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**MERIDIAN COMMUNITY COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

# **MERIDIAN COMMUNITY COLLEGE**

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**MERIDIAN COMMUNITY COLLEGE**

**FINANCIAL AUDIT REPORT**



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
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**INDEPENDENT AUDITOR'S REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, Mississippi 39307

We have audited the accompanying financial statements of Meridian Community College as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Meridian Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meridian Community College Foundation, a discretely presented component unit of Meridian Community College which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Meridian Community College Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Meridian Community College and of its discretely presented component unit, as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2009, on our consideration of Meridian Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 28, 2009

*Watkins, Ward and Stafford, PLLC*

## **MERIDIAN COMMUNITY COLLEGE**

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



Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008

This section of the Meridian Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2008. 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. We have included in this discussion comparative data for 2007. 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*. We are in the fifth year of compliance with this standard. These financial statements differ significantly, in both form and the accounting principles used, from those presented prior to fiscal year 2003. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or 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.

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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 Statement of Net Assets**

June 30, 2008 and 2007

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>Assets</b>				
Current Assets	\$7,664,209	22.22	8,275,008	24.33
Non-current Assets:				
Capital, Net	26,828,446	77.78	25,705,166	75.58
Other	<u>0</u>	<u>0</u>	<u>31,419</u>	<u>.09</u>
Total Assets	<u>34,492,655</u>	<u>100.00</u>	<u>34,011,593</u>	<u>100.00</u>
<b>Liabilities</b>				
Current Liabilities	1,329,446	25.83	1,674,366	28.23
Non-current Liabilities	<u>3,817,932</u>	<u>74.17</u>	<u>4,255,809</u>	<u>71.77</u>
Total Liabilities	<u>5,147,378</u>	<u>100.00</u>	<u>5,930,175</u>	<u>100.00</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net	23,375,918	79.66	21,366,601	76.09
Restricted:				
Expendable	612,234	2.09	990,876	3.53
Unrestricted	<u>5,354,688</u>	<u>18.25</u>	<u>5,723,941</u>	<u>20.38</u>
Total Net Assets	<u>\$29,345,277</u>	<u>100.00</u>	<u>\$28,081,418</u>	<u>100.00</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$2,488,271 at June 30, 2008, a decrease of \$843,537 under the balance of \$3,331,808 on June 30, 2007. We continued our investment of \$500,000 CDs with staggered maturities.

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For the Year Ended June 30, 2008

**Accounts Receivable**

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. 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 \$2,682,808 at June 30, 2008, a decrease of \$740,763 under the balance of \$3,423,571 at June 30, 2007.

**Inventories**

The College maintains inventories of resale merchandise within the college bookstore. Books, student supplies, sportswear, gift items and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$389,335 at June 30, 2008, an increase of \$33,368 over the balance of \$355,967 at June 30, 2007.

**Non-current assets**

**Other Long-term Investments**

The other long-term investments are funds held in certificate of deposit that matures at a time past the next fiscal year. These funds are held in this certificate of deposit to meet the requirements for an unemployment compensation fund. Unemployment claims are paid out of unrestricted funds of the college. This account is simply maintained for legal compliance purposes. The amount of cash and cash equivalents considered non-current at June 30, 2008 totaled \$0 compared to \$31,419 at June 30, 2007.

**Capital Assets, Net**

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2008. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$26,828,446 at June 30, 2008, an increase of \$1,123,280 over the balance of \$25,705,166 at June 30, 2007.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities represent amounts due at June 30, 2008 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,113,442 at June 30, 2008, an increase of \$22,422 over the balance of \$1,091,020 at June 30, 2007.

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**Deferred Revenue**

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2008 fiscal year. The deferred revenue totaled \$39,745 at June 30, 2008, an increase of \$16,269 over the balance of \$23,476 at June 30, 2007.

**Annual Leave Liabilities – Current Portion**

Annual leave liabilities-current portion represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2008 fiscal year. The amount of the current portion of compensated absences at June 30, 2008 was \$46,196, an increase of \$7,363 from the balance at June 30, 2007 of \$38,833.

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2008 fiscal year. The amount of the current portion of long-term debt at June 30, 2008 was \$130,063, a decrease of \$390,974 over the balance of \$521,037 on June 30, 2007.

**Non-current Liabilities**

**Deposits**

Deposits represents the deposits paid by students for reservation and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon check-out at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$76,703 at June 30, 2008, an increase of \$14,950 as compared to the balance of \$61,753 at June 30, 2007.

**Accrued Leave**

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid vacation. The total amount of the non-current portion of accrued compensated balances on June 30, 2008 was \$418,764, an increase of \$42,236 over the balance of \$376,528 at June 30, 2007.

**Long-Term Liabilities**

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. The total amount of the non-current portion of long-term debt was \$3,322,465 at June 30, 2008, a decrease of \$495,063 from the balance of \$3,817,528 at June 30, 2007.

**Net Assets**

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2008 were \$29,345,277 an increase of \$1,263,859 over the balance of

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Management's Discussion and Analysis  
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\$28,081,418 on June 30, 2007 as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2008.

**Analysis of Net Assets**

Restricted expendable net assets consist of unemployment funds, grants from third party agencies with expenditure restrictions, local appropriations restricted for capital projects or debt retirement and loan funds.

The following is a breakdown of the restricted net assets:

	June 30, 2008	June 30, 2007
	<u>Amount</u>	<u>Amount</u>
Unemployment Funds	\$ 69,711.	\$ 31,419.
Capital Projects	63,595.	63,595.
Grants and Contracts	8,519.	58,804.
Loan Funds	2,707.	1,919.
Debt Obligations	<u>470,139.</u>	<u>835,139.</u>
Total Restricted Net Assets	<u>\$ 614,671.</u>	<u>\$ 990,876.</u>

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

The following is a breakdown of the unrestricted net assets:

	June 30, 2008	June 30, 2007
	<u>Amount</u>	<u>Amount</u>
Unrestricted General Fund	\$3,469,005.	\$ 3,997,667.
Unrestricted Designated Funds	562,972.	475,012.
Unrestricted Auxiliary Funds	<u>1,322,711.</u>	<u>1,251,262.</u>
Total Unrestricted Net Assets	<u>\$5,354,688.</u>	<u>\$ 5,723,941.</u>

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

For the year ended June 30, 2008 and 2007

	June 30, 2008 <u>Amount</u>	June 30, 2007 <u>Amount</u>
<b>Operating Revenues:</b>		
Tuition and Fees	\$ 2,863,232.	\$ 2,896,090.
Grants and Contracts	12,316,810.	11,629,482.
Auxiliary Enterprises	3,320,432.	3,306,229.
Other Operating Revenues	<u>401,619.</u>	<u>230,506.</u>
Total Operating Revenues	<u>18,902,093.</u>	<u>18,062,307.</u>
Operating Expenses	<u>33,469,672.</u>	<u>30,690,195..</u>
Operating Loss	<u>(14,567,579.)</u>	<u>(12,627,888.)</u>
<b>Non-operating Revenues:</b>		
State Appropriations	12,687,422.	10,537,987.
Local Appropriations	1,643,078.	1,736,869.
Investment Income, Net	168,064.	206,208.
Other Non-operating revenues(expenses)	<u>(257,076.)</u>	<u>0.</u>
Net Non-operating Revenues	<u>14,241,488.</u>	<u>12,481,064.</u>
Income Before Other Revenues	(326,091)	(146,824)
State Appropriations restricted for Capital Purposes	886,729.	3,153,265..
Local Appropriations restricted for Capital Purposes	880,003.	766,578.
Capital Gift	30,445.	121,970.
Other Additions (deletions), net	<u>(207,227)</u>	<u>(273,464.)</u>
Total Other Revenues	<u>1,589,950.</u>	<u>3,768,349.</u>
Total Increase in Net Assets	<u>1,263,859.</u>	<u>3,621,525.</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year, as Restated	28,081,418.	<u>24,459,893</u>
Net Assets at End of Year	<u>\$ 29,345,277.</u>	<u>\$ 28,081,418.</u>

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Total operating loss for the fiscal year 2008 was \$14,567,579, an increase of \$3,893,770 over the loss for fiscal year 2007 of \$12,627,888. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and forward, the College will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2008 were \$18,902,093. Tuition and fees were \$2,863,232. The tuition discount was \$3,310,978. Operating expenses, including depreciation of \$1,040,281, totaled \$33,469,672.

