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Mississippi Delta Community College

Financial Statements

June 30, 2013

Ellis & Hirsberg

Certified Public Accountants, PLLC

Clarksdale, Mississippi



MISSISSIPPI DELTA COMMUNITY COLLEGE
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MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MISSISSIPPI DELTA COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the college's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Mississippi Delta Community College Development Foundation, Inc., a discretely presented component unit, which represent 100 percent of the assets, net position, and revenues of the Mississippi Delta Community College's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. However, the financial statements of Mississippi Delta Community College Development Foundation, Inc., component unit, audited by other auditors were not audited in accordance with *Government Auditing Standards*.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Mississippi Delta Community College as of June 30, 2013, and the respective changes in financial position and 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 7 through 14 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 opinions on the financial statements that collectively comprise the Mississippi Delta Community College's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the schedule of expenditures or 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 December 11, 2013 on our consideration of the Mississippi Delta 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 Mississippi Delta Community College's internal control over financial reporting and compliance.

December 11, 2013
Clarksdale, Mississippi

Ellis & Hurlberg CPA PLLC

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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**MISSISSIPPI DELTA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Overview of the Financial Statements

The College's financial report consists of two sections - Management's Discussion and Analysis, which is required supplementary information (this section), and the basic financial statements including the notes to the financial statements. The 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 focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

The College has one component unit, the Mississippi Delta Community College Foundation, Inc. (the Foundation). It is a discretely presented component unit. The main purpose of the Foundation is to raise money to supplement the College's resources. The complete financial statements can be obtained by writing to P. O. Box 668, Moorhead, MS 38671.

Basic Financial Statements

The basic financial statements present information for the College as a whole. The **Statement of Net Position** presents the financial position at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities is one measure of financial health or position, while the change in net position is a useful indicator of whether the financial condition is improving or deteriorating. Over time, increases or decreases in the College's net position can be useful in assessing whether its financial health is improving.

The **Statement of Revenues, Expenses and Changes in Net Position** presents the operating results, as well as non-operating revenues and expenses. In general terms, operating revenues are received for providing goods and services and operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues. Non-operating revenues are those received for which goods and services are not provided as an exchange transaction. For example, State Appropriation revenues are classified as non-operating because the State Legislature provides them, without the Legislature receiving commensurate goods or services in return. Due to this classification treatment, the College's financial statements typically depict an overall operating loss. Other revenue sources include gifts, grants and appropriations restricted for capital purposes.

The **Statement of Cash Flows** provides another perspective on the results of operations. This statement provides detailed information about the cash sources and uses. Additional details concerning this statement are explained later in this report.

Other non-financial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the College.

Statement of Net Position

Net position is divided into three major categories:

- **Net Investment in Capital Assets** - represent the equity in property, plant and equipment owned by the System.
- **Restricted Net Position** - represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements.
- **Unrestricted Net Position** - represent those assets that are available for any lawful purpose.

From the data presented, readers of the Statement of Net Position are able to determine the following:

- the assets available to continue the operations of the College
- the liabilities of the College which include the amount owed vendors and lending institutions, and
- the net position that is available for expenditure by the College.

Current assets total \$9,801,322 and consist primarily of cash and cash equivalents, short-term investments and net receivables. Current liabilities total \$2,349,328 and consist primarily of accounts payable and accrued liabilities, and deferred revenues.

Non-current assets total \$37,214,560 and include depreciated capital assets of \$36,897,288. Other non-current assets include cash and investments that are restricted externally by endowment arrangements, or internally by management so as to maximize investment earnings.

Non-current liabilities total \$31,725 which represent housing deposits and funds held on deposit for the Department of Corrections for vocational night instructional payroll.

Restricted non-expendable net position totals \$10,000 and consists of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to the principal.

Restricted expendable net position totals \$1,937,624 and includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

A summarized listing of Mississippi Delta Community College's assets, liabilities and net position at June 30, 2013 and June 30, 2012 is shown below.

Statement of Net Position

	June 30, 2013	June 30, 2012	Change	Percent Change
Assets				
Current assets	9,801,322	9,779,293	22,029	0.00%
Capital assets	36,897,288	36,765,490	131,798	0.00%
Other assets	317,272	264,350	52,922	20.00%
Total Assets	<u>47,015,882</u>	<u>46,809,133</u>	<u>206,749</u>	<u>0.00%</u>

Liabilities				
Current liabilities	2,349,328	2,343,808	5,520	0.00%
Noncurrent liabilities	31,725	31,455	270	1.00%
Total Liabilities	<u>2,381,053</u>	<u>2,375,263</u>	<u>5,790</u>	<u>0.00%</u>
Net Position				
Net Investment in capital assets	36,897,288	36,765,490	131,798	0.00%
Restricted - nonexpendable	10,000	10,000	0	0.00%
Restricted - expendable	1,937,624	1,706,470	231,154	14.00%
Unrestricted	5,789,917	5,951,910	(161,993)	(3.00)%
Total Net Position	<u>44,634,829</u>	<u>44,433,870</u>	<u>200,959</u>	<u>0.00%</u>
Total Liabilities and Net Position	<u>47,015,882</u>	<u>46,809,133</u>	<u>206,749</u>	<u>0.00%</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) displays information on how the College's assets changed as a result of current year operations. This statement presents the System's operating and non-operating revenues and expenditures.

