at June 30, 2015, in comparison to \$89,764,316 for FY 2014.

Deferred Outflows of Resources

The deferred outflows of resources are related to the pension. At June 30, 2015, the balance was \$3,634,970. The balance was \$0 at June 30, 2014.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2015 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,637,999 at June 30, 2015, in comparison to \$1,247,148 for FY 2014.

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, 2015 fiscal year. The amount of the current portion of bonds, notes and capital leases at June 30, 2015, is \$740,000, compared to \$720,000 for FY 2014.

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 \$14,740,000 at June 30, 2015, compared to \$15,480,000 for FY 2014.

The net pension liability was \$38,113,851 at June 30, 2015.

Deferred Inflows of Resources

The deferred inflows of resources are related to the pension. At the June 30, 2015, the balance was \$5,524,883. The balance was \$0 at June 30, June 30, 2014.

Net Position

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Total net position at June 30, 2015 is \$56,119,408 compared to \$98,972,583 for FY 2014.

Analysis of Net Position

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

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

Unrestricted net position represents 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:

	2015	2014
Unrestricted General Fund	\$ (36,119,800)	\$ 3,507,854
Unrestricted Auxiliary Fund	<u>6,284,256</u>	<u>7,295,976</u>
<i>Total Unrestricted Net Position</i>	<u>\$ (29,835,544)</u>	<u>\$ 10,803,830</u>

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2015 and 2014**

Operating Revenues	2015	2014
Tuition and Fees	\$ 2,549,965	\$ 3,210,599
Grants and Contracts	18,136,219	19,748,714
Sales and Services of Educational Departments	117,485	120,875
Auxiliary Enterprises	5,953,277	6,444,541
Other Operating Revenues	793,717	-
Total Operating Revenues	27,550,663	29,524,729
Operating Expenses	(49,963,142)	(47,821,571)
Operating Loss	(22,412,479)	(18,296,842)
Non-operating Revenues		
State Appropriations	15,414,747	14,746,836
County Appropriations	5,372,672	5,260,027
Investment Income (Expense), Net	(809,941)	(898,292)
Other Non-operating Revenues (Expenses)	(10,275)	1,078,518
Net Non-operating Revenues	19,967,203	20,187,089
Income Before Other Revenues	(2,445,276)	1,890,247
Capital Appropriations	54,967	1,362,045
Total Increase (Decrease) in Net Position	(2,390,309)	3,252,292
Net Position		
Net Position - Beginning, as previously reported	98,972,583	95,720,291
Prior period adjustment	(40,462,866)	-
Net Position - Beginning, as restated	58,509,717	-
Net Position - End of Year	\$ 56,119,408	\$ 98,972,583

Total operating loss for the fiscal year 2015 is \$22,412,479 compared to \$18,296,842 for FY 2014. 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 2015 are \$27,550,663, compared to \$29,524,729 for FY 2014. Tuition and fees are \$2,549,965, compared to \$3,210,599 for FY 2014. Operating expenses, including depreciation and amortization of \$3,410,523 totaled \$49,963,142. Of this total \$20,107,835, or 40.25% is for instruction. Operating expenses for FY 2014, including depreciation and amortization of \$2,944,770, totaled \$47,821,571. Of this total \$19,805,451, or 41%, was for instruction.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$2,549,965 for FY 2015, in comparison to \$3,210,599 for FY 2014.

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Federal Sources:		
Department of Education	\$ 13,490,413	\$ 14,937,264
Other Sources	4,645,806	4,811,450
Total All Sources	\$ 18,136,219	\$ 19,748,714

Non-capital Gifts

This consists of gifts made to the College from a nongovernmental organization and/or individuals. The cash gifts totaled \$532,465 at June 30, 2015, compared to \$605,522 for FY 2014.

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$117,485 for the 2015 fiscal year and \$120,875 for the 2014 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 2015 totaling \$49,963,142 include salaries and benefits of \$26,081,379, scholarships and fellowships of \$4,989,414, utilities of \$2,209,684, supplies of \$6,330,963, services of \$6,371,480, and depreciation and amortization of \$3,410,523. Operating expenses for FY 2014 totaling \$47,821,571 include salaries and benefits of \$26,344,308, scholarships and fellowships of \$5,317,545, utilities of \$1,920,786, supplies of \$5,372,404, services of \$5,433,407, and depreciation and amortization of \$2,944,770.