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$2,863,232. The tuition discount for the 2008 fiscal year was \$3,310,978.

**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. Non-exchange 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 years ended June 30, 2008 and 2007:

	<u>June 30, 2008</u> <u>Amount</u>	<u>June 30, 2007</u> <u>Amount</u>
Federal	\$ 8,004,402.	\$ 7,923,203.
State	3,105,601.	2,899,443
Private	<u>1,206,807.</u>	<u>806,836</u>
Total all Sources	<u>\$ 12,316,810.</u>	<u>\$ 11,629,482</u>

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**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$204,613 for the 2008 fiscal year, an increase of \$37,050 over the balance of \$170,959 for the 2007 fiscal year.

**Sales and Services, Net**

Auxiliary enterprises include the College bookstore, food services and housing.

**Operating Expenses**

Operating expenses totaling \$33,469,672 include salaries and benefits of \$14,492,338, utilities of \$1,063,983, supplies of \$2,926,449, services of \$3,210,110, and depreciation of \$1,040,281.

	June 30, 2008 <u>Amount</u>	June 30, 2007 <u>Amount</u>
Expenses by Function:		
Instruction	\$ 13,232,352.	\$ 11,538,743.
Academic Support	2,622,673.	2,461,857.
Student Services	2,666,936.	2,541,285.
Institutional Support	3,260,641.	3,281,704.
Operations and Maintenance of Plant	3,165,273.	2,914,682.
Student Financial Aid	4,510,123.	4,407,347.
Auxiliary Enterprises	2,971,393.	2,612,778.
Depreciation	<u>1,040,281.</u>	<u>932,000.</u>
 Total Operating Expenses by Function	 <u>\$ 33,469,672.</u>	 <u>\$ 30,690,195.</u>

**Non-operating Revenues (Expenses)**

**State Appropriation**

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$13,574,151 for the 2007-2008 fiscal year, of which \$12,687,422 was for operations. This represents an increase of \$2,149,435 over the amount received for operations in the previous year. State appropriations for capital projects of \$886,729 were paid on behalf of the College during the 2008 fiscal year.

**Local Appropriations**

The College also receives revenue from the city of Meridian and Lauderdale County. The College received \$2,523,081 for the 2008 fiscal year from the local government of which \$1,643,078 was for operating purposes. This represents a decrease of \$93,791 of local operating revenue received from the local government for operating purposes in the previous year. The remaining \$880,003 was received in fiscal year 2008 for capital projects or retirement of debt.



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**Investment Income, Net**

This includes the interest income from the cash in the bank accounts. A total of \$168,064 was earned during the 2008 fiscal year.

**Other Revenues**

**State Appropriations for Capital Purposes**

The college received \$886,729 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2008 fiscal year. This revenue represents payment on behalf of the college for the following projects:

- \$101,741 was used to begin the renovations to the Workforce Training Center,
- \$15,146 was used to begin Phase II of the Ivy Hall HVAC renovation, and
- \$769,842 was used on several re-roofing projects.

**Local Appropriations for Capital Purposes**

This includes revenue received from the City of Meridian and Lauderdale County for capital projects during the fiscal year. The amount of this revenue totaled \$880,003 for the 2008 fiscal year. These funds were used assist with the renovation of our new Rush Licensed Practical Nursing facility, to pay the interest and principal due on our 2002 bonds and one of the principal payments on the Rush Lease for the LPN Facility.

**Other Additions (Deletions), net**

The other additions and deletions net represents the interest on debt and asset deletions for the 2008 fiscal year. Other additions (deletions) net were \$207,227 for the 2008 fiscal year. This is a \$66,237 decrease over the total of \$273,464 for the 2007 fiscal year.

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**Statement of Cash Flows**

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

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

**Condensed Statement of Cash Flows (Direct Method)**

For the Fiscal Year Ended June 30, 2008 and 2007

	June 30, 2008 <u>Amount</u>	June 30, 2007 <u>Amount</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$(14,268,505)	\$ (11,543,465)
Non-capital Financing Activities	14,369,659	12,218,642
Capital and Related Financing Activities	(74,087)	(484,018)
Investing Activities	<u>(870,604)</u>	<u>706,208</u>
Net Increase in Cash and Cash Equivalents	(843,537)	897,367
Cash and Cash Equivalents – Beg. of the Year	<u>3,331,808</u>	<u>2,434,441</u>
Cash and Cash Equivalents – End of the Year	<u>\$ 2,488,271</u>	<u>\$ 3,331,808</u>

The major sources of funds included in operating activities include student tuition and fees, \$2,765,322, auxiliary enterprises, \$3,335,382, and grants and contracts, \$11,980,540. The major uses of funds were payments made to and for employees, \$18,825,561, to scholarships and fellowships, \$4,510,123, to service providers, \$3,244,323 and to suppliers, \$2,908,125.

The largest inflow of cash in the non-capital financing activities group is the State appropriation of \$12,691,827.

**Significant Capital Asset Transactions**

**Rush Licensed Practical Nursing Facility**

During the 2006 fiscal year, the College entered into a lease purchase agreement with Medical Foundation, Inc. for the Rush Senior Health Clinic located directly across from Ivy Hall on Highway 19. This facility was acquired for a ten-year, no interest loan of \$400,000 with annual payments of \$40,000. During the 2008 fiscal year, the college received a commitment from Rush Health Systems to provide annual financial support that would equate to the amount due on this outstanding lease by the payment of

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a gift to the Meridian Community College Foundation. Renovations for this space were completed in the spring of 2008. It has provided a state of the art facility for this program. The new facility includes a skill lab, a classroom, a simulation room, break room and approximately 10 offices including secretarial space. We have also been able to increase the number of new admits into the LPN program.

Ivy Hall HVAC Renovations

Major renovations began in 2006 to change the 2-pipe HVAC system in Ivy Hall to a 4-pipe system. This renovation project should enable the college to control the fluctuations in temperature better and create a more comfortable environment for our students, especially during the fall and spring. Phase I of this work was done primarily during the summer of 2006 in order to disrupt as few classes as possible. The work was completed prior to the beginning of the fall 2006 semester. Due to the fact that much of the work was performed in July and August of 2006, it is reflected as revenues and expenditures of the 2007 fiscal year. Phase II of the project will include a continuation of the change to a 4-pipe system in the basement and the theater areas of Ivy Hall and will include a replacement of the cooling tower. Due to the high summer temperatures and the inability to get the new equipment delivered in the spring of 2007, we had delayed the completion of the project until the spring of 2008. More delays occurred in this project and the final completion including the exchange of the cooling tower was in August of 2008. Therefore, for the June 30, 2008 financial statements, this project is still presented as construction in progress.

Renovation of our Workforce Training Center

In June of 2007, the college completed the purchase of the vacated Wal-mart property. We have explored various options for funding of this project, and are continuing with the architectural design and development of the project. The college is using state appropriation funding for the initial Design and Development project with this facility. It is being performed by B.B. Archer and Bud Holloman as a Joint Venture. We are excited about the progress that is being made. As we expect the total project to exceed \$6 million and do not have the funds to complete the entire renovation, we have begun renovation with a smaller project that appears to be one of the most pressing needs according the East Mississippi Workforce Council. This project budget totals \$388,000 and includes renovation of the space reserved for our welding training and at the same time new restrooms at the front of the facility and flexible classroom space. Since June, 2008, we have also added three portable classroom spaces in the south area of the facility to enable training to continue while renovating the other space within the facility.