The consolidated SRECNP at June 30, 2013 indicates a net operating loss of \$14,958,252. The net loss does not include the 2013 effects of non-operating items - state appropriations, gifts, or net investment earnings.

Statement of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenue & Expenses				
Operating revenues	18,116,311	19,816,331	(1,700,020)	(9.00)%
Operating expenses	<u>(33,074,563)</u>	<u>(35,056,512)</u>	<u>1,981,949</u>	<u>6.00%</u>
Operating income (loss)	<u>(14,958,252)</u>	<u>(15,240,181)</u>	<u>281,929</u>	<u>2.00%</u>
Non-operating revenues (expenses)	<u>15,159,211</u>	<u>15,634,641</u>	<u>(475,430)</u>	<u>(3.00)%</u>
Change in Net Position	<u>200,959</u>	<u>394,460</u>	<u>(193,501)</u>	<u>(49.00)%</u>
Net Position at Beginning of the Year	<u>44,433,870</u>	<u>44,039,410</u>	<u>394,460</u>	<u>1.00%</u>
Net Position at the End of the Year	<u>44,634,829</u>	<u>44,433,870</u>	<u>200,959</u>	<u>0.00%</u>

Operating Revenues

Operating revenues for the College totaled \$18,116,311 at June 30, 2013. The following chart summarizes the revenues into major categories.

Operating Revenues

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Percent Change</u>
Tuition and fees, net	1,858,082	1,816,339	41,743	2.00%
Grants and contracts	14,379,622	15,815,376	(1,435,754)	(9.00)%
Auxiliary enterprises, net	1,244,745	1,314,677	(69,932)	(5.00)%
Other revenues	<u>633,862</u>	<u>869,939</u>	<u>(236,077)</u>	<u>(27.00)%</u>
Total Operating Revenues	<u><u>18,116,311</u></u>	<u><u>19,816,331</u></u>	<u><u>(1,700,020)</u></u>	<u><u>(9.00)%</u></u>

Operating Expenses

Total operating expenses for the College amounted to \$33,074,563 for the year ended June 30, 2013. Shown in the table below is a summary of the operating expenses by major object categories.

Operating Expenses

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Percent Change</u>
Salaries and wages	15,002,408	15,172,734	(170,326)	(1.00)%
Fringe benefits	4,391,680	4,144,521	247,159	6.00%
Travel	383,405	403,670	(20,265)	(5.00)%
Contractual services	3,918,212	3,931,139	(12,927)	0.00%
Utilities	998,911	1,004,703	(5,792)	(1.00)%
Scholarships and fellowships	3,307,092	4,386,485	(1,079,393)	(25.00)%
Commodities	3,405,897	3,493,201	(87,304)	(2.00)%
Depreciation expense	1,363,141	1,365,550	(2,409)	0.00%
Other operating expense	<u>303,817</u>	<u>1,154,509</u>	<u>(850,692)</u>	<u>(74.00)%</u>
Total Operating Expenses	<u><u>33,074,563</u></u>	<u><u>35,056,512</u></u>	<u><u>(1,981,949)</u></u>	<u><u>(6.00)%</u></u>

As an alternative presentation model, Mississippi Delta's fiscal year 2013 operating expenses are shown below by major function category. Functional classifications are the traditional categories that colleges have used. They represent the type of programs and services that the colleges provide.

<u>Function</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Percent Change</u>
Instruction	14,839,666	14,948,700	(109,034)	(0.73)%
Academic support	625,681	713,157	(87,476)	(12.00)%
Student services	1,982,893	2,053,796	(70,903)	(3.00)%
Institutional support	4,797,451	4,829,018	(31,567)	(0.65)%
Operation of plant	2,675,307	3,131,523	(456,216)	(15.00)%
Student aid	3,305,592	4,384,485	(1,078,893)	(25.00)%
Auxiliary enterprises	3,484,832	3,630,283	(145,451)	(4.00)%
Depreciation	<u>1,363,141</u>	<u>1,365,550</u>	<u>(2,409)</u>	<u>0.00%</u>
Total Operating Expenses	<u><u>33,074,563</u></u>	<u><u>35,056,512</u></u>	<u><u>(1,981,949)</u></u>	<u><u>(6.00)%</u></u>

Capital Asset and Debt Administration

At June 30, 2013, Mississippi Delta Community College had invested in a broad range of capital assets. These assets are comprised of land, buildings and improvements, equipment, and library books. They are stated net of accumulated depreciation. See the following table.

