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**MERIDIAN COMMUNITY COLLEGE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**MERIDIAN COMMUNITY COLLEGE  
INDEPENDENT AUDITORS' REPORT**



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE (601) 693-2841  
FAX (601) 693-2851

POST OFFICE BOX 606  
PHILADELPHIA MS 39350  
TELEPHONE (601) 656-2742  
FAX (601) 656-2760

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE (601) 735-2317  
FAX (601) 735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Meridian Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Meridian Community College's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Meridian Community College Foundation (the Foundation), a discretely presented component unit of Meridian Community College, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors 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 other auditors. The financial statements of the Foundation are presented in comparative form and report the financial position of the Foundation for the June 30, 2013 and 2012 fiscal years.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the

discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Meridian Community College, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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 also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014, on our consideration of Meridian Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meridian Community College's internal control over financial reporting and compliance.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP



**MERIDIAN COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MERIDIAN COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2013

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, 2013. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. We have included in this discussion comparative data for 2012. 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. 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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**MERIDIAN COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2013

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 Position**  
June 30, 2013 and 2012

	June 30, 2013		June 30, 2012	
	Amount	Percent	Amount	Percent
<b>ASSETS</b>				
Current Assets	\$ 15,709,451	34.02%	\$ 16,675,646	37.08%
Noncurrent Assets:				
Capital, net	<u>30,473,896</u>	<u>65.98%</u>	<u>28,295,482</u>	<u>62.92%</u>
<b>Total assets</b>	<u>\$46,183,347</u>	<u>100.00%</u>	<u>\$44,971,128</u>	<u>100.00%</u>
<b>LIABILITIES</b>				
Current Liabilities	\$ 1,885,942	41.49%	\$ 1,676,271	35.15%
Noncurrent Liabilities	<u>2,659,703</u>	<u>58.51%</u>	<u>3,093,022</u>	<u>64.85%</u>
<b>Total liabilities</b>	<u>\$ 4,545,645</u>	<u>100.00%</u>	<u>\$ 4,769,293</u>	<u>100.00%</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$28,263,048	67.88%	\$25,582,989	63.64%
Restricted:				
Expendable	1,304,413	3.13%	2,350,003	5.84%
Unrestricted	<u>12,070,241</u>	<u>28.99%</u>	<u>12,268,843</u>	<u>30.52%</u>
<b>Total net position</b>	<u>\$41,637,702</u>	<u>100.00%</u>	<u>\$40,201,835</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 was \$12,670,110 on June 30, 2013, an increase of \$791,298 over the balance of \$11,878,812 on June 30, 2012. Due to the decrease in interest rates, we are currently holding excess cash in two money market accounts.

## **MERIDIAN COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2013

#### **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 \$2,553,546 at June 30, 2013, a decrease of \$1,641,697 below the balance of \$4,195,243 at June 30, 2012.

#### **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 \$463,286 at June 30, 2013, a decrease of \$102,981 below the balance of \$566,267 at June 30, 2012.

#### **Non-current assets**

##### **Capital Assets, Net**

Capital assets, net, consist of land, art, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2013. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$30,473,896 at June 30, 2013, an increase of \$2,178,414 over the balance of \$28,295,482 at June 30, 2012.

#### **Liabilities**

##### **Current Liabilities**

##### **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at June 30, 2013 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,404,020 at June 30, 2013, an increase of \$178,939 over the balance of \$1,225,081 at June 30, 2012.

##### **Deferred Revenue**

Deferred revenue represents revenue that was received by the College prior to the fiscal year end; however, these revenues were not yet earned by the College and will be reported as revenue in the subsequent year in which they are earned. The deferred revenue totaled \$128,949 at June 30, 2013, an increase of \$29,551 over the balance of \$99,398 at June 30, 2012.

##### **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, 2013 fiscal year. The amount of the current portion of compensated absences at June 30, 2013 was \$45,110, a decrease of \$10,036 from the balance at June 30, 2012 of \$55,146.

**MERIDIAN COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2013

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of long-term debt that was payable at June 30, 2013. The amount of the current portion of long-term debt at June 30, 2013 was \$307,863, an increase of \$11,217 above the balance of \$296,646 on June 30, 2012.

**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 \$120,224 at June 30, 2013, an increase of \$1,363 as compared to the balance of \$118,861 at June 30, 2012.

**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, 2013 was \$636,494, an increase of \$78,180 over the balance of \$558,314 at June 30, 2012.

**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 \$1,902,985 at June 30, 2013, a decrease of \$512,862 from the balance of \$2,415,847 at June 30, 2012.

**Net Position**

Net position represents the difference between the College's assets and liabilities. Total net position at June 30, 2013 was \$41,637,702 an increase of \$1,435,867 over the balance of \$40,201,835 on June 30, 2012 as reflected on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2013.

**MERIDIAN COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2013

**Analysis of Net Position**

Restricted expendable net position 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 position:

	June 30, 2013	June 30, 2012
	<u>Amount</u>	<u>Amount</u>
Unemployment funds	\$ 176,679	\$ 176,678
Capital projects	1,087,292	2,122,248
Grants and contracts	442	7,766
Loan Funds	-	3,311
Debt obligations	<u>40,000</u>	<u>40,000</u>
Total restricted net position	<u>\$ 1,304,413</u>	<u>\$ 2,350,003</u>

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

The following is a breakdown of the unrestricted net position:

	June 30, 2013	June 30, 2012
	<u>Amount</u>	<u>Amount</u>
Unrestricted general fund	\$ 9,210,553	\$ 9,472,660
Unrestricted designated fund	1,240,176	1,197,538
Unrestricted auxiliary fund	<u>1,619,512</u>	<u>1,598,645</u>
Total unrestricted net position	<u>\$ 12,070,241</u>	<u>\$ 12,268,843</u>

# **MERIDIAN COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2013

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

For the years ended June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
	<u>Amount</u>	<u>Amount</u>
<b>Operating revenues:</b>		
Tuition and fees	\$ 3,255,617	\$ 3,456,133
Grants and contracts	14,559,706	16,524,754
Auxiliary enterprises	4,078,876	4,197,474
Other operating revenues	<u>401,085</u>	<u>486,380</u>
Total operating revenues	<u>\$ 22,295,284</u>	<u>\$ 24,664,741</u>
Operating expenses	<u>\$ 36,941,397</u>	<u>\$ 37,128,715</u>
Operating loss	<u>\$(14,646,113)</u>	<u>\$(12,463,974)</u>
<b>Non-operating revenues:</b>		
State appropriations	\$ 12,094,809	\$ 11,469,074
Local appropriations	1,947,460	1,971,387
Investment income, net	92,421	116,577
Other non-operating expenses	<u>(64,848)</u>	<u>-</u>
Net non-operating revenues	<u>\$ 14,069,842</u>	<u>\$ 13,557,038</u>
Income (loss) before other revenues, expenses, gains and losses	<u>\$ (576,271)</u>	<u>\$ 1,093,064</u>
State appropriations restricted for capital purposes	\$ 168,584	\$ 211,188
Local appropriations restricted for capital purposes	1,161,528	1,171,890
Capital gifts	798,844	41,793
Other deletions, net	<u>(116,818)</u>	<u>(131,512)</u>
Total other revenues, net	<u>\$ 2,012,138</u>	<u>\$ 1,293,359</u>
Total increase in net position	<u>\$ 1,435,867</u>	<u>\$ 2,386,423</u>
Net position		
Net position at beginning of year	<u>\$ 40,201,835</u>	<u>\$ 37,815,412</u>
Net position at end of year	<u><u>\$ 41,637,702</u></u>	<u><u>\$ 40,201,835</u></u>

**MERIDIAN COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2013

Total operating loss for the fiscal year 2013 was \$14,646,113, an increase of \$2,182,139 over the loss for fiscal year 2012 of \$12,463,974. 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 2013 were \$22,295,284. Tuition and fees were \$3,255,617. The tuition discount was \$6,016,184. Operating expenses, including depreciation of \$1,114,030, totaled \$36,941,397.