	<u>2015</u>	<u>2014</u>
Expenses by Function:		
Instruction	\$ 20,107,835	\$ 19,805,451
Academic Support	1,040,942	999,359
Student Services	6,806,817	7,269,552
Institutional Support	7,808,365	6,740,493
Operations and Maintenance of Plant	5,534,972	5,333,221
Auxiliary Enterprises	5,253,688	4,728,725
Depreciation	3,410,523	2,944,770
<i>Total Operating Expenses by Function</i>	<u>\$ 49,963,142</u>	<u>\$ 47,821,571</u>

Non-operating Revenues (Expenses)

State Aid

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$15,469,714 for 2014-2015 fiscal year, of which \$15,414,747 was for operations. In 2015, the College received \$54,967 in general obligation bonds of the State for capital improvements. During FY 2014, the College received \$16,108,881 of which \$14,746,836 was for operations. The College received \$1,362,045 in general obligation bonds of the State for capital improvements for FY 2014.

County Appropriations

The College also receives revenue from the six county districts 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 \$5,372,672 for the 2015 fiscal year from the counties and \$5,260,027 for FY 2014. 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, 2015 was \$92,238 compared to the FY 2014 amount of \$82,437.

Other Non-operating Expenses

Total net other non-operating revenues/expenses amounted to \$(10,275) compared to FY 2014 in the amount of \$1,078,518.

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (18,132,619)	\$ (16,252,577)
Non-capital Financing Activities	20,637,421	20,975,150
Capital and Related Financing Activities	(2,548,475)	(10,440,891)
Investing Activities	525,537	2,618,832
Net Increase (Decrease) in Cash and Cash Equivalents	481,864	(3,099,486)
Cash and Cash Equivalents:		
Beginning of the Year	<u>19,054,087</u>	<u>22,153,573</u>
End of the Year	<u>\$ 19,535,951</u>	<u>\$ 19,054,087</u>

The major sources of funds for FY 2015 included in operating activities includes student tuition and fees \$2,514,917, auxiliary enterprises \$5,953,277, and grants and contracts \$18,093,043. The major uses of funds were payments made to employees \$26,435,537, and to suppliers \$11,367,693. During FY 2014, the major sources of funds included in operating activities include student tuition and fees \$3,508,082, auxiliary enterprises \$6,444,762, and grants and contracts \$18,675,176. The major uses of funds during FY 2014 were payments made to employees \$26,399,762, and to suppliers \$10,902,631.

The largest inflow of cash for FY 2015 in the non-capital financing activities group is the State appropriation of \$15,246,477. This figure compares to the FY 2014 amount of \$14,988,281.

Significant Capital Asset Transactions

During the 2015 fiscal year, \$847,781 was paid for capital asset transactions. This figure compares to the fiscal year 2014 amount of \$9,262,303.

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2015 financial situation. The level of State support, compensation increases, student tuition and fee increases, and energy cost increases, impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately fifty-six 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, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 19,535,951
Short-term Investments	3,865,177
Accounts Receivable, Net	4,219,928
Interest Receivable	9,077
Inventories	260,772
Prepaid Expenses	419,119
Total Current Assets	<u>28,310,024</u>

NON-CURRENT ASSETS

Deposits	251,938
Endowment Investments	30,375
Capital Assets, Net of Accumulated Depreciation	87,095,445
Total Non-current Assets	<u>87,377,758</u>

Total Assets

115,687,782

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	3,634,970
Total Deferred Outflows of Resources	<u>3,634,970</u>

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, 2015**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 1,637,999
Retainage Payable	326,555
Unearned Revenues	918,250
Long-term Liabilities - Current Portion	740,000
Total Current Liabilities	3,622,804

NON-CURRENT LIABILITIES

Accrued Leave Liabilities	1,201,806
Long-term Liabilities	14,740,000
Net pension liability	38,113,851
Total Noncurrent Liabilities	54,055,657
Total Liabilities	57,678,461

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	5,524,883
Total Deferred Inflows of Resources	5,524,883

NET POSITION

Net Investment in Capital Assets	71,615,445
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	30,375
Expendable:	
Scholarships and Fellowships	645
Capital Projects	1,478,425
Debt Service	12,830,062
Unrestricted	(29,835,544)
Total Net Position	\$ 56,119,408

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, 2015

	OPERATING FUNDS			Total All Funds 6/30/2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and Cash Equivalents	\$ 181,593	\$ 446,419	\$ 287,770	\$ 915,782
Certificates of Deposit	-	-	175,000	175,000
Treasury Notes	-	-	10,000	10,000
Cash Value of Annuity	584,143	-	244,830	828,973
Investments	348,361	898,859	2,720,348	3,967,568
Total Current Assets	1,114,097	1,345,278	3,437,948	5,897,323
Property and Equipment, net	3,812	-	-	3,812
Total Assets	\$ 1,117,909	\$ 1,345,278	\$ 3,437,948	\$ 5,901,135