Capital Asset Summary

	June 30, 2013	June 30, 2012	Change	Percent Change
Capital assets not being depreciated	1,798,815	3,245,901	(1,447,086)	(44.58)%
Depreciable capital assets:				
Intangibles	1,113,228	1,113,228	0	0.00%
Improvements other than buildings	1,783,086	1,491,375	291,711	19.56%
Buildings	46,878,563	44,481,767	2,396,796	5.39%
Equipment	5,309,939	5,297,131	12,808	0.24%
Library books	868,204	844,608	23,596	2.79%
Total depreciable capital assets	55,953,020	53,228,109	2,724,911	5.12%
Total Cost of Capital Assets	57,751,835	56,474,010	1,277,825	2.26%
Less: Accumulated depreciation	(20,854,547)	(19,708,520)	(1,146,027)	(5.81)%
Capital Assets, Net	<u>36,897,288</u>	<u>36,765,490</u>	<u>131,798</u>	<u>0.36%</u>

Non-depreciated capital assets totaled \$1,798,815. This amount represents the value of land and construction in progress at June 30, 2013.

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows (Direct Method)

	June 30, 2013	June 30, 2012	Change	Percent Change
Cash and cash equivalents provided (used by):				
Operating activities	(13,622,844)	(13,372,306)	(250,538)	(2.00)%
Noncapital financing activities	13,822,549	13,572,800	249,749	2.00%

Capital and related financing activities	(297,808)	(270,137)	(27,671)	(10.00)%
Investing activities	<u>69,475</u>	<u>90,822</u>	<u>(21,347)</u>	<u>11.00%</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,628)	21,179	(49,807)	(235.00)%
Cash and Cash Equivalents, Beginning of Year	<u>4,968,582</u>	<u>4,947,403</u>	<u>21,179</u>	<u>0.00%</u>
Cash and Cash Equivalents, End of Year	<u><u>4,939,954</u></u>	<u><u>4,968,582</u></u>	<u><u>(28,628)</u></u>	<u><u>(1.00)%</u></u>

The major sources of funds represented in the operating activities include \$1,858,082 for student tuition and fees, \$1,244,744 for auxiliary enterprise sales and services, and \$14,379,622 for grants and contracts. The major use of funds was payments made to employees for \$19,394,087, payments to suppliers in the amount of \$7,342,177, and payments to students for financial aid for \$3,307,092.

The largest nonoperating inflow of cash is the state appropriation of \$12,233,371 which included \$1,214,265 of State Bond money allocated for renovations to the men's dormitory, a new roof on the cafeteria, and site drainage improvements at the Greenville Higher Education Center.

Subsequent Events

In August 2013 the College issued \$1,550,000 of bonds at 3.2192296 percent interest to be used to construct a new student union.

Economic Outlook

Mississippi Delta Community College, guided by the new administration, is continuing to develop plans to reduce costs and generate new sources of revenue while providing an excellent college experience for our vocational, technical, and academic students.

MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL STATEMENTS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2013

Assets	
Current assets:	
Cash and cash equivalents	4,939,954
Short-term investments	2,225,000
Accounts receivable, net	1,840,136
Inventories	586,325
Prepaid expenses	209,907
	<hr/>
Total Current Assets	9,801,322
Noncurrent assets:	
Other long-term investments	317,272
Capital assets, net of accumulated depreciation	36,897,288
	<hr/>
Total Noncurrent Assets	37,214,560
	<hr/>
Total Assets	47,015,882
	<hr/>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,904,875
Deferred revenues	288,343
Other current liabilities	156,110
	<hr/>
Total Current Liabilities	2,349,328
Noncurrent liabilities:	
Deposits refundable	31,725
	<hr/>
Total Noncurrent Liabilities	31,725
	<hr/>
Total Liabilities	2,381,053
	<hr/>
Net position:	
Net Investment in capital assets	36,897,288
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	10,000
Expendable:	
Scholarships and fellowships	146,786
Capital projects	1,734,396
Unemployment compensation	56,442
Unrestricted	5,789,917
	<hr/>
Total net position	44,634,829
	<hr/>
Total liabilities and net position	47,015,882
	<hr/>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2013

ASSETS:

Cash	236,669
Certificate of Deposit	164,021
Investments	1,283,221
Unconditional promises to give	120,234
Equipment - net of accumulated depreciation	<u>167</u>

Total Assets	<u><u>1,804,312</u></u>
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LIABILITIES

Accounts payable	<u>1,421</u>
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NET ASSETS:

Unrestricted	619,925
Temporarily restricted	<u>1,182,966</u>
Total net assets	<u><u>1,802,891</u></u>

Total liabilities and net assets	<u><u>1,804,312</u></u>
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The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 June 30, 2013