Our future development of the project includes equipping it to provide training to current and potential industry in East Mississippi and West Alabama in such areas as programmable logic controllers, welding, machine tool work, computer training, warehousing, along with various other types of training.

Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008

Land West of the new LPN Facility

In January of 2008, the college signed a contract for the purchase of two parcels of land west of the new LPN facility as represented by the address 5501 and 5503 Old Hwy. 80 West. After the contract was signed and the purchase made, family members of the owners have contested the right of the seller to make the sale and therefore, the ultimate title to the property is uncertain at this time. The college attorney has filed a motion to intervene in the lawsuit among the family of the seller to establish the college as the rightful owner of the property and remove any doubt as to ownership of the property. If a favorable ruling is not received, the college will take action to recover all funds made in connection with the purchase of the property.

House located on 14<sup>th</sup> Street

The college purchased a residential property located at 5115 14<sup>th</sup> Court. This house is located east of another home currently owned by the college and leased to the College Baptist Student Union organization. This property is directly north of the campus and will allow for future expansion options for the college. It is currently being leased to a local citizen.

**Factors Impacting Future Periods**

Follow up on the 2007 Passage of Senate Bill 2364

The community college system began lobbying for support of a funding bill that would provide the colleges with a funding per student that was equal to half of the amount funded to the K-12 system and the university system.

In past years, the colleges requested that the legislature provide funding to enable us to pay instructors at the mid-point of the average salary of a K-12 teacher and the average salary of a university instructor. We reached mid-point around 1998. After that time, while funds were channeled into the K-12 system, the colleges lost significant funding. The commitment to the K-12 system was funded by the legislature during a period of time that the state revenues were not adequate for an increase of this size. As the money had to come from other areas of the state budget, most other agencies saw significant appropriation cuts.

We began to realize that while requesting funds for increases in faculty salaries was important, it became the focal point and did not provide the whole picture. The college needed funding for increases in insurance, utilities, cost of materials and travel. Therefore, we began looking at the model of the adequate education formula. This provides a method used by the K-12 system in determining what amount of funding per student is adequate. We developed a concept similar to faculty mid-point salaries, yet focusing on the student. This request centered on the concept of paying the community college system the amount of money per student that is fair based on the amount the state funds to the K-12 system and the university system. The funding would be allocated to the colleges based on their enrollment and based on the idea that a community college

Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008

student should be funded at least at a mid-point of the amount funded in other areas of education in the state.

As stated in Senate Bill 2364, this bill "was created as an act to provide for mid-level funding for Mississippi's public community and junior colleges, to provide a formula for the calculation of Mid-Level Funding for the community and junior colleges; to require the legislature to appropriate the amount calculated under the formula to the community colleges." This bill was passed unanimously by both the Mississippi House and the Senate and signed by the Governor. The fall of 2007 is an election year for the state of Mississippi. The community college system had requested that this formula be phased in over the next three years. The 2008 increase to the community college system was not equal to 1/3 of the amount needed for fund in the formula. So, although the formula passed in theory, there is concern that it may not be funded in future years.

Therefore, although the SB 2364, was passed unanimously it remains unfunded. Obtaining the support for this bill is tied directly to the financial health of the State of Mississippi. Unfortunately, we are experiencing the same short falls in revenues that is being felt across our nation as we brace for what appears to be a tough recession.

Current State of the Economy

During the last 6 months, leading up to the 2008 U.S presidential election, we have seen some major collapses within the national economy. The effects are being felt not only in the U.S but in all of the foreign markets as well. Our global economy seems to have created a house of cards that crosses the borders of all developed countries.

Most notably we have seen the collapse of Bear Stearns, AIG, and Wachovia Bank. More disconcerting is the credit default swap transactions that are not readily identifiable between financial institutions. Coupled with this is a burst in our real estate market and rampant poor lending practices. The result is that our economy and our financial outlook are now in uncharted waters. The lack of dollars available for borrowing will leave many major corporations in a precarious situation. This may eventually result in many filing bankruptcy. We are seeing the beginning of the baby boom generation entering retirement and unwilling to leave funds invested in such a volatile market. Therefore, the future dollars that are needed to drive up stock and bond prices and provide the stability in spending that our economy needs, may be very slow in coming. Since the national economy has slowed down, the state of Mississippi is also seeing tax collections that are not meeting expectations.

Although the 2009 fiscal year provided some increase to the community college system in the form of a 6.33 % increase, in November of 2008, the Governor's Office has already mandated a 2% cut in state funding for most agencies within the state. The college is bracing for the possibility of additional cuts in FY 2009.

Meridian Community College is fortunate to have strong support from the local community including the City of Meridian, Lauderdale County, our foundation,

Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2008

individuals, businesses and the local area hospitals. They have provided much needed increases in support to the college during the last several years. This support has been extremely helpful in allowing the college to continue to expand our program offerings and increase the available capacity within our programs. As we watch the uncertainty in the financial markets, and the local market, we are not sure of the impact it will have on the level of funding the college receives from these sources.

**MERIDIAN COMMUNITY COLLEGE**

**AUDITED FINANCIAL STATEMENTS**

**Meridian Community College**  
**Statement of Net Assets**  
**June 30, 2008**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 2,488,271
Short-term investments	2,069,711
Accounts receivables, net	2,682,808
Inventories	389,335
Prepaid expenses	<u>34,084</u>

Total Current Assets 7,664,209

Non-current Assets:

Capital assets, net of accumulated depreciation	<u>26,828,446</u>
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Total Non-current Assets 26,828,446

Total Assets 34,492,655

**LIABILITIES**

Current Liabilities:

Accounts payable and accrued liabilities	1,113,442
Deferred revenues	39,745
Accrued leave liabilities – current portion	46,196
Long-term liabilities – current portion	<u>130,063</u>

Total Current Liabilities 1,329,446

Non-current Liabilities:

Deposits refundable	76,703
Accrued leave liabilities	418,764
Long-term liabilities	<u>3,322,465</u>

Total Non-current Liabilities 3,817,932

Total Liabilities 5,147,378

**NET ASSETS**

Invested in capital assets, net of related debt 23,375,918

Restricted for:

Expendable:

Scholarships and fellowships	8,519
Capital projects	63,595
Debt service	470,139
Loans	2,707
Other purposes	69,711

Unrestricted: 5,354,688

Total Net Assets \$ 29,345,277

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



MERIDIAN COMMUNITY COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash	\$ 54,736	\$ 113,748
Certificates of deposit	80,725	76,192
Investments -- (at market)	8,958,331	9,298,313
Accounts receivable	700	6,922
Pledge receivables	205,462	107,727
Prepaid expense	4,900	1,000
Construction in progress	140,455	93,177
Property and equipment, net	860,755	860,571
Other assets	195,052	185,175
<b>Total assets</b>	<b>\$ <u>10,501,116</u></b>	<b>\$ <u>10,742,825</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 32,610	\$ 46,585
Notes payable - BankPlus	50,000	50,000
Annuity liabilities	181,867	188,275
<b>Total liabilities</b>	<b><u>264,477</u></b>	<b><u>284,860</u></b>
<b>Net assets:</b>		
Unrestricted	1,099,538	1,032,399
Temporarily restricted	1,559,214	1,563,651
Permanently restricted	7,577,887	7,861,915
<b>Total net assets</b>	<b><u>10,236,639</u></b>	<b><u>10,457,965</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>10,501,116</u></b>	<b>\$ <u>10,742,825</u></b>

The accompanying notes are an integral part of these  
financial statements

**MERIDIAN COMMUNITY COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2008**

Operating Revenues:

Tuition and fees (net of scholarship allowances of \$3,310,978)	\$	2,863,232
Federal grants and contracts		8,004,402
State grants and contracts		3,105,601
Nongovernmental grants and contracts		1,206,807
Sales and services of educational departments		204,613
Auxiliary enterprises:		
Student housing (net of scholarship allowances of \$20,170)		635,228
Food services (net of scholarship allowances of \$30,254)		458,817
Bookstore		2,205,798
Other auxiliary revenues		20,589
Other operating revenues		<u>197,006</u>

Total Operating Revenues		<u>18,902,093</u>
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Operating Expenses:

Salaries and wages	14,492,338
Fringe benefits	4,186,701
Travel	522,668
Contractual services	3,210,110
Utilities	1,063,983
Scholarships and fellowships	4,510,123
Commodities	2,926,449
Depreciation expense	1,040,281
Other operating expenses	<u>1,517,019</u>

Total Operating Expenses	<u>33,469,672</u>
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Operating Income (Loss)	( <u>14,567,579</u> )
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Non-operating Revenues (Expenses):

State appropriations	12,687,422
Local appropriations	1,643,078
Investment income	168,064
Other uses	( <u>257,076</u> )

Total Net Non-operating Revenues (Expenses)	<u>14,241,488</u>
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Income (Loss) before Other Revenues, Expenses, Gains and Losses	( <u>326,091</u> )
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State appropriations restricted for capital purposes	886,729
Local appropriations restricted for capital purposes	880,003
Capital gifts	30,445
Other additions (deletions), net	( <u>207,227</u> )

Change in Net Assets	<u>1,263,859</u>
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Net Assets:

Net Assets – Beginning of Year	<u>28,081,418</u>
Net Assets – End of Year	\$ <u><u>29,345,277</u></u>

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

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2008  
(With comparative totals for the year ended June 30, 2007)

	TOTALS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Memo 2007
<b>Public Support, Revenues, and Reclassifications</b>				
Contributions	\$ 349,031	\$ 455,825	\$ 214,972	\$ 891,551
Interest and dividends	17,100	63,035	176,418	241,722
Other program revenues	-	4,809	-	(2,519)
Gain (loss) on sale of assets	-	-	-	-
Net assets released from restrictions (note 2)	-	-	-	-
Satisfaction of purpose restrictions	684,827	(684,827)	-	-
Total public support, revenues, and reclassifications	1,050,958	(161,158)	391,390	1,130,754
<b>Expenses:</b>				
Scholarships	379,823	-	-	341,743
Awards	3,230	-	-	5,635
Faculty/staff programs	53,757	-	-	34,649
Annuity interest expense	51,610	-	-	44,585
Other program expenses	63,011	-	-	158,822
Management and general	135,472	-	-	165,497
Donations to Meridian Community College	288,856	-	-	14,468
Total expenses	975,759	-	-	765,399
<b>Other income:</b>				
Unrealized holding gains (losses) on marketable securities available for sale	(10,906)	(123,085)	-	195,109
<b>Excess (deficiency) of revenues over expenses before capital additions</b>	64,293	(284,243)	391,390	560,464
<b>Capital additions:</b>				
Unrealized holding gains (losses) on marketable securities available for sale - endowment funds	-	-	(392,766)	891,719
<b>Excess (deficiency) of revenues over expenses after capital additions</b>	64,293	(284,243)	(1,376)	1,452,183
Net assets, beginning of year	1,032,399	1,563,651	7,861,915	9,005,782
Fund transfers in (out)	2,846	279,806	(282,652)	-
Net assets, end of year	\$ 1,099,538	\$ 1,559,214	\$ 7,577,887	\$ 10,457,965

**MERIDIAN COMMUNITY COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

**Cash Flows from Operating Activities:**

Tuition and fees	\$ 2,765,322
Grants and contracts	11,980,540
Sales and services of educational departments	204,613
Payments to suppliers	( 2,908,125 )
Payments to employees for salaries and benefits	( 18,825,561 )
Payments for contractual services	( 3,244,323 )
Payments for travel	( 554,233 )
Payments for other expenses	( 1,581,827 )
Payments for utilities	( 1,063,983 )
Payments for scholarships and fellowships	( 4,510,123 )
Student housing	650,178
Food services	458,817
Bookstore	2,205,798
Other auxiliary enterprises	20,589
Other receipts (payments)	<u>133,813</u>

Net Cash Provided (Used) by Operating Activities ( 14,268,505 )

**Cash Flows from Non-capital Financing Activities:**

State appropriations	12,691,827
Local appropriations	1,643,078
Agency transfers-in	676,302
Agency transfers-out	( 642,336 )
Federal loan program receipts	3,377,265
Federal loan program disbursements	( <u>3,376,477</u> )

Net Cash Provided (Used) by Non-capital Financing Activities 14,369,659

**Cash Flows from Capital and Related Financing Activities:**

Cash paid for capital assets	( 2,154,462 )
Capital appropriations received	3,016,732
Principal paid on capital debt and leases	( 741,037 )
Interest paid on capital debt and leases	( 185,669 )
Other uses	( <u>9,651</u> )

Net Cash Provided (Used) by Capital and Related Financing Activities ( 74,087 )

**Cash Flows from Investing Activities:**

Proceeds from sales and maturities of investments	1,000,000
Interest received on investments	167,688
Purchases of investments	( <u>2,038,292</u> )

Net Cash Provided (Used) by Investing Activities ( 870,604 )

Net Increase (Decrease) in Cash and Cash Equivalents ( 843,537 )

Cash and Cash Equivalents – Beginning of the Year 3,331,808

Cash and Cash Equivalents – End of Year \$ 2,488,271

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

**MERIDIAN COMMUNITY COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

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

Operating income (loss)	\$ ( <u>14,567,579</u> )
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,040,281
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	( 770,718 )
Notes receivable	( 412 )
Inventories	33,368
Prepaid expenses	( 15,421 )
(Increase) decrease in liabilities:	
Accounts payables and accrued liabilities	( 68,842 )
Deferred revenues	16,269
Deposits refundable	14,950
Accrued leave liability	<u>49,599</u>
Total adjustments	<u>299,074</u>
Net Cash Provided (Used) by Operating Activities	\$ ( <u>14,268,505</u> )

Non-cash Capital and Related Financing and Investing Activities

Donation of Capital Assets	\$ <u>30,445</u>
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The notes to the financial statements are an integral part of this statement.

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2008  
(With comparative totals for the year ended June 30, 2007)

	<u>2008</u>	<u>Memo 2007</u>
<b>Cash flows from operating activities:</b>		
Excess revenues over expenses	\$ (221,326)	\$ 1,452,183
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:		
Depreciation	14,128	5,253
(Gain)/loss on sale of assets	(4,809)	2,519
Increase/decrease in accounts receivable	6,222	(6,222)
(Increase)/decrease in pledge receivables	(97,735)	18,418
Increase/(decrease) in accounts payable	(13,975)	(29,488)
Increase/decrease in prepaid expense	(3,900)	-
Interest and dividends restricted for reinvestment	(63,035)	(44,994)
Interest and dividends restricted for long-term investment	(176,418)	(177,886)
Unrealized holding (gains)/losses on securities -- available for sale	526,757	(1,086,828)
Cash contributions restricted for endowments	(214,972)	(244,176)
Non-cash contributions	(61,775)	(259,046)
Non-cash expenses	33,643	15,109
Net cash used by operating activities	<u>(277,195)</u>	<u>(355,158)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of assets	76,999	346,800
Interest and dividends restricted for reinvestment	63,035	44,994
Purchase of investments	(251,651)	(308,254)
Construction in progress costs	(47,278)	(275,585)
Purchase of assets	(14,312)	(514)
Net cash used by investing activities	<u>(173,207)</u>	<u>(192,559)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for:		
Investments in endowments	214,972	244,176
	<u>214,972</u>	<u>244,176</u>
<b>Other financing activities:</b>		
Interest and dividends restricted for long-term investments	176,418	177,886
Proceeds from issuance of debt	50,000	50,000
Payments on notes payable	(50,000)	-
	<u>176,418</u>	<u>227,886</u>
Net cash provided by financing activities	<u>391,390</u>	<u>472,062</u>
<b>Net decrease in cash</b>	<b>(59,012)</b>	<b>(75,655)</b>
<b>Cash at beginning of year</b>	<b>113,748</b>	<b>189,403</b>
<b>Cash at end of year</b>	<b>\$ <u>54,736</u></b>	<b>\$ <u>113,748</u></b>