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, 2015

	OPERATING FUNDS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 6/30/2015
LIABILITIES AND NET POSITION				
Liabilities				
Accounts Payable	\$ -	\$ 12,857	\$ -	\$ 12,857
Total Current Liabilities	-	12,857	-	12,857
Net Position				
Unrestricted	1,117,909	-	-	1,117,909
Temporarily Restricted	-	1,332,421	-	1,332,421
Permanently Restricted	-	-	3,437,948	3,437,948
Total Net Position	1,117,909	1,332,421	3,437,948	5,888,278
Total Liabilities and Net Position	\$ 1,117,909	\$ 1,345,278	\$ 3,437,948	\$ 5,901,135

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, 2015

OPERATING REVENUES

Tuition and Fees (Net of Scholarship Allowances of \$9,990,139)	\$ 2,549,965
Federal Grants and Contracts	13,490,413
State Grants and Contracts	4,113,341
Non-governmental Grants and Contracts	532,465
Sales and Services of Educational Departments	117,485
Auxiliary Enterprises:	
Student Housing	1,757,050
Food Services	1,502,124
Bookstore	2,694,103
Other Operating Revenues	793,717
Total Operating Revenue	<u>27,550,663</u>

OPERATING EXPENSES

Salaries and Wages	20,379,727
Fringe Benefits	5,701,652
Travel	569,699
Contractual Services	6,371,480
Utilities	2,209,684
Scholarships and Fellowships	4,989,414
Commodities	6,330,963
Depreciation and Amortization Expense	3,410,523
Total Operating Expenses	<u>49,963,142</u>

OPERATING (LOSS)

(22,412,479)

NON-OPERATING REVENUES (EXPENSES)

State Appropriations	15,414,747
Local Appropriations	5,372,672
Investment Income	92,238
Interest Expense on Capital Asset-related Debt	(902,179)
Other Non-operating Revenues (Expenses)	(10,275)
Total Non-operating Revenues (Expenses)	<u>19,967,203</u>

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

(2,445,276)

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, 2015

State Appropriations Restricted for Capital Purposes	<u>\$ 54,967</u>
CHANGE IN NET POSITION	(2,390,309)
NET POSITION	
Net Position - Beginning, as previously reported	98,972,583
Prior period adjustment	<u>(40,462,866)</u>
Net Position - Beginning, as restated	<u>58,509,717</u>
Net Position - End of Year	<u><u>\$ 56,119,408</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, 2015

	OPERATING FUNDS			Total All Funds 6/30/2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 68,199	\$ 918,802	\$ 85,900	\$ 1,072,901
Special Projects	-	53,262	-	53,262
Other	30,505	-	-	30,505
Dividend and Interest Income	23,319	55,309	42,735	121,363
Realized Gain (Loss) on Investments	28,991	28,991	28,991	86,973
Unrealized Gain (Loss) on Investments	(51,875)	(41,598)	(117,126)	(210,599)
Net Position Released From Restriction:				
Expiration of Usage Restrictions	855,888	(855,888)	-	-
Total Revenues, Gains, and Other Support	955,027	158,878	40,500	1,154,405

EXPENSES	
Program Services:	
Scholarships	535,419
Educational Departments	271,868
Service Awards	3,903
Special Projects	54,071
Total Program Services	865,261

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, 2015

	OPERATING FUNDS			Total All Funds 6/30/2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Supporting Services:				
General Administration	\$ 63,356	\$ 5,416	\$ 4,835	\$ 73,607
Fundraising Expense	23,519	-	1,325	24,844
Alumni Activities	7,660	-	-	7,660
Total Supporting Services	<u>94,535</u>	<u>5,416</u>	<u>6,160</u>	<u>106,111</u>
Other Income and Expenses:				
Transfers In	400,000	-	-	400,000
Transfers Out	-	(16,759)	(383,241)	(400,000)
Total Other Income and Expenses	<u>400,000</u>	<u>(16,759)</u>	<u>(383,241)</u>	<u>-</u>
Change in Net Position	<u>395,231</u>	<u>136,703</u>	<u>(348,901)</u>	<u>183,033</u>
NET POSITION:				
Beginning of Year	722,678	1,195,718	3,786,849	5,705,245
End of Year	<u>\$ 1,117,909</u>	<u>\$ 1,332,421</u>	<u>\$ 3,437,948</u>	<u>\$ 5,888,278</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$	2,514,917
Grants and Contracts		18,093,043
Sales and Services of Educational Departments		117,485
Other Operating Revenues		750,405
Payments to Suppliers		(11,367,693)
Payments to Employees for Salaries and Benefits		(26,435,537)
Payments for Utilities		(2,217,410)
Payments for Travel		(559,197)
Payments for Scholarships and Fellowships		(4,981,909)
Auxiliary Enterprise Charges:		
Student Housing		1,757,050
Food Services		1,502,124
Bookstore		2,694,103
Net Cash Used by Operating Activities		(18,132,619)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations		15,246,477
Local Appropriations		5,390,944
Net Cash Provided by Non-capital Financing Activities		20,637,421