Operating Revenues	
Tuition and fees (net of scholarship allowance)	1,858,082
Federal grants	12,899,614
State grants	1,480,008
Auxiliary services:	
Housing (net of scholarship allowance)	196,484
Food services (net of scholarship allowance)	707,217
Bookstore (net of scholarship allowance)	341,044
Other operating revenues	<u>633,862</u>
Total Operating Revenues	<u>18,116,311</u>
Operating Expenses	
Salaries and wages	15,002,408
Fringe benefits	4,391,680
Travel	383,405
Contractual services	3,918,212
Utilities	998,911
Scholarships and fellowships	3,307,092
Commodities	3,405,897
Depreciation expense	1,363,141
Other operating expense	<u>303,817</u>
Total Operating Expenses	<u>33,074,563</u>
Operating Income (Loss)	<u>(14,958,252)</u>
Nonoperating Revenues (Expenses)	
State appropriations	11,019,106
State bond monies	1,214,265
Local appropriations	2,803,443
Interest income	76,077
Unrealized gain on valuation of stock	52,922
Other nonoperating revenue (expense)	<u>(6,602)</u>
Total Nonoperating Revenues (Expenses)	<u>15,159,211</u>
Change in Net Position	200,959
Net Position, Beginning of Year	<u>44,433,870</u>
Net Position, End of Year	<u><u>44,634,829</u></u>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Unrestricted Net Assets:	
Unrestricted revenues and gains:	
Contributions	71,317
Investment income:	
Interest	779
Dividends	13,094
Realized capital gains, losses	7,138
Net appreciation, depreciation in fair value of investments	<u>33,088</u>
Total unrestricted revenues, gains and losses	125,416
Net assets released from restrictions	<u>159,588</u>
Total unrestricted revenue, gains and other support	<u>285,004</u>
Expenses:	
Program services:	
Scholarships	55,346
Athletics	32,367
Instructional support	61,805
Alumni banquets and special events	14,214
Awards	4,184
Supporting services:	
Management and general	<u>62,875</u>
Total expenses	<u>230,791</u>
Increase, decrease in unrestricted net assets	<u>54,213</u>
Temporarily restricted net assets:	
Contributions	280,012
Investment income:	
Interest	1,244
Dividends	20,919
Realized capital gains, losses	11,403
Net appreciation, depreciation in fair value of investments	<u>52,862</u>
Net assets released from restrictions	<u>(159,588)</u>
Increase, decrease in temporarily restricted net assets	<u>206,852</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,541,826</u>
NET ASSETS AT END OF YEAR	<u><u>1,802,891</u></u>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2013

Cash Flows from Operating Activities:

Tuition and fees	1,858,082
Grants and contracts	14,379,622
Payments to suppliers	(7,342,177)
Payments for salaries and fringes	(19,394,087)
Payments for utilities	(998,910)
Payments for scholarships	(3,307,092)
Auxiliary enterprise charges:	
Food services	707,217
Housing - student/faculty	196,484
Bookstore	341,043
Other revenues	659,249
Other payments	(722,275)

Net Cash Provided (Used) by Operating Activities (13,622,844)

Cash Flows from Noncapital Financing Activities:

State appropriations	11,019,106
Local appropriations	2,803,443

Net Cash Provided (Used) by Noncapital Financing Activities 13,822,549

Cash Flows from Capital and Related Activities:

State appropriations	1,214,265
Cash paid for capital assets	(1,512,073)

Net Cash Provided (Used) by Capital and Related Financing Activities (297,808)

Cash Flows from Investing Activities:

Proceeds from sales of investments	2,225,000
Interest on investments	76,077
Purchases of investments	(2,225,000)
Miscellaneous expense	(6,602)

Net Cash Provided (Used) by Investing Activities 69,475

Net Changes in Cash and Cash Equivalents (28,628)

Cash and Cash Equivalents - June 30, 2012 4,968,582

Cash and Cash Equivalents - June 30, 2013 4,939,954

MISSISSIPPI DELTA COMMUNITY COLLEGE
 STATEMENT OF CASH FLOWS
 June 30, 2013

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

Operating income (loss)	<u>(14,958,252)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,363,141
Loss on retirement of assets	17,133
Changes in assets and liabilities:	
(Increase) decrease in assets	
Receivables, net	(167,600)
Inventories	105,192
Prepaid expenses	11,752
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	281,457
Deferred revenues	(279,869)
Deposits refundable	270
Other liabilities	<u>3,932</u>
Total adjustments	<u>1,335,408</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(13,622,844)</u></u>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Operating Activities:

Increase decrease in net assets	261,065
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gains (losses) on investments	(85,949)
Realized gain (loss) on sale of investments	(18,541)
Increase (decrease) in contributions receivable, net of discount	5,143
Increase (decrease) in accounts payable	(880)
Depreciation expense	335
Net cash provided (used) by, operating activities	<u>161,173</u>