The accompanying notes are an integral part of these  
financial statements

# **MERIDIAN COMMUNITY COLLEGE**

## **Notes to Financial Statements For the Year Ended June 30, 2008**

### **(1) Summary of Significant Accounting Policies.**

- A. Reporting Entity – Meridian Community College was founded in 1937 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Meridian Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Meridian Community College is locally-governed by a five-member board of trustees, appointed by the Mayor of the City of Meridian. Each board member is appointed for a five-year term. In addition, Meridian 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.

In accordance with Governmental Accounting Standards Board Statement No. 14, the Meridian Community College Public Improvement Corporation (the "Corporation") is deemed a component unit of the institution and is included as a blended component unit in the financial statements. The Corporation is a non-profit corporation incorporated in the State of Mississippi and was established for the purpose of the construction and financing of the Meridian Community College student apartments.

Meridian Community College reports the following discretely presented component unit:

Meridian Community College Foundation (Foundation) – The Foundation is a legally separate, tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to Meridian 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, 2008, the Foundation distributed \$770,619 to the college.

- B. Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges 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.

## MERIDIAN COMMUNITY COLLEGE

### Notes to Financial Statements For the Year Ended June 30, 2008

- D. Cash Equivalents – For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivables, Net – Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Student Notes Receivables, Net – Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the Statement of Net Assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.
- H. Inventories – Inventories consist of the bookstore. This inventory is generally valued at cost on the first-in, first-out ("FIFO") basis.
- I. Other Long-term Investments – The college accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 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.
- K. Deferred Revenues – Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.



# **MERIDIAN COMMUNITY COLLEGE**

## **Notes to Financial Statements For the Year Ended June 30, 2008**

- L. **Compensated Absences** – Twelve-month employees earn annual personal leave at a rate of 10 days per year for 0 to 10 years of service, 12 days per year for 10 to 14 years of service, 14 days per year for 15 to 19 years of service, and 16 days per year for over 20 years of service. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 30 days of accrued leave. The liability for accrued leave at June 30, 2008, as reported in the Statement of Net Assets is \$464,960 with \$46,196 of this amount estimated as current.

- M. **Classification of Revenues** – The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

**Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.

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

- N. **State Appropriations** – Meridian Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula began to be phased in over a five year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.

- O. **Scholarship Discounts and Allowances** – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of 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.

# MERIDIAN COMMUNITY COLLEGE

## Notes to Financial Statements For the Year Ended June 30, 2008

- P. Net Assets – GASB Statement No. 34 reports equity as “Net Assets” rather than “Fund Balance”. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$5,354,688 at June 30, 2008, includes \$562,739 reserved for designations, \$1,421,858 reserved for auxiliaries, and a remaining amount of \$4,795,652.

(2) Cash and Cash Equivalents, Short-term Investments and Investments.

Policies:

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

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

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

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

	<u>June 30, 2008</u>
Short-term investments	\$ <u>2,069,711</u>

The following table summarizes the categorization of investments at June 30, 2008:

<u>Investment Type</u>	<u>Matures (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	1 to 5	<u>2,069,711</u>	Not Rated
Total Investments		\$ <u>2,069,711</u>	

# MERIDIAN COMMUNITY COLLEGE

## Notes to Financial Statements For the Year Ended June 30, 2008

*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. However, the college's investment management policy states that "Investments of current funds needed immediately for operating purposes, and other funds earmarked for use or needed for debt repayment, construction, or capital improvements, are made for relatively short period for maximum current return and safety of principal, combined with sufficient liquidity to permit cash withdrawals for expenditures. The President and Vice-President for Finance are authorized to invest any and all excess funds of the college to meet the goal stated above."

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The college does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk. However, the college's investment management policy states that "Excess funds expected to be available for more than ninety days or special funds known to be available for investment for a specific period of time are invested in either bank certificates of deposit or treasury notes insured by the federal treasury system. Written quotes are obtained prior to investment from those financial institutions maintaining offices in the community college district. Under no circumstances are these funds invested in mutual funds or other such high-risk investments. Investments under this category are brought to the board for information and ratification."

*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 investment. The college does not have a formal investment policy that addresses custodial credit risk. However, the college's investment management policy states that "...funds are invested in bank certificates of deposit in multiples not to exceed the amount of insurance provided by the FDIC. Care is taken, however, to ensure that the total deposits (checking and investments) do not exceed the additional collateral provided as required by law."

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the college did not have any investments to which this would apply.

### (3) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2008:

Student tuition	\$ 2,793,191
Federal, state, and private grants and contracts	1,484,058
State appropriations	173,676
Other	<u>263,768</u>
Total Accounts Receivable	4,714,693
Less Allowance for Doubtful Accounts	( <u>2,031,885</u> )
Net Accounts Receivable	\$ <u>2,682,808</u>

# MERIDIAN COMMUNITY COLLEGE

## Notes to Financial Statements For the Year Ended June 30, 2008

### (4) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to 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, 2008:

	Interest Rates	June 30, 2008	Current Portion	Non-current Portion
Perkins student loans	3% to 9%	\$ 22,154	0	22,154
Total Notes Receivable		22,154	0	22,154
Less allowance for doubtful accounts		( 22,154 )	0	( 22,154 )
Net Notes Receivable		\$ 0	0	0

### (5) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2008, is presented as follows:

	Beginning Balance	Additions	Deletions	Complete Construction	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 2,316,679	226,501			2,543,180
Construction in Progress	23,899	1,301,887	-	(1,005,806)	319,980
Total Nondepreciable Capital Assets	2,340,578	1,528,388	-	(1,005,806)	2,863,160
<b>Depreciable Capital Assets:</b>					
Improvements other than buildings	3,989,340				3,989,340
Buildings	27,467,631	55,012		1,005,806	28,528,449
Equipment	2,397,729	558,414	(127,328)		3,083,471
Library books	1,276,693	43,305	(1,310,798)		2,630,796
Total Depreciable Capital Assets	35,131,393	656,731	(1,438,126)	1,005,806	38,232,056
<b>Less Accumulated Depreciation for:</b>					
Improvements other than buildings	1,637,115	152,750			1,789,865
Buildings	7,430,700	561,147			7,991,847
Equipment	1,631,734	292,003	(116,568)		2,040,305
Library books	1,067,256	34,381		-	1,101,637
Total Accumulated Depreciation	11,766,805	1,040,281	(116,568)	-	12,923,654
Total Depreciable Capital Assets, Net	23,364,588	(383,550)	(21,558)	1,005,806	23,965,286
<b>Capital Assets, Net</b>	<b>\$ 25,705,166</b>	<b>1,144,838</b>	<b>(21,558)</b>	<b>-</b>	<b>26,828,446</b>

# **MERIDIAN COMMUNITY COLLEGE**

## **Notes to Financial Statements For the Year Ended June 30, 2008**

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

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

### (6) Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2008. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2008, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