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for Capital Assets		(847,781)
Payments to State		93,701
Principal Paid on Capital Debt and Leases		(940,000)
Interest Paid on Capital Debt and Leases		(909,362)
Capital Appropriations Received		54,967
Net Cash Used by Capital and Related Financing Activities		(2,548,475)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments		437,878
Interest Received on Investments		87,659
Net Cash Provided by Investing Activities		525,537

NET INCREASE IN CASH AND CASH EQUIVALENTS

481,864

CASH AND CASH EQUIVALENTS BALANCES

Beginning of Year		19,054,087
End of Year	\$	19,535,951

The notes to 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, 2015**

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

Operating (Loss)	\$ (22,412,479)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	3,410,523
Change in Pension	(459,102)
(Increase) Decrease in Assets	
Receivables, Net	(151,648)
Inventories	1,409,192
Prepaid Expenses	(242,490)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	392,804
Unearned Revenues	23,098
Accrued Expenses	(102,517)
Total Adjustments	<u>4,279,860</u>
Net Cash Used by Operating Activities	<u>\$ (18,132,619)</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Position	\$	183,033
Adjustments to Reconcile Increase (Decrease) in Net Position to Net Cash Provided by Operating Activities:		
Depreciation		503
Unrealized Loss on Investments		210,599
Realized Gains on Investments		(86,973)
 (Decrease) in:		
Accounts Payable		(7,446)
Net Cash Provided by Operating Activities		<u>299,716</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investments		(146,732)
Net Cash (Used) by Investing Activities		<u>(146,732)</u>

NET INCREASE IN CASH 152,984

CASH BALANCES

Beginning of Year		<u>762,798</u>
End of Year	\$	<u>915,782</u>

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, 2015

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, 2015, the Foundation distributed \$308,521 to the College. Of this amount, \$286,321 was for scholarships and \$22,200 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, 2015

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, 2015

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 Outflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The college has incurred deferred outflows that are related to pension reporting.
- M. **Unearned Revenues** - Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- N. **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. Adjunct faculty do not accrue personal leave. 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 fifteen days of unused accumulated personal leave. This payment shall be made based on the remaining number of days (up to 15) 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, 2015, as reported in the Statement of Net Position is \$1,201,806. 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, 2015

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

- O. **Deferred Inflows of Resources** - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting.
- P. **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.
- Q. **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.
- R. **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.
- S. **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 \$(29,835,544) at June 30, 2015, includes \$260,772 reserved for inventories and \$6,284,256 reserved for auxiliaries.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE FIVE
YEAR ENDED JUNE 30, 2015

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

- T. 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.
- U. 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.
- V. 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.
- W. Change in Accounting Principles -The College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (GASB 68), which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. The College provides its employees with pension benefits through the Public Employees' Retirement System of Mississippi (PERS), a multiple-employer cost-sharing defined benefit retirement program administered by PERS. GASB 68 requires employers participating in benefit multiple-employer cost-sharing plans, such as PERS, to record their proportionate share, as defined in GASB 68, of PERS's unfunded pension liability. The College has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERS. The cumulative effect of adopting GASB 68 resulted in a \$(40,462,866) restatement of net position as of July 1, 2014, which decreased previously reported net position. Information regarding PERS' current funding status can be found in their Comprehensive Annual Financial Report. Information related to beginning balances for fiscal year 2014 was not available thus the effects of GASB 68 including the related pension liability were not reported on the balance sheet or statements of revenues, expenses and changes in net position for that year.

NOTE 2 - PRIOR PERIOD ADJUSTMENT

Significant adjustments were made to beginning net position as described below:

Statement of Activities:

Implementation of GASB 68

\$(40,462,866)

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE SIX
YEAR ENDED JUNE 30, 2015

NOTE 3 - 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.

The carrying amount of the College's deposits with financial institutions reported in the accompanying financial statements was \$19,535,951. The bank balance was \$20,084,506.

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, 2015, the College's bank balance was not exposed to custodial credit risk.