Investing Activities:

Reinvested interest earned on certificate of deposit	(1,152)
Proceeds from sales of securities	423,352
Purchases of securities	<u>(518,296)</u>
Net cash provided (used) in investing activities	<u>(96,096)</u>

Net increase decrease in cash and cash equivalents 65,077

Cash and cash equivalents at beginning of year 171,592

Cash and cash equivalents at end of year 236,669

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	Program Services				Supporting Services	
	Scholarships	Alumni Activities	Instructional Support	Awards	Athletics	Management and General
Student scholarship - MDCC	55,346					55,346
Baseball field improvements					30,780	30,780
Golf tournament					1,587	1,587
Alumni and other functions		14,214				14,214
Instructional support			61,805			61,805
Awards				4,184		4,184
Investment management fees						8,926
Bookkeeping						3,725
Audit						3,500
Fund raising fees						37,502
Office expenses						2,919
Printing and copying						3,699
Insurance						1,139
Travel - administrative						1,130
Depreciation expense						335
Totals	55,346	14,214	61,805	4,184	32,367	230,791

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies.

- A. Reporting Entity - Sunflower Agriculture High School was established at Moorhead, Mississippi in 1911. Sunflower Junior College was founded in conjunction with the Agriculture High School in early 1926, with the first freshman class enrolling in September of that same year. The College was fully accredited as a two-year junior college in April 1928, by the Accrediting Commission of the Senior Colleges of Mississippi. It was admitted to full membership in the Southern Association of Colleges and Schools in December 1930, and is now a member of the American Association of Community and Junior Colleges. The name of the school was officially changed from Sunflower Junior College to Mississippi Delta Junior College at the beginning of the 1960-1961 session. On July 1, 1989, the name was changed to its present name of Mississippi Delta Community College.

Mississippi Delta Community College is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Mississippi Delta Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Mississippi Delta Community College is governed by an 18-member board of trustees, selected by the board of supervisors of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, Mississippi Delta 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.

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, the Mississippi Delta Community College Development Foundation, Inc. (the "Foundation") is deemed a component unit of the institution and is included as a discretely presented component unit in the financial statements. The Foundation is a legally separate, tax-exempt nonprofit 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 Mississippi Delta Community College (the "College") in support of its programs.

During the year ended June 30, 2013, the Foundation distributed \$230,791 to the College. The complete financial statements of the Foundation can be obtained by writing to P. O. Box 668, Moorhead, MS 38761.

- 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*

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

Governments, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of 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 look at the College's financial activities.

- C. **Basis of Accounting** - The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. **Cash Equivalents** - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. **Short-term Investments** - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. **Accounts Receivables, Net** - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. **Inventories** - Bookstore inventory. Merchandise for resale inventories are stated at cost, with cost being determined principally by the first-in, first-out ("FIFO") basis.
- H. **Endowment Investments** - Endowment investments are generally subject to the restrictions of donor gift instruments. Mrs. James W. Lucas, Jr. of Jackson, Mississippi established the James W. Lucas, Jr. scholarship award in memory of her late husband. She donated \$10,000 with the restriction that only the income earned on the principal is to be utilized.
- I. **Other Long-term Investments** - The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Position.
- J. **Capital Assets, Net of Accumulated Depreciation** - Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

- K. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and faculty rent received prior to the end of the fiscal year but related to the subsequent accounting period.
- L. Compensated Absences - Mississippi Delta Community College does not provide for the accumulation of vacation beyond one fiscal year; therefore, no liability has been accrued in the financial statements.
- M. Classification of Revenues - Mississippi Delta Community College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

- N. State Appropriations - Mississippi Delta Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. In the 2004 fiscal year, a new funding formula was phased in over a 5-year period which shifted the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given to high cost programs.
- O. Local Appropriations - Mississippi Delta Community College receives funds from taxes levied by the counties in the district for general support, maintenance, and capital improvements.
- P. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). All aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2013

by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

- Q. Net Position - GASB Statement No. 63 reports equity as "Net Position" rather than "Fund Balance". Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes.

The net position balance of \$44,634,829 at June 30, 2013, includes \$10,000 reserved for endowment (refer to H), \$56,442 reserved for unemployment compensation, \$146,786 reserved for scholarships, \$1,734,396 reserved for capital projects, and an unrestricted amount of \$5,789,917.

Restricted resources are used first to fund appropriation.

- R. Estimates - The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

(2) Cash and Investments.

- 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. For the year ending June 30, 2013, the College had \$4,939,954 in cash and cash equivalents and \$2,225,000 in short-term investments.

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

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits of collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the College. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. As of June 30, 2013, none of the College's bank balance of \$5,251,634 was exposed to custodial credit risk.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

- B. At June 30, 2013, the College had the following certificates of deposit with a local bank.