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$3,255,617. The tuition discount for the 2013 fiscal year was \$6,016,184.

**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, 2013 and 2012:

	June 30, 2013	June 30, 2012
	Amount	Amount
Federal	\$ 10,827,238	\$ 12,587,923
State	2,637,771	2,530,362
Local	31,437	24,767
Private	1,063,260	1,381,702
Total all sources	<u>\$ 14,559,706</u>	<u>\$ 16,524,754</u>



## MERIDIAN COMMUNITY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

#### **Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$278,425 for the 2013 fiscal year, a decrease of \$140,335 under the balance of \$418,760 for the 2012 fiscal year.

#### **Sales and Services, Net**

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

#### **Operating Expenses**

Operating expenses totaling \$36,941,397 include salaries and benefits of \$21,191,019, utilities of \$809,067, supplies of \$3,296,325, services of \$3,807,066, and depreciation of \$1,114,030.

	June 30, 2013 Amount	June 30, 2012 Amount
Expenses by functions:		
Instruction	\$ 14,063,436	\$ 13,728,078
Academic support	2,924,021	2,579,166
Student services	2,873,507	2,845,642
Institutional support	3,966,823	3,657,622
Operations and maintenance of plant	3,833,243	3,172,376
Student financial aid	5,032,912	6,561,198
Auxiliary enterprises	3,581,169	3,585,166
Depreciation	666,286	999,467
Total operating expenses by function	<u>\$ 36,941,397</u>	<u>\$ 37,128,715</u>

#### **Non-operating Revenues (Expenses)**

##### **State Appropriations**

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$12,263,393 for the 2012-2013 fiscal year, of which \$12,094,809 was for operations. This represents an increase of \$625,735 over the amount received for operations in the previous year. State appropriations for capital projects of \$168,684 were paid on behalf of the College during the 2013 fiscal year.

##### **Local Appropriations**

The College also receives revenue from the City of Meridian and Lauderdale County. The College received \$3,108,988 for the 2013 fiscal year from the local government of which \$1,947,460 was for operating purposes. This represents a decrease of \$23,927 of local operating revenue received from the local government for operating purposes in the previous year. The remaining \$1,161,528 was received in fiscal year 2013 for capital projects or retirement of debt.

**MERIDIAN COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2013

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts. A total of \$92,421 was earned during the 2013 fiscal year.

**Other Revenues**

**State Appropriations for Capital Purposes**

The College received \$168,584 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2013 fiscal year. This revenue represents payment on behalf of the college for the following projects:

- \$155,282 was used to contract for a feasibility study on future use of Matty Hersee property,
- \$ 6,987 was used for re-roofing of Smith Hall, and
- \$ 6,315 was used for the implantation of an energy control system.

**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 \$1,161,528 for the 2013 fiscal year. These funds were used for the renovation of the Multi-Purpose Building and construction of a Paramedic Center, completion of the Baseball Field House and Baseball Hit Hut, construction of the GED Center, renovation of the DPS Building, and renovations to the cafeteria.

**Other Additions (Deletions), net**

The other additions and deletions, net represent the interest on debt and asset deletions net of non-procurement asset additions for the 2013 fiscal year. Other additions (deletions), net were (\$116,818) for the 2013 fiscal year. This is a \$14,694 decrease over the total of (\$131,512) for the 2012 fiscal year.

**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.

## MERIDIAN COMMUNITY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

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

For the Fiscal Years Ended June 30, 2013 and 2012

	June 30, 2013 Amount	June 30, 2012 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	\$ (11,541,805)	\$ (12,460,885)
Non-capital financing activities	14,022,633	13,306,158
Capital and related financing activities	(1,781,951)	(2,030,162)
Investing activities	92,421	292,814
Net increase (decrease) in cash and cash equivalents	\$ 791,298	\$ (892,075)
Cash and cash equivalents - beginning of year	11,878,812	12,770,887
Cash and cash equivalents - end of year	<u>\$ 12,670,110</u>	<u>\$ 11,878,812</u>

The major sources of funds included in operating activities include student tuition and fees, \$3,224,689, auxiliary enterprises, \$4,080,239, and grants and contracts, \$15,772,645. The major uses of funds were payments made to and for employees, \$20,996,633, to scholarships and fellowships, \$4,923,602, to service providers, \$3,852,441, and to suppliers, \$3,207,449.

The largest inflow of cash in the non-capital financing activities group is the State appropriation for operating purposes of \$12,065,584.

#### Significant Capital Asset Transactions

##### ABE/GED Building

The MCC Construction Trade Department began the construction of a new Adult Basic Education building during the 2012-2013 fiscal year. The project was also supervised by architect Arjen Lagendijk. This facility, located next to the LPN Building, will provide basic education skills and testing to our community.

##### Medical Assisting and Healthcare Assistant Building

After much discussion with administrators of Rush Hospital, the College identified a need for a medical assisting program. Under the direction of local architect, Arjen Lagendijk, the Construction Trades Department will renovate The Department of Public Safety Building to house Medical Assisting and Healthcare Assistant programs. This project will begin in January 2014 and should be completed within a year and a half.

## **MERIDIAN COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2013

#### **FY 2013 Liquidation of Perkins Loan Program**

Due to lack of activity in the Perkins Loan program (originally, the National Direct Student Loan Program), the U.S. Department of Education requested that the College liquidate the program during the fall of 2012. The College has not actively participated in this program during the past 25 years. All loans that were eligible for assignment were assigned in previous years. This is a revolving loan fund that had a balance of \$3,300 prior to the purchase. Therefore, in June 2013, the College purchased the 49 outstanding loans for the balance of principal and interest totaling \$61,537. After recording the purchase, the College calculated the liquidation of cash, with \$58,358 returned to the federal government and \$6,490 returned to the College. As of June 30, 2013, all funds have been liquidated and all loans issued were paid-in-full, cancelled according to regulations, assigned to the federal government or purchased by the College. Loans that were purchased are reflected as note receivable of the College. However, due to their age, they are considered uncollectible accounts.

#### **Factors Impacting Future Periods**

##### **Follow up "Mid-Level Funding" in Senate Bill 2364 passed in 2007**

###### **History of the Bill**

The community college system began lobbying for support of a funding bill that would provide the colleges with 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 the College to pay instructors at the mid-point of the average salary of a K-12 teacher and the average salary of a university instructor. Mid-point was reached 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.

The community college system realized 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, the College 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. A concept was developed 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 student should be funded at least at a mid-point of the amount funded in other areas of education in the state.