<u>Description &amp; Purpose</u>	<u>Original Issue</u>	<u>Annual Int. Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Bonded Debt</b>								
Limited-tax refunding bonds, Series 2002	\$ 1,905,000	1.7%-3.2%	8/1/2009	\$ <u>570,000</u>	<u>-</u>	<u>425,000</u>	<u>145,000</u>	<u>-</u>
<b>Total Bonded Debt</b>				<u>570,000</u>	<u>-</u>	<u>425,000</u>	<u>145,000</u>	<u>-</u>
<b>Notes Payable</b>								
Student housing facility refunding note, Series 1998	3,280,000	4%-5.5%	7/1/2018	<u>2,310,000</u>	<u>-</u>	<u>295,000</u>	<u>2,015,000</u>	<u>-</u>
<b>Total Notes Payable</b>				<u>2,310,000</u>	<u>-</u>	<u>295,000</u>	<u>2,015,000</u>	<u>-</u>
<b>Capital Leases</b>								
Energy master lease				1,137,765		85,837	1,051,928	89,963
Rush Hall lease				800		200	600	100
Rush senior clinic lease				<u>320,000</u>	<u>-</u>	<u>80,000</u>	<u>240,000</u>	<u>40,000</u>
<b>Total Capital Leases</b>				<u>1,458,565</u>	<u>-</u>	<u>166,037</u>	<u>1,292,528</u>	<u>130,063</u>
<b>Other Long-term Liabilities</b>								
Accrued leave liabilities				415,362	49,598		464,960	46,196
Deposits refundable				<u>61,753</u>	<u>51,199</u>	<u>36,249</u>	<u>76,703</u>	<u>-</u>
<b>Total Other Long-term Liabilities</b>				<u>477,115</u>	<u>100,797</u>	<u>36,249</u>	<u>541,663</u>	<u>46,196</u>
<b>Total</b>				\$ <u>4,815,680</u>	<u>100,797</u>	<u>922,286</u>	<u>3,994,191</u>	<u>176,259</u>
<b>Due within one year</b>							<u>176,259</u>	
<b>Total Long-term Liabilities</b>							\$ <u>3,817,932</u>	

**MERIDIAN COMMUNITY COLLEGE**

**Notes to Financial Statements  
For the Year Ended June 30, 2008**

	<u>Bonded</u> <u>Debt</u>	<u>Notes</u> <u>Payable</u>	<u>Capital</u> <u>Leases</u>	<u>Interest</u>	<u>Total</u>
June 30, 2009	\$		130,062	101,952	232,014
June 30, 2010	145,000	160,000	134,386	149,229	588,615
June 30, 2011		165,000	138,915	134,658	438,573
June 30, 2012		175,000	143,668	121,704	440,372
June 30, 2013		185,000	148,646	107,580	441,226
June 30, 2014-2018		1,080,000	596,848	290,672	1,967,520
June 30, 2019-2022		250,000		6,875	256,875
Totals	\$ 145,000	2,015,000	1,292,525	912,670	4,365,195

**MERIDIAN COMMUNITY COLLEGE**

**Notes to Financial Statements  
For the Year Ended June 30, 2008**

**7. Natural Classifications with Functional Classifications**

The community colleges operating expenses by functional classifications were as follows for the year ended June 30, 2008:

<u>Functional Classification</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Other</u>	<u>Total</u>
Instruction	8,700,871	2,304,617	207,656	709,160			477,862		832,186	13,232,352
Academic support	1,358,753	429,478	40,929	274,050			80,604		438,859	2,622,673
Student services	1,610,743	468,264	231,745	181,062			164,569		10,553	2,666,936
Institutional support	1,543,977	545,096	34,646	927,936			139,137		69,849	3,260,641
Operation of plant	955,593	324,829	4,512	308,392	1,063,983		384,537		123,427	3,165,273
Student aid						4,510,123				4,510,123
Auxiliary enterprises	322,401	114,417	3,180	809,510			1,679,740		42,145	2,971,393
Depreciation								1,040,281		1,040,281
<b>Total Operating Expenses</b>	<b>14,492,338</b>	<b>4,186,701</b>	<b>522,668</b>	<b>3,210,110</b>	<b>1,063,983</b>	<b>4,510,123</b>	<b>2,926,449</b>	<b>1,040,281</b>	<b>1,517,019</b>	<b>33,469,672</b>

# **MERIDIAN COMMUNITY COLLEGE**

## **Notes to Financial Statements For the Year Ended June 30, 2008**

### (8) Construction Commitments and Financing.

The college has contracted the Design and Development Plan for Workforce Training Center, the construction of a soccer press box/concessions stand and also for the Ivy Hall HVAC, Phase II renovation project. The estimated costs to complete these projects and the source of funding are presented below:

<u>Project Title</u>	<u>Total Costs To Complete</u>	<u>Funded By Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>	<u>Other</u>
Workforce Training Ctr	\$ 262,064	-	262,064	-	-
Design & Development Project					
Ivy Hall - HVAC, Phase II	<u>278,922</u>			<u>278,922</u>	
Soccer/Pressbox	<u>15,327</u>	-	-	<u>15,327</u>	-
Concession Stand					
Total	\$ <u>556,313</u>	<u>-</u>	<u>262,064</u>	<u>294,249</u>	<u>-</u>

### (9) Pension Plan.

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

Funding policy – PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The rate as of the end of June 30, 2008 fiscal year is 11.85% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2008, 2007, and 2006, were \$1,594,188, \$1,359,997, and \$1,221,830, respectively, equal to the required contributions for each year.

### (10) 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; 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.



**MERIDIAN COMMUNITY COLLEGE**

**Notes to Financial Statements  
For the Year Ended June 30, 2008**

**(11) Subsequent Events.**

On October 16, 2008, the board approved the lowest bid for the purchase of Industrial Training Equipment in the amount of \$178,532.

**MERIDIAN COMMUNITY COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007**

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business Activities**

The Meridian Community College Foundation is a nonprofit organization organized for the purpose of assisting individuals in pursuing their collegiate education and training by providing scholarships and awards to individuals on the basis of academic achievement and need. Meridian Community College Foundation provides leadership in attracting private investment to Meridian Community College. The Foundation is exempt from federal income tax in accordance with Section 501(c)(3) of the Internal Revenue Code.

**Reporting Entity**

For financial reporting purposes, the Foundation is considered to be a component unit of Meridian Community College.

**Basis of Accounting**

The accounts are maintained and the financial statements are presented on the accrual basis of accounting.

**Fund Accounting**

To ensure observance of donor limitations and restrictions placed on the use of resources available to the Meridian Community College Foundation, its accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The activities of the Meridian Community College foundation are reported in the following self-balancing fund groups:

**Unrestricted fund**

The unrestricted fund includes the general activities of the organization. The board can use the fund as it chooses to carry out the purposes for which the Foundation exists. All unrestricted contributions, gifts and income are recorded in this fund. Except for transactions involving one of the other categories of funds, all transactions of the organization are included in this fund.

**Temporarily restricted**

The temporarily restricted fund includes contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations.

**Permanently restricted**

The permanently restricted fund includes contributions and other inflows donated with the stipulations that they be invested to provide a permanent source of income and only the income earned on these investments may be expended.

**MERIDIAN COMMUNITY COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS- CONTINUED  
For the years ended June 30, 2008 and 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Donated assets**

Donated assets are recorded at fair market value at the date of gift.

**Cash**

For the purpose of the statement of cash flows, cash includes checking accounts, money market accounts and savings accounts, all of which are readily accessible and are unrestricted in nature.

**Property and equipment**

Property and equipment are recorded at cost or approximate market value at date acquired, if acquired by gift. Property and equipment consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Land	\$333,501	\$319,189
Land Improvements	14,500	14,500
Buildings and Improvements	<u>536,150</u>	<u>536,150</u>
	884,151	869,839
Less: accumulated depreciation	<u>(23,396)</u>	<u>(9,268)</u>
	<u>\$860,755</u>	<u>\$860,571</u>

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Land Improvements	20
Buildings and Improvements	40

Depreciation expense amounted to \$14,128 and \$5,253 at June 30, 2008 and 2007, respectively.