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	1%	September 28, 2013	\$ 1,000,000
Certificate of Deposit	1%	September 28, 2013	<u>1,225,000</u>
<u>Total Short-Term Investments</u>			\$ <u>2,225,000</u>
Stocks	N/A	N/A	\$ 4,151
Mutual Funds	N/A	N/A	<u>313,121</u>
<u>Total Other Long-Term Investments</u>			\$ <u>317,272</u>

Interest Rate Risk.

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk.

State law limits investments to those prescribed in Section 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.

Custodial Credit Risk - Investments.

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$317,272 investment, \$212,217 is invested in Lord Abbet Affiliated Fund and the balance is in other mutual funds and individual stocks that are held by the investments companies in the name of the College.

- (3) Accounts Receivable.

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

Student tuition	465,900
Auxiliary enterprises and other operating activities	253,275
Federal, state, and private grants and contracts	896,795
State appropriations	305,256

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

Local appropriations	41,958
Other	<u>33,697</u>
Total Accounts Receivable	1,996,881
Less: Allowance for doubtful accounts	<u>(156,745)</u>
Net Accounts Receivable	<u><u>1,840,136</u></u>

Allowance for doubtful accounts is determined by taking a percentage of the aged student accounts. The percentage grows larger as the aging grows larger.

(4) Prepaid Expenses.

Property and vehicle insurance, in the amount of \$209,907, was purchased in the current fiscal year, but will be expensed in the subsequent fiscal year.

(5) Capital Assets.

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

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	285,248			285,248
Construction in progress	<u>2,960,653</u>	<u>1,241,421</u>	<u>2,688,507</u>	<u>1,513,567</u>
Total Nondepreciable Capital Assets	<u>3,245,901</u>	<u>1,241,421</u>	<u>2,688,507</u>	<u>1,798,815</u>
Depreciable Capital Assets:				
Intangibles	1,113,228			1,113,228
Improvements other than buildings	1,491,375	291,711		1,783,086
Buildings	44,481,767	2,396,796		46,878,563
Equipment	5,297,131	240,080	227,272	5,309,939
Library books	<u>844,608</u>	<u>30,572</u>	<u>6,976</u>	<u>868,204</u>
Total Depreciable Capital Assets	<u>53,228,109</u>	<u>2,959,159</u>	<u>234,248</u>	<u>55,953,020</u>
Less: Accumulated Depreciation for:				
Intangibles	445,291	222,646		667,937
Improvements other than buildings	1,018,507	35,695		1,054,202
Buildings	13,108,035	834,708		13,942,743

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2013

Equipment	4,349,732	253,386	217,115	4,386,003
Library books	786,955	16,707		803,662
Total Accumulated Depreciation	<u>19,708,520</u>	<u>1,363,142</u>	<u>217,115</u>	<u>20,854,547</u>
Total Depreciable Capital Assets, Net	<u>33,519,589</u>	<u>1,596,017</u>	<u>17,133</u>	<u>35,098,473</u>
Capital Assets, Net	<u>36,765,490</u>	<u>2,837,438</u>	<u>2,705,640</u>	<u>36,897,288</u>

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 Years	20%	50,000
Improvements other than buildings	20 Years	20%	25,000
Equipment	3 - 15 Years	1 - 10%	5,000
Library books	10 Years	0%	0
Intangibles	5 Years	0%	100,000

(6) Accounts Payable.

The accounts payable of the College consists of amounts due to outside vendors. This amount at June 30, 2013 was \$1,904,875.

(7) Deposits Refundable.

This represents faculty housing deposits of \$1,725, and funds held on deposit for the Department of Corrections from vocational night instructional payroll in the amount of \$30,000.

(8) Other Current Liabilities.

This represents agency fund monies of \$156,110 held on deposit for others.

(9) Operating Leases.

The College leases several buildings in various locations. The lease expense for the year was \$116,305. The following lease terms span more than the current year.

	Greenwood Facility	Drew Facility	Total
FYE 14	91,991	16,800	108,791
FYE 15	<u>7,666</u>		<u>7,666</u>
Totals	<u>99,657</u>	<u>16,800</u>	<u>116,457</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2013

(10) Natural Classifications with Functional Classifications.

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

Functional Classifications	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation	
								Expense	Total
Instruction	9,750,966	2,727,260	257,225	942,132	114,936	1,500	782,735	262,912	14,839,666
Academic support	435,713	139,187	2,229	16,300			31,740	512	625,681
Student services	1,277,357	377,543	74,998	144,009			108,986		1,982,893
Institutional support	2,400,991	755,094	48,799	851,822	181,762		549,828	9,155	4,797,451
Operation of plant	833,824	294,943	154	715,235	521,211		282,813	27,127	2,675,307
Student aid						3,305,592			3,305,592
Auxiliary enterprises	303,557	97,653		1,248,714	181,002		1,649,795	4,111	3,484,832
Depreciation								1,363,141	1,363,141
Total Operating Expenses	15,002,408	4,391,680	383,405	3,918,212	998,911	3,307,092	3,405,897	303,817	33,074,563

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2013

(11) Pension Plan.