## **MERIDIAN COMMUNITY COLLEGE**

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

For the Year Ended June 30, 2013

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 community college system had requested that this formula be phased in over the next three years. Although the formula passed in theory, it has never been funded due to the downturn in the economy.

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. Over the past several years, Mississippi did not experience an economic downturn as dramatic as many states in our nation. And during the 2013 fiscal year, revenues have returned and begun to outpace budget estimates. For the 2014 fiscal year, the community college system received a 4.1% increase in state funding or \$9,417,550. This increase was given to help offset the increase in retirement matching that will be required of all state employers to ensure the financial health of the state retirement system (\$4,417,550) and for Restoration and Recovery of "F" graded roofs (\$5,000,000). The College's portion of the R & R fund is \$247,301. The initial estimate of the College's increase in funding is \$215,432 or 2.2% over the funding received in FY 2013. As enrollment audits for the spring of 2013 are incomplete, these numbers are not final for the 2014 fiscal year. Although the State of Mississippi has seen improvements in state tax collections, they are not large enough to bring about the amount of funding needed to fund Mid-Level Funding.

**MERIDIAN COMMUNITY COLLEGE**  
**BASIC FINANCIAL STATEMENTS**

**MERIDIAN COMMUNITY COLLEGE**

**STATEMENT OF NET POSITION**

June 30, 2013

## LIABILITIES

### Current Liabilities

Accounts payable and accrued liabilities	\$ 1,404,020
Annual leave liabilities-current portion (Note 6)	45,110
Deferred revenues	128,949
Long-term liabilities-current portion (Note 6)	<u>307,863</u>

**Total current liabilities** \$ 1,885,942

### Noncurrent Liabilities

Deposits refundable	\$ 120,224
Accrued leave liabilities	636,494
Long-term liabilities (Note 6)	<u>1,902,985</u>

**Total noncurrent liabilities** \$ 2,659,703

**Total liabilities** \$ 4,545,645

## NET POSITION

Net Investment in Capital Assets \$ 28,263,048

### Restricted for:

#### Expendable:

Unemployment compensation	\$ 176,679
Capital projects	1,087,292
Grants and contracts	442
Debt obligations	<u>40,000</u>

Unrestricted 12,070,241

**Total net position** \$ 41,637,702

**Total liabilities and net position** \$ 46,183,347

See Accompanying Notes to Financial Statements.



**MERIDIAN COMMUNITY COLLEGE FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2013 and 2012

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2013 and 2012

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		
Cash	\$ 228,434	\$ 138,789
Certificates of deposit	187,496	241,936
Investments	11,378,701	10,181,429
Educational trust-loans receivable	8,571	13,288
Pledge receivables	129,883	171,652
Property and equipment, net	769,469	785,863
Other assets	<u>231,575</u>	<u>225,054</u>
<b>Total assets</b>	<b><u>\$ 12,934,129</u></b>	<b><u>\$ 11,758,011</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 11,221	\$ 4,903
Annuity liability	52,898	55,050
Grant funds payable	108,500	127,877
<b>Total liabilities</b>	<b><u>\$ 172,619</u></b>	<b><u>\$ 187,830</u></b>
<b>Net Assets</b>		
Unrestricted	\$ 1,236,948	\$ 1,237,076
Temporarily restricted	1,638,185	1,484,142
Permanently restricted	<u>9,886,377</u>	<u>8,848,963</u>
<b>Total net assets</b>	<b><u>\$ 12,761,510</u></b>	<b><u>\$ 11,570,181</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 12,934,129</u></b>	<b><u>\$ 11,758,011</u></b>

See Accompanying Notes to Financial Statements.

**MERIDIAN COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2013

**Operating Revenues**

Tuition and fees (net of scholarship allowances of \$6,016,184)	\$ 3,255,617
Federal grants and contracts	10,827,238
State grants and contracts	2,637,771
Local grants and contracts	31,437
Nongovernmental grants and contracts	1,063,260
Sales and services of educational departments	278,425
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$33,576)	588,880
Food services (net of scholarship allowances of \$50,363)	557,520
Bookstore	2,845,932
Other auxiliary revenues	86,544
Other operating revenues	<u>122,660</u>
Total operating revenues	<u>\$ 22,295,284</u>

**Operating Expenses**

Salaries and wages	\$ 16,241,062
Fringe benefits	4,949,957
Travel	430,740
Contractual services	3,807,066
Utilities	809,067
Scholarships and fellowships	5,035,148
Commodities	3,296,325
Depreciation expense	1,114,030
Other operating expenses	<u>1,258,002</u>

Total operating expenses \$ 36,941,397

Operating loss \$ (14,646,113)

See Accompanying Notes to Financial Statements.

**MERIDIAN COMMUNITY COLLEGE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION** (continued)  
For the Year Ended June 30, 2013

**Nonoperating Revenues (Expenses)**

State appropriations	\$ 12,094,809
Local appropriations	1,947,460
Investment income	92,421
Other non-operating expenses	<u>(64,848)</u>

Total net nonoperating revenues \$ 14,069,842

Loss before other revenues, expenses, gains and losses \$ (576,271)

State appropriations restricted for capital purposes	168,584
Local appropriations restricted for capital purposes	1,161,528
Capital gifts	798,844
Other deletions, net	<u>(116,818)</u>

Change in net position \$ 1,435,867

**Net Position**

Net position - beginning of year \$ 40,201,835

Net position - end of year \$ 41,637,702

See Accompanying Notes to Financial Statements.

# MERIDIAN COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues and Reclassifications				
Contributions	\$ 295,993	\$ 425,744	\$ 115,479	\$ 837,216
Interest and dividends	13,362	18,681	197,213	229,256
Gain (loss) on sale of assets	-	3,915	20,769	24,684
Grant revenues	-	192,645	-	192,645
Miscellaneous other income	-	13,937	-	13,937
Net assets released from restrictions	-	-	-	-
Satisfaction of purpose restrictions	861,807	(861,807)	-	-
Total public support, revenues and reclassifications	\$ 1,171,162	\$ (206,885)	\$ 333,461	\$ 1,297,738
Expenses				
Scholarships	\$ 407,223	\$ -	\$ -	\$ 407,223
Awards	3,615	-	-	3,615
Faculty/staff programs	60,332	-	-	60,332
Annuity interest expense	8,078	-	-	8,078
Other program expense	71,921	-	-	71,921
Management and general	198,298	-	-	198,298
Donations to Meridian Community College	501,145	-	-	501,145
Total expenses	\$ 1,250,612	\$ -	\$ -	\$ 1,250,612
Other income :				
Unrealized holding gains on marketable securities available for sale	\$ 56,293	\$ 91,720	\$ -	\$ 148,013
Excess (deficiency) of revenues over expenses before capital additions	\$ (23,157)	\$ (115,165)	\$ 333,461	\$ 195,139
Capital additions				
Unrealized holding gains on marketable securities available for sale - endowment funds	-	-	996,190	996,190
Excess (deficiency) of revenues over expenses after capital additions	\$ (23,157)	\$ (115,165)	\$ 1,329,651	\$ 1,191,329
Net assets, beginning of year	1,237,076	1,484,142	8,848,963	11,570,181
Fund transfers in (out)	23,029	269,208	(292,237)	-
Net assets, end of year	\$ 1,236,948	\$ 1,638,185	\$ 9,886,377	\$ 12,761,510

See Accompanying Notes to Financial Statements.