- B. **Investments**

As of June 30, 2015, the College had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Standard & Poors' Rating</u>
Short-term Investments			
Certificates of Deposit	Less than 1	\$3,597,726	AAA
U.S. Treasury and Local Government Bond Fund	Less than 1	267,452	AAA
Endowment Investments			
Certificates of Deposit	1-2 years	30,375	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.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE SEVEN
YEAR ENDED JUNE 30, 2015

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont.)

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, 2015, the College's investment balance was not exposed to custodial credit risk.

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, 2015, the College had the following investments:

<u>Total Issuer</u>	<u>Fair Value</u>	<u>% of Investments</u>
First Southern Bank Certificate of Deposit	\$ 1,147,110	29%
Bank Plus Certificate of Deposit	1,148,850	29%
Bank Plus Certificate of Deposit	599,483	15%
Bank Plus Certificate of Deposit	598,305	15%
U.S. Government	267,452	6%

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2015:

Student tuition	\$ 8,821,432
Federal, state, and private grants and contracts	2,909,919
Local appropriations	145,285
Other	79,786
Total accounts receivable	<u>11,956,422</u>
Less allowance for doubtful accounts	<u>(7,736,494)</u>
Net accounts receivable	<u>\$ 4,219,928</u>

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE EIGHT
YEAR ENDED JUNE 30, 2015

NOTE 5 - 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, 2015.

	<u>Interest Rates</u>	<u>June 30, 2015</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
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		<u>(15,066)</u>	<u>-</u>	<u>(15,066)</u>
Net Notes Receivable		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 1,395,454	-	-	-	\$ 1,395,454
Construction in Progress	22,385,310	318,711	-	(22,471,532)	232,489
Total Nondepreciable Capital Assets	<u>\$ 23,780,764</u>	<u>\$ 318,711</u>	<u>\$ -</u>	<u>\$ (22,471,532)</u>	<u>\$ 1,627,943</u>

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
 PAGE NINE
 YEAR ENDED JUNE 30, 2015

NOTE 6 - CAPITAL ASSETS (Cont.)

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Depreciable Capital Assets:					
Improvements Other than Buildings	\$ 41,837,992	\$ -	\$ -	\$ 508,778	\$ 42,346,770
Buildings	50,213,844	-	-	21,962,754	72,176,598
Equipment	9,839,783	391,965	(179,173)	-	10,052,575
Library Books	860,592	20,362	(98,851)	-	782,103
Leased Property Under Capital Leases	1,040,697	-	-	-	1,040,697
Total Depreciable Capital Assets	<u>103,792,908</u>	<u>412,327</u>	<u>(278,024)</u>	<u>22,471,532</u>	<u>126,398,743</u>
Less Accumulated Depreciation for:					
Improvements Other than Buildings	16,855,645	1,382,286	-	-	18,237,931
Buildings	11,314,485	1,435,398	-	-	12,749,883
Equipment	8,362,055	442,820	(168,898)	-	8,635,977
Library Books	553,483	78,210	(98,851)	-	532,842
Leased Property Under Capital Leases	723,688	50,920	-	-	774,608
Total Accumulated Depreciation	<u>37,809,356</u>	<u>3,389,634</u>	<u>(267,749)</u>	<u>-</u>	<u>40,931,241</u>
Total Depreciable Capital Assets, Net	<u>65,983,552</u>	<u>(2,977,307)</u>	<u>(10,275)</u>	<u>22,471,532</u>	<u>85,467,502</u>
Capital Assets, Net	<u>\$ 89,764,316</u>	<u>\$ (2,658,596)</u>	<u>\$ (10,275)</u>	<u>\$ -</u>	<u>\$ 87,095,445</u>

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 6 - CAPITAL ASSETS (Cont.)

Depreciation is computed on a straight-line basis with the exception of the College 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
College books	10 years	10%	--

NOTE 7 - 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, 2015. 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, 2015, 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, 2015**

NOTE 7 - LONG TERM LIABILITIES (CONT.)