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

Funding policy - PERS members are required to contribute 9% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The employer's rate in effect during the 2012-2013 fiscal year was 14.26%. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The College's contributions to PERS for the years ending June 30, 2013, 2012, and 2011, were \$2,081,501, \$1,767,261, and \$1,494,755, respectively, equal to the required contributions for each year.

(12) Greenville Higher Education Center

Enacted into law in the 2007 Legislative session of the State of Mississippi was a bill that transferred ownership of the Greenville Higher Education Center to Mississippi Delta Community College. The effective date of this change was July 1, 2007. The value of this building along with its contents is approximately \$13 million dollars. The operation of the center is funded through a combination of state support and self generated monies. The previous employees of GHEC all became full time employees of Mississippi Delta Community College on this same transition date of July 1, 2007.

Since its inception in 2001, this center has been a collaborative endeavor of three educational facilities, Mississippi Delta Community College, Mississippi Valley State University, and Delta State University. MDCC offers the first two years of undergraduate work and MVSU and DSU offer junior and senior year studies as well as some graduate work.

(13) Subsequent Events.

Management has evaluated subsequent events through December 11, 2013, the date the financial statements were issued.

The following items are planned.

- a. A new student union is being planned.
- b. Plans are being made for expanding the Greenville Higher Education Center.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

- c. A press box is being planned for the softball field.
- d. The board approved the issuance of General Obligation notes in June 2013 to be used for the construction of the new student union building. In August 2013, the College borrowed \$1,550,000 at an interest rate of 3.2192296%.

(14) Risk Management.

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

(15) Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Department of Employment Security for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2013, the fund was adequately funded with a balance of \$56,442.

(16) Concentrations.

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

(17) Disclosures for Mississippi Delta Community College Development Foundation, Inc.

A. Nature of Activities and Summary of Significant Accounting Policies:

Nature of Activities

The Mississippi Delta Community College Development Foundation, Inc. was incorporated on April 5, 1989. The Organization is a tax exempt non-profit corporation within the meaning of Internal Revenue Code Section 501(c)(3). The major purpose of the Organization is to raise funds for capital improvements and to provide student scholarships at Mississippi Delta Community College.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position. The Organization does not use fund accounting. Unrestricted net position represents resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws. Restricted net position represents resources restricted by the donor to be used for specific purposes designated by the donor.

Estimates

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

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The Organization capitalizes all property and equipment additions with a useful life of more than one year. Donated property and equipment is capitalized at its estimated fair value when received.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before June 10, 2010.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Administrative Expenses

Substantially all administrative operating expenses of the Organization are paid by Mississippi Delta Community College.

Cash and Cash Equivalents

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

B. Restrictions on Net Position

Temporarily restricted net position is available for the following purposes.

Capital campaign - Harper & Horton buildings	\$ 521,595
Student scholarships	470,331
Athletic programs	24,804
Phi Theta Kappa	2,250
Faculty development	31,171
Various academic and administration departments	12,581
Contribution pledges receivable	<u>120,234</u>
Total	\$ <u>1,182,966</u>

The Organization had no permanently restricted net position at June 30, 2013.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

C. Investments

Short-term investments held by the Organization at June 30, 2013 consist of the following:

	<u>Fair Value</u>
Bank certificates of deposit	<u>164,020</u>
Marketable Securities - Mutual Funds:	
Eaton Vance Income Fund of Boston	37,472
Blackrock Inflation Protection Bond Fund	23,984
Ivy Mid Cap Growth Fund	52,116
JP Morgan Dynamic Small Cap Growth Fund	41,695
Lazard Emerging Markets Equity	69,445
Mainstay Large Cap Growth Fund	224,359
Managers AMG Systemic Mid Cap Value Fund	52,091
Metropolitan West Total Return Bond Fund	112,280
Pimco Foreign Bond Fund	24,971
Thornburg International Value Fund	173,974
Legg Mason WA Emerging Market Debt	23,111
Nuveen NWQ Large Cap Value Fund	231,527
Delaware Investor Small Cap Value Fund	39,013
Pimco Low Duration Fund	113,037
Investco Premier	<u>64,146</u>
 Total Mutual Funds	<u>1,283,221</u>
 Total Investments	<u><u>1,447,241</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	779	1,244	2,023
Dividend income	13,094	20,919	34,013
Realized capital gains, losses (-)	7,138	11,403	18,541
Increase, decrease (-) in unrealized capital gains	<u>33,087</u>	<u>52,862</u>	<u>85,949</u>
Totals	<u><u>54,098</u></u>	<u><u>86,428</u></u>	<u><u>140,526</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2013

D. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013.

Mutual Funds. Valued at the closing price reported in the active markets in which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2013

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of June 30, 2013.