# MERIDIAN COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues and Reclassifications				
Contributions	\$ 316,420	\$ 550,357	\$ 97,511	\$ 964,288
Interest and dividends	11,577	20,710	196,636	228,923
Gain (loss) on sale of assets	-	(1,240)	281	(959)
Grant revenues	-	123	-	123
Miscellaneous other income	-	5,524	-	5,524
Net assets released from restrictions	-	-	-	-
Satisfaction of purpose restrictions	789,696	(789,696)	-	-
Total public support, revenues and reclassifications	\$ 1,117,693	\$ (214,222)	\$ 294,428	\$ 1,197,899
Expenses				
Scholarships	\$ 430,350	\$ -	\$ -	\$ 430,350
Awards	3,350	-	-	3,350
Faculty/staff programs	47,408	-	-	47,408
Annuity interest expense	8,078	-	-	8,078
Other program expense	231,867	-	-	231,867
Management and general	158,524	-	-	158,524
Donations to Meridian Community College	521,915	-	-	521,915
Total expenses	\$ 1,401,492	\$ -	\$ -	\$ 1,401,492
Other income (expense):				
Unrealized holding gains on marketable securities available for sale	\$ 4,429	\$ (1,372)	\$ -	\$ 3,057
Excess (deficiency) of revenues over expenses before capital additions	\$ (279,370)	\$ (215,594)	\$ 294,428	\$ (200,536)
Capital additions				
Unrealized holding losses on marketable securities available for sale - endowment funds	-	-	(61,178)	(61,178)
Excess (deficiency) of revenues over expenses after capital additions	\$ (279,370)	\$ (215,594)	\$ 233,250	\$ (261,714)
Net assets, beginning of year	1,246,343	1,675,891	8,909,661	11,831,895
Fund transfers in (out)	270,103	23,845	(293,948)	-
Net assets, end of year	\$ 1,237,076	\$ 1,484,142	\$ 8,848,963	\$ 11,570,181

See Accompanying Notes to Financial Statements.

**MERIDIAN COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2013

**Cash Flows from Operating Activities**

Tuition and fees	\$ 3,224,689
Grants and contracts	15,772,645
Sales and services of educational departments	278,425
Payments to suppliers	(3,207,449)
Payments to employees for salaries and benefits	(20,996,633)
Payments for contractual services	(3,852,441)
Payments for travel	(435,071)
Payments for other expenses	(1,258,391)
Payments for utilities	(800,490)
Payments for scholarships and fellowships	(4,923,602)
Auxiliary enterprise revenues:	
Residence halls	590,243
Bookstore	2,845,932
Food services	557,520
Other	86,544
Other receipts	<u>576,274</u>

Net cash used in operating activities \$ (11,541,805)

**Cash Flows from Noncapital Financing Activities**

State appropriations	\$ 12,065,584
Local appropriations	1,947,460
Agency transfers-in	594,204
Agency transfers-out	(584,615)
Federal loan receipts	2,908,232
Federal loan disbursements	<u>(2,908,232)</u>

Net cash provided by noncapital financing activities \$ 14,022,633

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

Cash paid for capital assets	\$ (2,504,998)
Capital appropriations received	1,330,112
Principal paid on capital debt and leases	(501,645)
Capital debt interest paid	<u>(105,420)</u>

Net cash used in capital and related financing activities \$ (1,781,951)

See Accompanying Notes to Financial Statements.

**MERIDIAN COMMUNITY COLLEGE**

**STATEMENT OF CASH FLOWS (continued)**  
For the Year Ended June 30, 2013

**Cash Flows from Investing Activities**

Interest received on investments \$ 92,421

Net cash provided by investing activities \$ 92,421

Net increase in cash and cash equivalents \$ 791,298

**Cash and cash equivalents - beginning of year** 11,878,812

**Cash and cash equivalents - end of year** \$ 12,670,110

**Reconciliation of operating loss to net cash  
used in operating activities:**

Operating loss \$ (14,646,113)

**Adjustments to reconcile net loss to net cash  
used in operating activities:**

Depreciation expense 1,114,030

Purchase of Perkins Loans (64,848)

**Changes in assets and liabilities:**

Receivables, net (excluding the state appropriations) 1,670,922

Inventories 102,981

Prepaid expenses 12,815

Accounts payables 169,350

Deferred revenues 29,551

Accrued leave liability 68,144

Deposits refundable 1,363

Net cash used in operating activities \$ (11,541,805)

See Accompanying Notes to Financial Statements.



# **MERIDIAN COMMUNITY COLLEGE FOUNDATION**

## **STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Excess (deficiency) revenues over expenses	\$ 1,191,329	\$ (261,714)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	16,393	16,393
(Gain) loss on sale of assets	(24,684)	959
Change in assets/liabilities:		
Increase in accounts receivables	(1,262)	(389)
Decrease in educational trust - loans receivable	4,717	5,728
(Increase) decrease in pledge receivables	41,769	(20,969)
Increase (decrease) in accounts payables	6,318	(4,980)
Increase (decrease) in grant funds payable	(19,377)	127,877
Interest and dividends restricted for reinvestment	(18,681)	(24,464)
Interest and dividends restricted for long-term reinvestment	(197,213)	(161,649)
Unrealized holding (gains) losses on securities	(1,144,203)	58,120
Cash contributions restricted for endowments	(115,479)	(97,511)
Non-cash contributions	(51,111)	(47,343)
Non-cash expenses	43,462	38,091
Net cash used in operating activities	<u>\$ (268,022)</u>	<u>\$ (371,851)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of assets	\$ 321,319	\$ 180,305
Interest and dividends restricted for reinvestments	18,681	24,464
Purchases of investments	<u>(295,025)</u>	<u>(316,958)</u>
Net cash provided (used) in investing activities	<u>\$ 44,975</u>	<u>\$ (112,189)</u>

See Accompanying Notes to Financial Statements.

**MERIDIAN COMMUNITY COLLEGE FOUNDATION**

**STATEMENTS OF CASH FLOWS (continued)**

For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for:		
Investment in endowments	\$ 115,479	\$ 97,511
Other financing activities:		
Interest and dividends restricted for long-term investments	<u>197,213</u>	<u>161,649</u>
Net cash provided by financing activities	<u>\$ 312,692</u>	<u>\$ 259,160</u>
Net increase (decrease) in cash and cash equivalents	\$ 89,645	\$ (224,880)
<b>Cash and cash equivalents - beginning of year</b>	<u>138,789</u>	<u>363,669</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 228,434</u></u>	<u><u>\$ 138,789</u></u>

See Accompanying Notes to Financial Statements.

**MERIDIAN COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**

## MERIDIAN COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

#### Note 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 5-year term. In addition, Meridian Community College works jointly with the Mississippi Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the state of Mississippi.

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 is restricted to the activities of the College by the donors.

During the year ended June 30, 2013, the Foundation distributed \$1,138,930 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*; Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public College and Universities*, issued in June and November, 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting**

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

**D. Cash Equivalents**

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**E. 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.

**F. Notes Receivable, students**

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 Position as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as non-current assets on the Statement of Net Position.