**Investments**

Investments securities classified as available for sale are recorded at market value. Following is a summary of investments securities available for sale:

<u>June 30, 2008</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
The Common Fund – Intermediate	\$ 17,488	\$ 6,504	\$ (10,984)
The Common Fund – Equity	3,704,567	8,101,540	4,396,973
The Common Fund – Short Term	27,430	27,430	-
Corporate Stocks	382,248	493,678	111,430
Mutual Funds	10,000	10,000	-
Vanguard Wellesley	95,535	100,729	5,194
Vanguard Morgan Growth	16,546	20,505	3,959
AmSouth Shared Investment	<u>193,333</u>	<u>197,945</u>	<u>4,612</u>
	<u>\$4,447,147</u>	<u>\$8,958,331</u>	<u>\$4,511,184</u>

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the years ended June 30, 2008 and 2007

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

<u>June 30, 2007</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
The Common Fund – Intermediate	\$ 17,160	\$ 6,473	\$ (10,687)
The Common Fund – Equity	3,521,866	8,325,446	4,803,580
The Common Fund – Short Term	26,510	26,510	-
Corporate Stocks	461,600	584,767	123,167
Mutual Funds	10,000	10,000	-
Vanguard Wellesley	89,473	102,641	13,168
Vanguard Morgan Growth	16,546	22,136	5,590
AmSouth Shared Investment	193,333	220,340	27,007
	<u>\$4,338,488</u>	<u>\$9,298,313</u>	<u>\$4,961,825</u>

**Other assets**

Other assets at June 30, 2008, and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Northwood Country Club Stock	\$ 2,500	\$ 2,500
Life insurance policies	11,871	11,871
Steel sculpture	5,000	5,000
Cartmell oil portraits	14,699	13,953
Donations of artwork	<u>160,982</u>	<u>151,851</u>
	<u>\$195,052</u>	<u>\$185,175</u>

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

**Pledge Receivables**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledge receivables at June 30, 2008 and 2007 amounted to \$205,642 and \$107,727, respectively and are due in less than one year.

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the years ended June 30, 2008 and 2007

**NOTE 2      TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows at June 30:

	<u>2008</u>	<u>2007</u>
Purpose restriction accomplished:		
Scholarship programs	\$226,683	\$209,129
Awards	625	2,930
Faculty/staff programs	53,757	34,649
Annuity interest expense	51,610	44,585
Other program services	51,351	148,547
Management and general	11,945	51,182
Donations to Meridian Community College	<u>288,856</u>	<u>14,468</u>
	<u>\$684,827</u>	<u>\$505,490</u>

Net assets were temporarily restricted for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Scholarships	\$ 238,710	\$ 197,451
Awards	10,647	10,967
Faculty/staff programs	32,500	22,580
Annuity liabilities	355,129	454,375
Capital support - Meridian Community College	697,505	713,518
Other program services	<u>224,723</u>	<u>164,762</u>
	<u>\$1,559,214</u>	<u>\$1,563,651</u>

**NOTE 3      PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Scholarships	\$4,054,456	\$4,099,910
Awards	12,381	28,350
Faculty/staff programs	1,446,066	1,558,077
Other program services	<u>2,064,984</u>	<u>2,175,578</u>
	<u>\$7,577,887</u>	<u>\$7,861,915</u>

**NOTE 4      ANNUITY LIABILITIES**

The Foundation is obligated pursuant to the terms of two (2) separate charitable remainder annuity trust agreements established by a donor-program of the Foundation to pay the donor annual sums of \$9,000 per trust agreement (paid quarterly) for the life of the donor. Pursuant of these agreements, \$100,000 gifts were made on March 1, 1995 and April 15, 1997, respectively. The donor's charitable deduction for federal income tax purposes was \$56,886 and \$57,492, respectively in 1995 and 1997. The annuity liabilities are to be revalued annually on the donor's date of birth with Internal Revenue Service rate tables, based on the donor's attained age and the payout rates

**MERIDIAN COMMUNITY COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
For the years ended June 30, 2008 and 2007**

**NOTE 4      ANNUITY LIABILITIES - CONTINUED**

The Foundation is also obligated pursuant to the terms of another charitable remainder annuity trust agreement established by a donor-program of the Foundation to pay the donors an annual sum of \$8,078 per trust agreement (paid monthly) for the lives of the donors. Pursuant of this agreement a \$115,400 gift was made in February 2000. The donors' charitable deduction for federal income tax purposes was \$35,838 in 2000. The annuity liability is to be revalued annually with Internal Revenue Service rate tables, based on the donors' attained ages and the payout rates.

The Foundation is obligated pursuant to the terms of a fourth charitable remainder annuity trust agreement established by a donor-program of the Foundation to pay the donor annual sums of \$8,027 per trust agreement (paid quarterly) for the life of the donor. Pursuant of this agreement a \$100,338 gift was made in February 2002. The donor's charitable deduction for federal income tax purposes was \$69,549 in 2002. The annuity liability is to be revalued annually with Internal Revenue Service rate tables, based on the donor's attained age and the payout rates.

The Foundation is obligated pursuant to the terms of a fifth charitable remainder annuity trust agreement established by a donor-program of the Foundation to pay the donor annual sums of \$6,500 per trust agreement (paid quarterly) for the life of the donor. Pursuant of this agreement a \$100,000 gift was made in October 2004. The donor's charitable deduction for federal income tax purposes was \$76,658 in 2004. The annuity liability is to be revalued annually with Internal Revenue Service rate tables, based on the donor's attained age and the payout rates.

The Foundation is obligated pursuant to the terms of a sixth charitable remainder annuity trust agreement established by a donor-program of the Foundation to pay the donor annual sums of \$11,000 per trust agreement (paid quarterly) for the life of the donor. Pursuant of this agreement a \$100,000 gift was made in February 2007. The donor's charitable deduction for federal income tax purposes was \$71,475 in 2007. The annuity liability is to be revalued annually with Internal Revenue Service rate tables, based on the donor's attained age and the payout rates.

At June 30, 2008, the annuity liabilities amounted to \$181,867 (annuity #1: \$24,207; annuity #2: \$25,299; annuity #3: \$61,507; annuity #4: \$22,450; annuity #5: \$19,769 and annuity #6: \$28,635.) At June 30, 2007 the annuity liabilities amounted to \$188,275.

The Foundation's promise to make the payments to the donor pursuant to the agreement is unsecured and in no way contingent upon future earnings with respect to the property transferred to the Foundation.

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the years ended June 30, 2008 and 2007

**NOTE 5            CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008 and 2007 the Foundation had cash in excess of the insurance limit in the amount of \$0 and \$7,150, respectively.

The Foundation maintains a significant portion of it's investments with one brokerage firm.

**NOTE 6            TUITION GUARANTEE PROGRAM**

The Foundation sponsors a Tuition Guarantee Program to encourage area-wide attendance based on academic eligibility. This program cost the Foundation approximately \$93,805 for the year ended June 30, 2008, and \$78,775 for the year ended June 30, 2007. The Tuition Guarantee covers tuition only. However, the Meridian Community College Foundation also awards scholarships based on ACT scores which can be used to help pay fees and purchase books. The cost of this additional program was \$45,600 for the year ended June 30, 2008 and \$41,929 for the year ended June 30, 2007.

**NOTE 7            COMMITMENTS**

The Board of Directors approved a commitment of \$10,000 to Meridian Community College which was paid during the fiscal years of June 30, 2008 and 2007. They also approved for an additional \$10,000 to be paid during the fiscal year June 30, 2009. The Foundation is assisting the College in paying for a new electronic sign. The contribution to the College will be made after an analysis of available funds is prepared each year.