<u>Assets at Fair Value as of June 30, 2013</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>1,283,221</u>	<u> </u>	<u> </u>	<u>1,283,221</u>
E. <u>Promises to Give</u>				
Unconditional promises to give consist of the following:				
Unrestricted promises				130,650
Less: Unamortized discount				<u>(10,416)</u>
Net unconditional promises to give				<u>120,234</u>
Amounts due in -				
Less than one year				50,700
One to five years				74,950
More than five years				<u>5,000</u>
Net				<u>130,650</u>
Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 5% when the donor makes an unconditional promise to give to the Foundation.				
F. <u>Equipment</u>				
Equipment consists of the following:				
Computer				1,673
Less: Accumulated depreciation				<u>1,506</u>
Net				<u>167</u>
G. <u>Subsequent Events</u>				

Management has evaluated subsequent events through September 30, 2013, the date the financial statements were available to be issued.

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA 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	Direct Federal	Federal Pass- Through	American Reinvestment Act	Federal Expenditures
Student Financial Aid - Cluster:					
U. S. Department of Education					
Pell Grant	84.063	10,604,109			10,604,109
Supplemental Educational Opportunity Grants	84.007	117,006			117,006
College Work-study	84.033	122,392			122,392
Total Student Financial Aid Cluster		10,843,507	0	0	10,843,507
U. S. Department of Education					
Mississippi SBCJC - Adult Basic Education	84.002		341,204		341,204
Mississippi Department of Education - Career and Vocational Ed Basic Grants	84.048		108,617		108,617
Improving Success & Retention Among African - American Males					
Predominantly Black Institution	84.382A	683,535			683,535
Predominantly Black Institution	84.031P	248,568			248,568
SLDS Security Audit (ARRA)	84.384A			15,995	15,995
Subtotal		932,103	449,821	15,995	1,397,919
Total U.S. Department of Education		11,775,610	449,821	15,995	12,241,426
U. S. Department of Labor					
Mississippi Department of Employment Security - WIA Cluster					
Individual Training - Adult Programs	17.258	113,418			113,418
TAACCCT - Gulf Coast IT Pathways Grant	17.282		70,359		70,359
Employment & Training Administration - WIA					
Developing Workforce Skills in the MS Delta	17.261		137,140		137,140
South Delta Planning District					
WIA Rapid Response Grant	17.258/17.260		70,651		70,651
Lineman Program	17.261		100,000		100,000
Lineman Program	17.261		9,540		9,540
Pharmacy Tech	17.258/17.278		6,344		6,344
Total US Department of Labor		113,418	394,034	0	507,452
U.S. Department of Homeland Security					
Hazard Mitigation Grant	97.039		3,750		3,750
Veterans Administration					
Post Vietnam Era - Veterans' Educational Assistance	64.120	127			127
Total Federal Financial Assistance		11,889,155	847,605	15,995	12,752,755

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the community college.

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MISSISSIPPI DELTA COMMUNITY COLLEGE

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Mississippi Delta Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Mississippi Delta Community College's basic financial statements, and have issued our report thereon dated December 11, 2013. Our report includes a reference to other auditors who audited the Mississippi Delta Community College Development Foundation, Inc., the (Foundation) as described in our report on Mississippi Delta Community College's financial statements. The financial statements of the Foundation 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 Mississippi Delta 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 Mississippi Delta Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Mississippi Delta Community College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

December 11, 2013
Clarksdale, Mississippi

Ellis & Hinberg CPA PLLC

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

Report on Compliance for Each Major Federal Program

We have audited Mississippi Delta 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 Mississippi Delta Community College's major federal programs for the year ended June 30, 2013. Mississippi Delta Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mississippi Delta 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 Mississippi Delta 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 federal program. However, our audit does not provide a legal determination of Mississippi Delta Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Mississippi Delta Community College 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 Mississippi Delta 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 Mississippi Delta 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 Mississippi Delta 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 the 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 the 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.

This 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.

December 11, 2013
Clarksdale, Mississippi

Ellie & Hurlberg CPA PLLC

MISSISSIPPI DELTA COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

We have audited the financial statements of the business-type activities of Mississippi Delta Community College as of and for the year ended June 30, 2013, and have issued our report thereon dated December 11, 2013. We did not audit the financial statements of the discretely presented component unit, Mississippi Delta Community College Development Foundation, Inc., which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other 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. The financial statements of the Mississippi Delta Community College Development Foundation, Inc., audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

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

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

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

December 11, 2013
Clarksdale, Mississippi

Ellis & Hirsberg CPA PLLC

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1: Summary of Auditors' Results

Financial Statements

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

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 6. | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs:
Student financial aid cluster:
CFDA #84.007
CFDA #84.033
CFDA #84.063
Improving Success and Retention Among African-American Males
CFDA #84.382A
CFDA #84.031P | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$382,583 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Awards Finding and Questioned Costs

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