**G. Inventories**

Inventories consist of items in the bookstore. This inventory is generally valued at cost, on the first-in, first-out ("FIFO") basis.

**H. 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 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.

**Note 1. Summary of Significant Accounting Policies (continued)**

**I. 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.

**J. 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, 2013, as reported in the Statement of Net Position is \$681,604 with \$45,110 of this amount estimated as current.

**K. Classification of Revenues**

Meridian Community College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

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

**L. State Appropriations**

Meridian Community College receives funds from the State of Mississippi based on the number credit hours generated by all students actually enrolled and in attendance on the last day of the sixth week of the fall, spring and summer semesters of the previous year, counting only those students who reside within the State of Mississippi. This formula is based entirely on full-time equivalent calculations.

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

### **M. 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 third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarships allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

### **N. Net Position**

GASB Statement No. 63 reports equity as "Net Position" rather than "Net Assets". Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net position represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net position balance of \$12,070,241 at June 30, 2013, includes \$1,240,176 reserved for designations, and \$1,619,512 reserved for auxiliaries and a remaining amount of \$9,210,553.

### **Subsequent Events**

Management has evaluated subsequent events through March 19, 2014, the date on which the financial statements were available to be issued.

## Note 2. Cash and Investments

### Policies:

#### A. Cash, Cash Equivalents and Short-term Investments

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

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (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 authorizes the college to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

As of June 30, 2013, the College had no funds in investment securities, as money market accounts are currently paying as much as certificates of deposits. Therefore, although the College has a strong cash position, there are no investments.

*Interest Rate Risk.* The College does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. However, the College's investment management policy states that "Investment 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 Associate Vice-President for Finance are authorized to invest any and all excess funds of the College to meet the goal stated above."



## **Note 2. Cash and Investments (continued)**

*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 would further limit its investment choices or one that addresses 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, 2013, the College did not have any investments to which this would apply.

## **Note 3. Accounts Receivable**

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

Student tuition and fees	\$ 5,120,423
Federal, state and private grants and contracts	777,009
State appropriations	316,250
Other	<u>313,756</u>
Total accounts receivable	\$ 6,527,438
Less allowance for doubtful accounts	<u>(3,973,892)</u>
Net accounts receivable	<u>\$ 2,553,546</u>

#### Note 4. Notes Receivable from Students

In June 2013, the College purchased all outstanding Perkins loans for the purpose of liquidating the program. These represent all outstanding note receivables from students.

These notes receivable from students are payments in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the College. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the College at June 30, 2013:

	Interest Rates	June 30, 2013	Current Portion	Noncurrent Portion
MCC student loans	3% to 9%	\$ 21,887	\$ -	\$ 21,887
Total Notes Receivable		\$ 21,887	\$ -	\$ 21,887
Less allowance for doubtful accounts		21,887	-	21,887
Net Notes Receivable		\$ -	\$ -	\$ -

#### Note 5. Capital Assets

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

Changes in Capital Assets For the Fiscal Year Ended June 30, 2013	06/30/12 Year-end Balance	Increases	Decreases	06/30/13 Year-end Balance
Capital assets, non-depreciable:				
Land	\$ 2,543,180	\$ 179,238	\$ -	\$ 2,722,418
Art collection	14,925	-	-	14,925
Construction in progress	826,101	2,213,251	2,228,741	810,611
Total capital assets, non-depreciable	\$ 3,384,206	\$ 2,392,489	\$ 2,228,741	\$ 3,547,954
Capital assets, depreciable:				
Improvements other than buildings	\$ 4,145,915	\$ 845,720	\$ -	\$ 4,991,635
Buildings	32,494,305	2,204,492	204,709	34,494,088
Equipment	3,345,287	270,672	121,295	3,494,664
Library books	1,348,788	24,010	10,275	1,362,523
Total capital assets, depreciable	\$ 41,334,295	\$ 3,344,894	\$ 336,279	\$ 44,342,910
Less accumulated depreciation for:				
Improvements other than buildings	\$ 2,302,044	\$ 164,736	\$ -	\$ 2,466,780
Buildings	10,309,135	638,898	-	10,948,033
Equipment	2,682,132	242,788	120,081	2,804,839
Library books	1,129,708	67,608	-	1,197,316
Total accumulated depreciation	\$ 16,423,019	\$ 1,114,030	\$ 120,081	\$ 17,416,968
Total depreciable capital assets, net	\$ 24,911,276	\$ 2,230,864	\$ 216,198	\$ 26,925,942
Capital assets, net of depreciation	\$ 28,295,482	\$ 4,623,353	\$ 2,444,939	\$ 30,473,896

**Note 5. Capital Assets (continued)**

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 Thresholds</u>
Improvements other than buildings	20 years	20%	\$ 25,000
Buildings	40 years	20%	50,000
Equipment	3-15 years	1-10%	5,000
Library books	10 years	0%	-

**Note 6. Long-term Liabilities**

Long-term liabilities of the College consist of note and bond payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013. The various leases cover a period not to exceed five years. The College has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a 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 year.

Information regarding original issue amounts, interest rates and maturity dates for bond, note, and capital leases included in the long-term liabilities balance at June 30, 2013, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

**Note 6. Long-term Liabilities (continued)**

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balances 7/1/2012	Additions	Reductions	Ending Balances 6/30/2013	Due Within One Year
<b>Bonded debt</b>								
Limited-tax refunding bonds, Series 2009	\$ 1,910,000	3.40%	2018	\$ 1,340,000	\$ -	\$ 205,000	\$ 1,135,000	\$ -
Total Bonded Debt	\$ 1,910,000			\$ 1,340,000	\$ -	\$ 205,000	\$ 1,135,000	\$ -
<b>Note Payable</b>								
Community Bank loan for Yamaha purchase	\$ 770,000	1.98%	2016	\$ 627,000	\$ -	\$ 148,000	\$ 479,000	\$ 154,000
Total Note Payable	\$ 770,000			\$ 627,000	\$ -	\$ 148,000	\$ 479,000	\$ 154,000
<b>Capital Leases</b>								
Energy Master Lease			2017	\$ 665,293	\$ -	\$ 108,545	\$ 556,748	\$ 113,763
Rush Hall Lease	1,000	0%	2014	200	-	100	100	100
Rush Senior Clinic Lease	400,000	0%	2014	80,000	-	40,000	40,000	40,000
Total Capital Leases				\$ 745,493	\$ -	\$ 148,645	\$ 596,848	\$ 153,863
<b>Other Long-term Liabilities</b>								
Accrued leave liabilities				\$ 613,460	\$ 68,144	\$ -	\$ 681,604	\$ 45,110
Deposits refundable				118,861	63,356	61,993	120,224	-
Total Other Long-term Liabilities				\$ 732,321	\$ 131,500	\$ 61,993	\$ 801,828	\$ 45,110
<b>Total</b>				\$ 3,444,814	\$ 131,500	\$ 563,638	\$ 3,012,676	\$ 352,973
Due within one year							\$ 352,973	
Total Long-term Liabilities							\$ 2,659,703	

**Note 6. Long-term Liabilities (continued)**

The annual requirements necessary to amortize the outstanding debt is as follows:

	Bonded Debt	Notes Payable	Capital Leases	Interest	Total
2014	\$ -	\$ 154,000	\$ 153,863	\$ 76,670	\$ 384,533
2015	215,000	160,000	119,231	61,012	555,243
2016	220,000	165,000	124,961	44,719	554,680
2017	225,000	-	130,968	27,881	383,849
2018	235,000	-	67,825	13,766	316,591
2019	240,000	-	-	4,080	244,080
Total	<u>\$ 1,135,000</u>	<u>\$ 479,000</u>	<u>\$ 596,848</u>	<u>\$ 228,128</u>	<u>\$ 2,438,976</u>

**Note 7. Construction Commitments and Financing**

The College has completed the Baseball Field House, Baseball Hit Hut, Multi-Purpose and Paramedic, and the MEMA project renovations. The College Construction Trades Program has begun construction on the GED Building and the renovation of the DPS Building for the Medical Assisting and Health Care Assistant Programs. The College is also working with the Bureau of Buildings on a project to install smart meters on campus. The estimated costs to complete these projects and the source of funding are presented below:

Project Title	Total Costs to Complete	Funded By			
		Federal Sources	State Sources	Institutional Funds	Other
New GED building	\$ 314,470	\$ -	\$ -	\$ 314,470	\$ -
EMC- Meters	143,684	-	143,684	-	-
DPS Bldg renovation	998,176	-	-	998,176	-
Total	<u>\$1,456,330</u>	<u>\$ -</u>	<u>\$143,684</u>	<u>\$1,312,646</u>	<u>\$ -</u>

## Note 8. Natural Classification with Functional Classifications

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

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships & Fellow ships	Depreciation Expense	Other	Total
Instruction	\$ 9,710,510	\$ 2,689,098	\$ 195,805	\$ 898,585	\$ 484,989	\$ 1,500	\$ 2,236	\$ -	\$ 80,713	\$ 14,063,436
Academic Support	1,466,336	504,550	24,409	454,430	81,333	-	-	-	392,963	2,924,021
Student Services	1,802,709	543,496	154,179	218,754	154,259	-	-	-	110	2,873,507
Institutional Support	1,718,244	680,092	47,881	799,772	149,378	-	-	-	571,456	3,966,823
Operation of Plant	1,122,708	381,269	7,164	703,115	350,147	643,498	-	447,744	177,598	3,833,243
Student Aid	-	-	-	-	-	-	5,032,912	-	-	5,032,912
Auxiliary Enterprises	420,555	151,452	1,302	732,410	2,076,219	164,069	-	-	35,162	3,581,169
Depreciation	-	-	-	-	-	-	-	666,286	-	666,286
Total operating expenses	\$ 16,241,062	\$ 4,949,957	\$ 430,740	\$ 3,807,066	\$ 3,296,325	\$ 809,067	\$ 5,035,148	\$ 1,114,030	\$ 1,258,002	\$ 36,941,397

#### **Note 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 Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy - PERS members are required to contribute 9.00% of their annual covered salary due to a rate increase effective July 1, 2010 and the institution is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ending June 30, 2013, was 14.26% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. Meridian Community College's contributions to PERS for the years ending June 30, 2013, 2012, and 2011 were \$2,215,233, \$1,871,747, and \$1,678,139, respectively, equal to the required contributions for each year.

#### **Note 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 FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**



## MERIDIAN COMMUNITY COLLEGE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

#### 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 financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted, and unrestricted as follows:

*Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of Meridian Community College.

*Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. To the extent that restricted resources from multiple donors are available for the same purpose, the Foundation expenses such gifts on a “first in, first out” basis.

*Unrestricted net assets* - net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

## Note 1. Summary of Significant Accounting Policies (continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- as increases (decreases) in unrestricted net assets in all other cases.

### Donated assets

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

### Cash

The Foundation recognizes all demand deposit accounts as cash and cash equivalents. It is the policy of the Foundation to consider money market accounts with brokers as other short-term investments.

### 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:

	2013	2012
Land	\$ 305,501	\$ 305,501
Land improvements	14,500	14,500
Buildings and improvements	536,150	536,150
Equipment	<u>15,849</u>	<u>15,849</u>
	\$ 872,000	\$ 872,000
Less: accumulated depreciation	<u>(102,531)</u>	<u>(86,137)</u>
	<u>\$ 769,469</u>	<u>\$ 785,863</u>

## Note 1. Summary of Significant Accounting Policies (continued)

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

Asset	Years
Land improvements	20
Buildings and improvements	40
Equipment	5-7

Depreciation expense amounted to \$16,393 and \$16,393 at June 30, 2013 and 2012, respectively.

### Investments

Investments are recorded at fair value. The fair values of all investments other than real estate are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. The Foundation's real estate investments are also carried at fair value based on appraisal values at the date of receipt. Both realized and unrealized gains and losses are reflected in the accompanying statements of activities based on restrictions put in place by the donor.

### Fair Value of Financial Instruments

The carrying amounts at June 30, 2013 and 2012 for cash and cash equivalents, investments, pledges receivable, accounts payable, and annuity liabilities approximate their fair values. See note 11 for Investments.

### Other assets

Other assets at June 30, 2013, and 2012 consist of the following:

	2013	2012
Northwood Country Club Stock	\$ -	\$ 2,500
Life insurance policies	12,999	13,240
Steel sculpture	5,000	5,000
Cartmell oil portraits	20,959	20,959
Donations of artwork	190,183	182,183
Miscellaneous receivable	2,434	1,172
	<u>\$ 231,575</u>	<u>\$ 225,054</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.

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

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 Foundation 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, 2013 and 2012 amounted to \$129,883 and \$171,652, respectively, and are due in less than one year.

### **Liquidity**

Assets are presented according to their nearness to cash, and liabilities are presented according to their nearness of payment or use of cash.

### **Subsequent Events**

The Foundation evaluated subsequent events after the balance sheet date of June 30, 2013 through March 3, 2014 which was the date the financial statements were available to be issued. The Foundation does not believe there are any material subsequent events which would require disclosure.

## **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:

	2013	2012
Purpose restriction accomplished:		
Scholarship programs	\$ 266,923	\$ 256,065
Awards	1,240	1,000
Faculty/staff programs	60,332	47,408
Annuity interest expense	8,078	8,078
Other program services	61,921	221,867
Management and general	12,168	16,044
Donations to Meridian Community College	451,145	239,234
	<u>\$ 861,807</u>	<u>\$ 789,696</u>

**Note 2. Temporarily Restricted Net Assets (continued)**

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

	2013	2012
Scholarships	\$ 541,088	\$ 465,483
Awards	1,500	900
Faculty/staff programs	96,127	82,134
Capital support - Meridian Community College	572,382	435,901
Other program services	427,088	499,724
	<u>\$ 1,638,185</u>	<u>\$ 1,484,142</u>

**Note 3. Permanently Restricted Net Assets**

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

	2013	2012
Scholarships	\$ 5,561,704	\$ 4,944,259
Awards	14,220	12,920
Faculty/staff programs	1,595,544	1,450,029
Other program services	2,714,909	2,441,755
	<u>\$ 9,886,377</u>	<u>\$ 8,848,963</u>