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Compensated Absences				\$ 1,304,323	\$ -	\$ (102,517)	\$ 1,201,806	\$ -
Bonded Debt:								
General Obligation Bonds, Series 2010	1,765,000	3.29%	2026	1,470,000	-	(105,000)	1,365,000	105,000
General Obligation Bonds, Series 2011	2,450,000	3.29%	2026	2,045,000	-	(140,000)	1,905,000	145,000
Special Obligation Refunding Bonds - Student Housing Series 2012	10,000,000	2.00%	2037	9,805,000	-	(110,000)	9,695,000	115,000
General Obligation Refunding Bonds - Series 2013	3,025,000	2.00%	2022	2,880,000	-	(365,000)	2,515,000	375,000
Total Bonded Debt				16,200,000	-	(720,000)	15,480,000	740,000
Total				\$ 17,504,323	\$ -	\$ (822,517)	\$ 16,681,806	\$ 740,000

Due Within One Year

Total Long-term Liabilities

	Bonded Debt	Interest	Total
2016	\$ 740,000	\$ 412,434	\$ 1,152,434
2017	1,000,000	392,391	1,392,391
2018	1,025,000	369,656	1,394,656
2019	1,055,000	346,482	1,401,482
2020	1,080,000	322,481	1,402,481
2021-2025	4,150,000	1,262,262	5,412,262
2026-2030	2,630,000	783,204	3,413,204
2031-2035	2,630,000	416,025	3,046,025
2036-2037	1,170,000	39,825	1,209,825
Totals	\$ 15,480,000	\$ 4,344,760	\$ 19,824,760

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 8 - 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>
2016	\$ 148,477
2017	84,429
2018	46,435
2019	15,644
2020	<u>1,039</u>
<i>Total minimum payments required</i>	<u>\$ 296,024</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, 2015, was \$141,724.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 9 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The College's operating expenses by functional classifications were as follows for the year ended June 30, 2015:

Functional Classification	Salaries and		Fringe		Travel	Contractual		Scholarships and		Commodities	Depreciation and Amortization		Total
	Wages		Benefits			Services	Utilities	Fellowships	Expense				
Instruction	\$ 12,710,208	\$ 3,427,871	\$ 198,096	\$ 220,189	\$ 837,557	\$ 4,934	\$ 1,548,554	\$ -	\$ 1,358,522	\$ -	\$ -	\$ 20,107,835	
Academic Support	663,529	663,315	2,393	2,393	99,994	-	-	-	76,930	-	-	1,040,942	
Student Services	2,468,563	811,782	56,001	280,955	279,201	-	2,604,623	-	510,160	-	-	6,806,817	
Institutional Support	2,845,820	470,109	130,479	3,106	2,958,046	3,366	780,487	-	352,863	-	-	7,808,365	
Operation of Plant	1,336,349	130,479	7,055	7,055	1,328,804	81,089	55,750	-	737,235	-	-	5,534,972	
Auxiliary Enterprises	355,258	5,701,652	-	-	-	-	-	-	3,295,253	-	-	5,253,688	
Depreciation	-	-	-	-	-	-	-	-	-	-	3,410,523	3,410,523	
Total Operating Expenses	\$ 20,379,727	\$ 5,701,652	\$ 569,699	\$ 6,371,480	\$ 2,209,684	\$ 4,989,414	\$ 6,330,963	\$ 3,410,523	\$ 49,963,142				

NOTE 10 - CONSTRUCTION COMMITMENTS AND FINANCING

The College has contracted for a construction project as of June 30, 2015. Estimated cost to complete the project and the source of anticipated funding are presented below:

Project Title	Total Costs to		State		Institutional	
	Complete		Sources		Funds	
Softball/Soccer Facility	\$ 89,853	\$ -	-	\$ 89,853		
Courtyard Expansion	456,374	365,099	365,099	91,275		
	\$ 546,227	\$ 365,099	\$ 365,099	\$ 181,128		

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 11 - PENSION PLAN OBLIGATIONS

General Information about the Pension Plan

Plan Description

The College is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the College. Code Section § 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled upon application, to annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by § Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

Contributions

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended June 30, 2015, member employees were required to contribute 9.00 percent of their annual pay, while the College's required contribution rate was 15.75 percent of annual covered payroll. The College's employer contributions to PERS for the years ending June 30, 2015, 2014 and 2013 were \$3,040,405, \$3,018,878, and \$2,760,443 (employer share). The contributions for the years met the required contributions.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 11 - PENSION PLAN OBLIGATIONS (cont)

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

At June 30, 2015, the Pearl River Community College reported a liability of \$38,113,851 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2014, relative to the total employer contributions of participating employers to PERS. At June 30, 2014, the College's proportion was .314% which was .003% less than its proportion measured as of June 30, 2013. Information related to beginning balances for fiscal year 2013 was not available thus the effects of GASB 68 including the related pension liability were not reported on the balance sheet or statements of revenues, expenses and changes in net position for that year.