**NOTE 8            NON-CASH CONTRIBUTIONS**

The Foundation receives a variety of non-cash contributions. For the year ended June 30, 2008 and 2007, non-cash contributions totaled \$61,775 and \$259,046, respectively and were included in revenue.

For the year ended June 30, 2006, the Foundation received \$33,643 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Supplies and office products	\$ 125
Professional Services	13,836
Donated to MCC	12,695
Hostessing	4,183
Trade Programs	2,804
	<u>\$33,643</u>

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the years ended June 30, 2008 and 2007

**NOTE 8            NON-CASH CONTRIBUTIONS – CONTINUED**

For the year ended June 30, 2008, the Foundation received \$28,132 in non-cash contributions that were included in revenues in the statement of activities and assets on the statement of financial position. Following is a summary of these items:

Donated art and/or furniture	\$ 8,889
Investments	<u>19,243</u>
	<u>\$ 28,132</u>

For the year ended June 30, 2007, the Foundation received \$15,109 in non-cash contributions that were included in revenues and recorded as an asset on the statement of financial position. Following is a summary of these items:

Supplies and office products	\$ 500
Professional Services	3,487
Advertising and signage	2,000
Donated to MCC	4,468
Hostessing	3,167
Trade Programs	<u>1,487</u>
	<u>\$15,109</u>

For the year ended June 30, 2007, the Foundation received \$243,937 in non-cash contributions that were included in revenues in the statement of activities and assets on the statement of financial position. Following is a summary of these items:

Professional services (Chapel)	\$ 5,564
Building Materials – (Chapel)	20,200
Donated art and/or furniture	7,350
Investments	<u>210,823</u>
	<u>\$243,937</u>

**NOTE 9            CONTINGENCIES**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

**NOTE 10          SUBSEQUENT EVENT**

Subsequent to year end, the fair value of the Foundation's investments in marketable securities declined by approximately 32%.



**MERIDIAN COMMUNITY COLLEGE**

**SUPPLEMENTAL INFORMATION**

**MERIDIAN COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid – Cluster:			
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 73,000
Federal Family Education Loans (FFEL)	{1} 84.032		3,376,477
Federal Work-study Program (FWS)	84.033		139,898
Federal Pell Grant Program	84.063		5,197,902
Academic Competitiveness Grants	84.375		<u>20,578</u>
Total U.S. Department of Education			<u>8,807,855</u>
Total Student Financial Aid Cluster			<u>8,807,855</u>
Other Programs:			
<u>U.S. Department of Defense</u>			
Pass-through program from:			
Mississippi Contract Procurement Center- Procurement Technical Assistance for Business Firms	12.002		<u>63,539</u>
Total U.S. Department of Defense			<u>63,539</u>
<u>U.S. Department of Labor</u>			
Pass-through programs from:			
WIA Cluster:			
Mississippi Employment Security Commission - WIA Dislocated Worker	17.260		<u>1,421,553</u>
Total WIA Cluster			<u>1,421,553</u>
Mississippi Employment Security Commission- Trade Adjustment Assistance Workers (TAA)	17.245		1,380
Mississippi Employment Security Commission- W/A Pilots, Demonstrations and Research Projects	17.261		222,912
Mississippi Employment Security Commission - H-1B Job Training Grants	17.268		<u>161,324</u>
Total U.S. Department of Labor			<u>1,807,169</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through program from:			
University of Mississippi – Aerospace Education Services Program	43.001		<u>3,791</u>
Total National Aeronautics and Space Administration			<u>3,791</u>
<u>U.S. Department of Veterans Affairs</u>			
Veteran's Aid Administration	64.Unknown		<u>1,253</u>
Total U.S. Department of Veterans Affairs			\$ <u>1,253</u>

**MERIDIAN COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

<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 Education</u>			
Pass-through program from:			
State Department of Education-Adult Education-State Grant Program	84.002	EV048A700248	\$ 180,458
State Department of Education-Vocational Education Basic Grants to States	84.048	EV243A60095	358,957
State of Mississippi Institutions of Higher Learning-Leveraging Educational Assistance Partnership (LEAP)	84.069		3,388
State Department of Education-Tech Prep Education	84.243		88,520
State Department of Education-Gaining Early Awareness & Readiness for Undergraduate Program	84.334		2,096
Tribe of Choctaw Indians-Trio-Upward Bound	84.047		55,318
Total U.S. Department of Education			688,737
<u>Department of Homeland Security</u>			
Pass-through program from:			
Mississippi Emergency Management Agency			
State Domestic Preparedness Equipment Support Program	97.004		5,351
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		3,184
Total Department of Homeland Security			8,535
Total Other Programs			2,573,024
Total Expenditures of Federal Awards			\$ 11,380,879

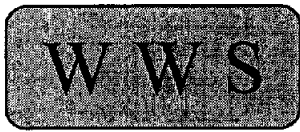
**Notes to Schedule of Expenditures of Federal Awards**

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

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

**MERIDIAN COMMUNITY COLLEGE**

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Marsha L. McDonald, CPA
Harry W. Stevens, CPA	Wanda S. Holley, CPA
Paul A. Ray, CPA	Robin Y. McCormick, CPA/PFS
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Gary C. Hamilton, CPA	Kenny R. Dickerson, CPA
R. Steve Sinclair, CPA	Thomas A. Davis, CPA
Michael L. Pierce, CPA	Anita L. Goodrum, CPA

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

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, Mississippi 39308

We have audited the financial statements of Meridian Community College as of and for the year ended June 30, 2008, as listed in the table of contents and have issued our report thereon dated January 28, 2009. We did not audit the financial statements of the discretely presented component unit, Meridian Community College Foundation, which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by an other auditor whose report has been furnished to us. This report, insofar as it relates to the amounts included for the above mentioned entity, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Meridian Community College Foundation, audited by an other auditor, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the institution's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the institutions control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the institutions internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination or significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the institution's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

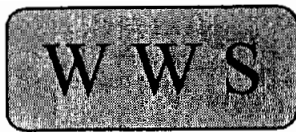
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the institution'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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 28, 2009

*Watkins, Ward and Stafford, PLLC*



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

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, Mississippi 39307

Compliance

We have audited the compliance of Meridian Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The institution's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution's compliance based on our audit.

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

In our opinion, Meridian Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

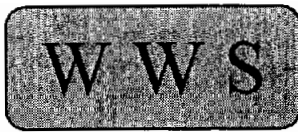
Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 28, 2009

*Watkins, Ward and Stafford, PLLC*



**MERIDIAN COMMUNITY COLLEGE**

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



**Watkins, Ward and Stafford**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, Mississippi 39307

Compliance

We have audited the financial statements of Meridian Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated January 28, 2009. We did not audit the financial statements of the discretely presented component unit, Meridian Community College Foundation, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Meridian Community College Development Foundation, audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

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

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 28, 2009

*Watkins, Ward and Stafford, PLLC*

**MERIDIAN COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MERIDIAN COMMUNITY COLLEGE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued on the financial statements:                              | Unqualified   |
| 2. Material noncompliance relating to the financial statements?                              | No            |
| 3. Internal control over financial reporting:  |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |

**Federal Awards:**

- |  |               |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 5. Internal control over major programs:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?   | None reported |
| 6. Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133?  | No            |
| 7. Federal programs identified as major programs:  |               |
| a. Student financial aid cluster:  |               |
| CFDA #84.007   |               |
| CFDA #84.032   |               |
| CFDA #84.033   |               |
| CFDA #84.063   |               |
| CFDA #84.375   |               |
| b. Vocational education basic grants to states   |               |
| CFDA #84.048   |               |
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9. Auditee qualified as a low-risk auditee?  | Yes           |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No            |

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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