**Note 4. Pass Through Grant Funds Payable**

During the year ended June 30, 2012, The Stranahan Foundation (a 501(c)(3) organization) located in Toledo, Ohio, entered into a grant agreement with the Foundation on behalf of Meridian Community College in support of the Early Childhood Professional Development and Training Project currently under development at the College. The total grant award amounted to \$192,000 and is payable over a three year period. On June 12, 2012, the Foundation received \$78,000 in grant funds from the Stranahan Foundation in support of this project. On June 1, 2013, the Foundation received \$57,000 in grant funds. The Phil Hardin Foundation (a 501(c)(3) organization) joined in this project and awarded a grant in the amount of \$150,000 on behalf of the College to the Foundation. This grant is also payable over a three year period. On May 23, 2012, the Foundation received \$50,000 of this grant award. On December 13, 2012, an expansion to the grant of \$29,000 was disbursed from The Phil Hardin Foundation and on January 2, 2013, an expansion to the grant of \$27,347 was disbursed from The Stranahan Foundation. As of June 30, 2013, the Foundation had paid Meridian Community College \$105,500 of these grant funds; however, subsequent to the year end the remaining \$108,500 has been paid to the College. These funds are shown on the face of the statement of financial position as pass through grant funds payable and are considered temporarily restricted.

#### **Note 5. Annuity Liability**

The Foundation is obligated pursuant to the terms of a 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 to 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.

At June 30, 2013, the annuity liability amounted to \$52,898. At June 30, 2012, the annuity liability amounted to \$55,050.

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. As of June 30, 2013, the joint annuity received in February 2000 is the only outstanding liability.

#### **Note 6. 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 \$250,000. At June 30, 2013 and 2012, the Foundation did not have cash in excess of the insurance limit.

The Foundation maintains a significant portion of its investments with one brokerage firm.

#### **Note 7. 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 \$88,900 for the year ended June 30, 2013, and \$122,565 for the year ended June 30, 2012. 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 \$48,150 for the year ended June 30, 2013 and \$47,400 for the year ended June 30, 2012.

#### **Note 8. Commitments**

The Board of Directors approved a commitment of \$10,000 to Meridian Community College which was paid annually during the fiscal years of June 30, 2005 through June 30, 2011. In June 2012, a final payment of \$3,400 was made which completed reimbursing the College for the cost of an electronic message sign at the entrance to the College on Highway 19 N.

**Note 8. Commitments (continued)**

The contribution to the College was made after an analysis of available funds was prepared each year.

Another commitment of \$250,000 was made to assist in the cost of the construction of a Baseball Field House. This money was taken from the Capital Campaign Fund, a temporary restricted fund, and paid in June 2012.

**Note 9. Non-Cash Contributions**

The Foundation receives a variety of non-cash contributions. For the years ended June 30, 2013 and 2012, non-cash contributions totaled \$51,111 and \$47,343, respectively, and were included in revenue.

For the year ended June 30, 2013, the Foundation received \$43,111 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Advertising	\$ 29,400
Annuity liabilities	2,152
Professional Services	4,112
Hostessing	<u>7,447</u>
	<u>\$ 43,111</u>

For the year ended June 30, 2013, the Foundation received \$8,000 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	<u>\$ 8,000</u>
-------------	-----------------

For the year ended June 30, 2012, the Foundation received \$40,243 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:

Advertising	\$ 3,600
Annuity liabilities	2,152
Professional services	2,130
Donated to MCC	30,574
Hostessing	496
Trade Programs	<u>1,291</u>
	<u>\$ 40,243</u>

**Note 9. Non-Cash Contributions (continued)**

For the year ended June 30 2012, the Foundation received \$7,100 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Donated art	<u>\$ 7,100</u>
-------------	-----------------

Contributed goods and services are recorded as revenues and expenses at estimated fair value.

**Note 10. 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 statements of financial position.

**Note 11. Investments**

The Foundation's investments recorded at market value consist of the following at June 30, 2013 and 2012:

June 30, 2013	Cost	Market	Unrealized Appreciation (Depreciation)
The Common Fund - Intermediate	\$ 18,177	\$ 7,252	\$ (10,925)
The Common Fund - Equity	4,449,897	10,416,922	5,967,025
Corporate Stocks	339,128	581,668	242,540
Mutual Funds	10,000	10,000	-
Vanguard Wellesley	122,776	152,942	30,166
Vanguard Morgan Growth	22,905	33,166	10,261
Regions Shared Investment	193,333	176,751	(16,582)
	<u>\$ 5,156,216</u>	<u>\$ 11,378,701</u>	<u>\$ 6,222,485</u>



**Note 11. Investments (continued)**

June 30, 2012	Cost	Market	Unrealized Appreciation (Depreciation)
The Common Fund - Intermediate	\$ 18,082	\$ 7,055	\$ (11,027)
The Common Fund - Equity	4,365,251	9,234,831	4,869,580
Corporate Stocks	377,725	586,940	209,215
Mutual Funds	10,000	10,000	-
Vanguard Wellesley	116,088	141,268	25,180
Vanguard Morgan Growth	22,905	28,562	5,657
Regions Shared Investment	193,333	172,773	(20,560)
	<u>\$ 5,103,384</u>	<u>\$ 10,181,429</u>	<u>\$ 5,078,045</u>

**Note 12. Fair Value Measurement**

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also established a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in FASB ASC 820 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Note 12. Fair Value Measurement (continued)**

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2013 and 2012.

June 30, 2013	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 187,496	\$ -	\$ -	\$ 187,496
Other short-term investments	-	5,666	-	5,666
Corporate fixed income	3,969,836	76,737	-	4,046,573
Equity securities	6,768,917	94,348	-	6,863,265
Mutual funds	463,197	-	-	463,197
Educational loans receivable	-	-	8,571	8,571
	<u>\$ 11,389,446</u>	<u>\$ 176,751</u>	<u>\$ 8,571</u>	<u>\$ 11,574,768</u>

June 30, 2012	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 241,936	\$ -	\$ -	\$ 241,936
Other short-term investments	-	5,428	-	5,428
Corporate fixed income	3,963,405	100,787	-	4,064,192
Equity securities	5,629,922	66,557	-	5,696,479
Mutual funds	415,330	-	-	415,330
Educational loans receivable	-	-	13,288	13,288
	<u>\$ 10,250,593</u>	<u>\$ 172,772</u>	<u>\$ 13,288</u>	<u>\$ 10,436,653</u>

**Note 13. Net Asset Classification of Endowment Funds**

The FASB issued FASB ASC 958, Not-for-Profit Entities, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation is effective July 1, 2012.

The Foundation's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined that its donor agreements for permanent endowments provide for the preservation of the original gift of the donor-restricted endowment funds. As a result, the Foundation classifies as permanently restricted net assets the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until the amounts are expended in accordance with the donor agreements.

**Note 13. Net Asset Classification of Endowment Funds (continued)**

The Foundation has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income, greater than the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The Board and Joint Committee on investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The primary performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, in excess of the inflation and spending rate.

The Foundation's spending policy is designed to instill confidence that the positive growth in the market value of the endowment is sufficient to offset reasonable spending over an extended period of time. The spending policy is approved by Board of Directors of the Foundation. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund was established. The target spending rate was approximately 4% of endowment earnings above corpus for the years ended June 30, 2013 and 2012. The objective is to provide relatively stable spending allocations. No portion of the original gift value of the endowed assets will be allocated for spending.