For the year ended June 30, 2015, the College, recognized pension expense of \$2,581,303. At June 30, 2015, the College reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 594,565	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,524,883
Contributions subsequent to the measurement date	<u>3,040,405</u>	<u>-</u>
	<u>\$ 3,634,970</u>	<u>\$5,524,883</u>

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 11 - PENSION PLAN OBLIGATIONS (cont)

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

At June 30, 2015, The Pearl River Community College reported \$3,634,970 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (1,167,348)
2017	(1,167,348)
2018	(1,214,400)
2019	<u>(1,381,222)</u>
	<u>\$ (4,930,318)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.50%
Salary increases	4.25%-19.50%, average, including inflation
Investment rate of return	8.00%, net of position of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2012. The experience report is dated June 12, 2013.

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

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 11 - PENSION PLAN OBLIGATIONS (cont)

Actuarial Assumptions (cont)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. Broad	34.00 %	5.20 %
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(.50)
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 11 - PENSION PLAN OBLIGATIONS (cont)

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The college's proportionate share of the net pension liability has been calculated using a discount rate of 8.00%. The following presents the College's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	\$ 51,960,544	\$ 38,113,851	\$ 26,563,650

Pension Plan Fiduciary Net Position

Detailed information about the pension's fiduciary net position is available in the separately issued comprehensive annual financial report which can be obtained at www.pers.ms.gov.

Payable to the Pension Plan

At June 30, 2015, the College has no amounts payable for outstanding contributions to the pension plan required for the year ended June 30, 2015.

NOTE 12- 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 13 - 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 14 - 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.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015

NOTE 15 – 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 15, 2016 (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, 2015**

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 Position 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 Position, 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 Position are reclassified to unrestricted Net Position and reported in the statement of activities as Net Position 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, 2015 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, 2015**

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 Position. Investment income and gains restricted by a donor are reported as increase in unrestricted Net Position 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 \$503. The fixed assets have a cost of \$50,552 and accumulated depreciation is \$46,740 at June 30, 2015.

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 Position - Net Position 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
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YEAR ENDED JUNE 30, 2015**

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 - FUNDRAISING

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 fundraising 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, 2015, \$683,788 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 - 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, 2015**

NOTE 5 - INVESTMENTS (Cont.)

The activity in the Investment Account for the year ended June 30, 2015, was as follows:

Market Value at June 30, 2014	\$	1,605,430
Disbursements		(100,108)
Income		37,399
Realized Market Gain		88,400
Unrealized Market (Loss)		(79,871)
Expenses		(10,999)
Market value at June 30, 2015	\$	<u>1,540,251</u>
Cost basis at June 30, 2015	\$	<u>1,408,538</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 maintains a stock account at another regional investment firm. The activity in this investment account for the year ended June 30, 2015, was as follows:

Market Value at June 30, 2014	\$	504,552
Dividends		13,714
Disbursements		(13,714)
Market (Loss)		(48,712)
Market Value at June 30, 2015	\$	<u>455,840</u>
Cost Basis at June 30, 2015	\$	<u>506,837</u>

The Foundation maintains annuities at a national life insurance company. The cost basis in the annuities at June 30, 2015 was \$860,454, the cash surrender value was \$828,973, and the total contract value was \$828,975. One annuity has a guaranteed annual withdrawal amount of five percent, and one annuity has a guaranteed annual withdrawal amount of six percent. The current death benefit of both annuities is \$922,000.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015**

NOTE 5 – INVESTMENTS (Cont).

The Foundation maintains an investment account at another regional investment firm. The activity in this investment account for the year ended June 30, 2015, was as follows:

Market Value at June 30, 2014	\$	1,488,125
Disbursements		(40,774)
Income		39,526
Unrealized Market (Loss)		(26,703)
<i>Market Value at June 30, 2015</i>	\$	<u>1,460,174</u>
<i>Cost Basis at June 30, 2015</i>	\$	<u>1,481,829</u>

During the year ended June 30, 2014, the Foundation received a \$234,745 Title Endowment Grant. This grant, along with Foundation funds in the amount of \$235,000 are invested with a regional investment firm. The activity in the investment account for the year ended June 30, 2015, was as follows:

Market Value at June 30, 2014	\$	506,815
Income		34,318
Realized Market (Loss)		(1,427)
Unrealized Market (Loss)		(24,895)
Expenses		(3,508)
<i>Market Value at June 30, 2015</i>	\$	<u>511,303</u>
<i>Cost Basis at June 30, 2015</i>	\$	<u>523,101</u>

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2015**

NOTE 6 - RESTRICTIONS ON NET POSITION

Net Position is 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	\$ 533,919
Educational Departments	267,898
Special Projects	54,071
	<u>\$ 855,888</u>

Temporarily and permanently restricted Net Position at June 30, 2015, is restricted as follows:

Temporarily Restricted:	
Scholarships and Grants	<u>\$ 1,332,421</u>
Permanently Restricted:	
Endowment Scholarships and Grants	<u>\$ 3,437,948</u>

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 15, 2016, and determined that no subsequent events require disclosure in the notes to the financial statements.