Changes in donor-restricted endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets, June 30, 2011	\$ -	\$ -	\$ 8,909,661	\$ 8,909,661
Contributions to endowment	-	-	97,511	97,511
Appropriation for expenditures	-	-	(293,948)	(293,948)
Investment return:				
Investment income	-	-	196,917	196,917
Net depreciation	-	-	(61,178)	(61,178)
Donor-restricted endowment net assets, June 30, 2012	\$ -	\$ -	\$ 8,848,963	\$ 8,848,963
Contributions to endowment	-	-	115,479	115,479
Appropriation for expenditures	-	-	(292,237)	(292,237)
Investment return:				
Investment income	-	-	217,982	217,982
Net appreciation	-	-	996,190	996,190
Donor-restricted endowment net assets, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,886,377</u>	<u>\$ 9,886,377</u>

**MERIDIAN COMMUNITY COLLEGE**  
**SUPPLEMENTAL INFORMATION**

**MERIDIAN COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013

**MERIDIAN COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Student Financial Aid - Cluster</b>			
<u>U.S. Department of Education</u>			
Federal Supplemental Education			
Opportunity Grant Program (FSEOG)	84.007		\$ 149,703
Federal Direct Loans	84.268		2,908,232
Federal Work-study Program (FWS)	84.033		140,613
Federal PELL Grant Program	84.063		<u>8,953,006</u>
<b>Total U.S. Department of Education</b>			<b>\$ 12,151,554</b>
<b>Total Student Financial Aid Cluster</b>			<b>\$ 12,151,554</b>
<b>Other Programs</b>			
<u>U.S. Department of Labor</u>			
Pass-through Programs From:			
MS Employment Security Commission:			
Student Nurse Academy	17.259		\$ 18,124
Meridian Public School - WIA Scholarship	17.259		15,360
WIA Dislocated Worker Formula Grants	17.278		<u>217,777</u>
<b>Total WIA Cluster</b>			<b>\$ 251,261</b>
ARRA - The Montgomery Institute			
Health Care Assistant Grant	17.275		<u>\$ 255,764</u>
Computer Software Applications Instructor	17.UN		\$ 45,222
Trade Adjustment Assist. (TAA)	17.245		1,972
TAA Community College and Career Training	17.282		<u>92,318</u>
<b>Total U.S. Department of Labor</b>			<b>\$ 646,537</b>
<u>National Aeronautics and Space Administration</u>			
Pass-through Program From:			
University of Mississippi			
Aerospace Education Services Program	43.001		<u>\$ 5,000</u>
<b>Total National Aeronautics and Space Administration</b>			<b>\$ 5,000</b>

**MERIDIAN COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** (continued)  
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Veteran's Affairs</u>			
Veterans' Aid Administrative Cost	64.UN		\$ 1,171
<b>Total U.S. Department of Veterans' Affairs</b>			<b>\$ 1,171</b>
<u>U.S. Department of Education</u>			
Pass-through Programs From:			
State Department of Education:			
Adult Education - State Grant Program	84.002	EV048A700248	\$ 226,230
Vocational Education Basic Grants to States	84.048	E-V243A60095	207,302
Tech-Prep Education	84.243		8,150
ARRA- Statewide Data Systems	84.069		15,995
<b>Total U.S. Department of Education</b>			<b>\$ 457,677</b>
<u>U.S. Department of Homeland Security</u>			
Pass-through Program From:			
Mississippi State Department of Health			
Hazard Mitigation Grant	97.039		\$ 257,475
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 257,475</b>
<u>U.S. Department of Agriculture</u>			
Supplemental Nutrition Assistance program	10.561		\$ 216,056
<b>Total U.S. Department of Agriculture</b>			<b>\$ 216,056</b>
<b>Total Other Programs</b>			<b>\$ 1,583,916</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 13,735,470</b>

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 exception:

(1) For purposes of this schedule, loans made to students under the Federal Direct Loan Program (CFDA #84.268) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

**MERIDIAN COMMUNITY COLLEGE**

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





REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE (601) 693-2841  
FAX (601) 693-2851

POST OFFICE BOX 606  
PHILADELPHIA MS 39350  
TELEPHONE (601) 656-2742  
FAX (601) 656-2760

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE (601) 735-2317  
FAX (601) 735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meridian Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Meridian Community College's basic financial statements, and have issued our report thereon dated March 19, 2014. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

**MERIDIAN COMMUNITY COLLEGE**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE (601) 693-2841  
FAX (601) 693-2851

POST OFFICE BOX 606  
PHILADELPHIA MS 39350  
TELEPHONE (601) 656-2742  
FAX (601) 656-2760

POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE (601) 735-2317  
FAX (601) 735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited Meridian Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Meridian Community College's major federal programs for the year ended June 30, 2013. Meridian Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Meridian Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meridian Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

Management of Meridian Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meridian Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meridian Community College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi

March 19, 2014

**MERIDIAN COMMUNITY COLLEGE**  
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**WITH STATE LAWS AND REGULATIONS**

REA, SHAW, GIFFIN & STUART, LLP



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MEMBER  
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CERTIFIED PUBLIC  
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POST OFFICE BOX 2090  
MERIDIAN MS 39302  
TELEPHONE (601) 693-2841  
FAX (601) 693-2851

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TELEPHONE (601) 656-2742  
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POST OFFICE BOX 562  
WAYNESBORO MS 39367  
TELEPHONE (601) 735-2317  
FAX (601) 735-0585

MEMBER  
MISSISSIPPI SOCIETY  
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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of Meridian Community College as of and for the year ended June 30, 2013, and have issued our report thereon dated March 19, 2014. 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 other auditors 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 other auditors. 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 Meridian Community College Foundation, audited by other auditors, 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.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
March 19, 2014

**MERIDIAN COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**



**MERIDIAN COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2013

**Section I. Summary of Auditors' Results**

Financial Statements – GAS Audit

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued:  | Unmodified    |
| 2. Internal control over financial reporting:                                    |               |
| Material weakness identified?  | No            |
| Significant deficiencies identified not<br>considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted?                         | None          |

Federal Awards – Single Audit

- |  |               |
|--|---------------|
| 4. Internal control over major programs:   |               |
| Material weaknesses identified?  | No            |
| Significant deficiencies identified not<br>considered to be material weaknesses?   | None reported |
| 5. Type of auditors' report issued on<br>compliance for major federal programs:  | Unmodified    |
| 6. Any audit findings disclosed that are<br>required to be reported in accordance<br>with Circular A-133, Section .510(a)? | No            |
| 7. Identification of major program:  |               |

CDFA Number

Name of Federal Program or Cluster

	Student Financial Aid Cluster
84.063	Pell Grant Program
84.033	College Workstudy
84.007	SEOG
84.268	Federal Direct Student Loans
	State Fiscal Stabilization Cluster
17.275	ARRA – Health Care Assistant Grant

- |  |           |
|--|-----------|
| 8. Dollar threshold used to distinguish between<br>Type A and Type B programs: | \$324,817 |
| 9. Auditee qualified as low-risk auditee?                                      | Yes       |

**MERIDIAN COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2013 (continued)

**Section II. 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 III. Reporting on Federal Awards**

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