**PEARL RIVER COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION**

**Pearl River Community College
 Schedule of the College's Proportionate Share
 of the Net Pension Liability
 For the Years Ended June 30, 2015 and 2014**

	2015	2014
Employer's proportion of the net pension liability (asset)	.314%	.317%
Employer's proportionate share of the net pension liability (asset)	\$ 38,113,851	\$ 43,923,320
Employer's covered-employee payroll	19,167,479	19,357,942
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.97%	2.29%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

Information above is presented as of the measurement date

Information is not currently available for prior years; additional years will be displayed as they become available.

**Pearl River Community College
 Schedule of the College's Contributions
 For the Years Ended June 30, 2015 and 2014**

	2015	2014
Contractually required contribution	\$ 3,040,405	\$ 3,018,878
Contributions in relation to the contractually required	(3,040,405)	(3,018,878)
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	19,304,159	19,167,479
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

Information above is presented as of the Employer's fiscal year

Information is not currently available for prior years; additional years will be displayed as they become available.

**PEARL RIVER COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION**

PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015
SCHEDULE I

<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		\$ 23,775
Total U.S. Department of Agriculture			<u>23,775</u>
<u>U.S. Department of Labor</u>			
<u>WIA Cluster:</u>			
Southern Mississippi Planning and Development - WIA Adult Programs	17.258		67,289
Southern Mississippi Planning and Development - Basic Manufacturing Skills	17.258	14-352-813-591	31,518
Total WIA Cluster			<u>98,807</u>
Southern Mississippi Planning and Development - WIA Pilot, Demonstrations, and Research Projects	17.261	14-352-217-591	44,983
Mississippi Employment Security Commission- Job Training Grant			
Pass through Program from Mississippi Community College Board-			
Trade Adjustment Assistance Community College and Career Training Grant			
Trade Adjustment Assistance Community College and Career Training			
Pass through Program from Bossier Parish Community College*	17.282		379,322
Total U.S. Department of Labor			<u>523,112</u>

PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015
SCHEDULE 1
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		\$ 9,849
Total National Aeronautics and Space Administration			
<u>Student Financial Aid Cluster</u>			
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)*	84.007		139,900
Federal Work-Study Program (FWS)*	84.033		139,263
Federal Pell Grant Program*	84.063		11,469,229
Federal Direct Student Loans*	84.268		3,845,196
Total Student Financial Aid Cluster			
15,593,588			
<u>Higher Education Institutional Aid</u>			
	84.031		81,068
<u>Trio - Student Support Services*</u>			
	84.042		320,140

PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015
SCHEDULE 1
PAGE THREE

<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		\$ 273,536
Mississippi Community College Board - Vocational Education			
Basic Grants for States*	84.048		256,513
Mississippi Community College Board - Statewide Data Systems, Recovery Act	84.384		1,479
Mississippi Department of Education - Tech-Prep Education	84.243		117,952
Subtotal Pass-through Programs			<u>649,480</u>
Total U.S. Department of Education			<u>16,644,276</u>
<u>U.S. Department of Homeland Security</u>			
Pass-through Program from:			
Mississippi Emergency Management Agency			
Public Assistance Grant			
Total U.S. Department of Homeland Security	97.036	1604-DR-MS-4312L	121,934
Total Expenditures of Federal Awards			<u>121,934</u>
Total Expenditures of Federal Awards			<u>\$ 17,322,946</u>

*- denotes major program

PEARL RIVER COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

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

HERZOG CPA COMPANY, PLLC

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INDEPENDENT AUDITORS' 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 Auditors' 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, 2015, 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 15, 2016. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

March 15, 2016

HERZOG CPA COMPANY, PLLC

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INDEPENDENT AUDITORS' 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, 2015. The College's major federal programs are identified in the Summary of Auditors' 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.

Auditors' Responsibility

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

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, 2015.

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 15, 2016

***INDEPENDENT AUDITORS' 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, 2015, 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 15, 2016 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 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

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

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 Auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section __.510(a)? None reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.282	TAACCCT Pass through Program from Bossier Parish Community College
84.002	Mississippi Community College Board - Basic Grants to States
84.007	Student Financial Aid Cluster - FSEOG
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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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, 2015**

Section II - Financial Statement Findings

No financial statement findings were reported.

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.