MERIDIAN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2017

C O N T E N T S

MERIDIAN COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT

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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, 2017, 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 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.

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 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, 2017 and 2016 fiscal years. 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, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Meridian Community College, as of June 30, 2017, 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 4–19, the schedule of the College's share of net pension liability on page 61, the schedule of the College's contributions on page 62, and notes to the Required Supplementary Information on page 63, 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018, 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, Mississippi
March 1, 2018

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

The following discussion and analysis of Meridian Community College's financial performance provides an overview of the College's financial activities for the year ended June 30, 2017. 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 2016. The financial statements, footnotes, and this discussion are the responsibility of management.

Overview of the Statements

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

The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows. The College's net position (the difference between assets and deferred outflows less liabilities and deferred inflows) 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.

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.

The notes provide additional information that is essential to a full understanding of the data provided in the College's financial statements. The notes can be found immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information related to the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68) "Accounting and Financial Reporting for

Pensions" and Governmental Accounting Standards Board Statement No. 71 (GASB 71) "Pension Transition for Payments Made Subsequent to the Measurement Date." This includes information about the College's proportionate share of the total pension liability, net position and net pension liability of the Mississippi Public Employees Retirement System (PERS).

Condensed Statement of Net Position

June 30, 2017 and 2016

	June 30, 2017		June 30, 2016	
	Amount	Percent	Amount	Percent
ASSETS				
Current Assets	$13,637,487	23.45%	$16,462,228	30.51%
Noncurrent Assets:				
Capital, net	44,506,455	76.55%	37,502,673	69.49%
Total assets	$58,143,942	100.00%	$53,964,901	100.00%
DEFERRED OUTFLOWS	$ 8,854,272	100.00%	$ 8,936,706	100.00%
LIABILITIES				
Current Liabilities	$ 3,005,033	5.93%	$ 2,894,441	6.31%
Noncurrent Liabilities	47,642,785	94.07%	42,944,154	93.69%
Total liabilities	$50,647,818	100.00%	$45,838,595	100.00%
DEFERRED INFLOWS	$ 167,187	100.00%	$ 3,299,094	100.00%
NET POSITION				
Net Investment in Capital Assets	$41,168,629	254.39%	$32,848,880	238.66%
Restricted:				
Expendable	277,976	1.72%	3,301,236	23.98%
Unrestricted	(25,263,396)	-156.11%	(22,386,198)	-162.64%
Total net position	$16,183,209	100.00%	$13,763,918	100.00%

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 $9,795,634 on June 30, 2017, a decrease of $3,792,444 below the balance of $13,558,078 on June 30, 2016. One main reason for the decrease in cash was the use of loan note proceeds for the renovation of the Workforce Development Center. Due to the decrease in interest rates, the College is currently holding excess cash in three money market accounts.

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 $3,492,373 at June 30, 2017, an increase of $855,584 over the balance of $2,636,789 at June 30, 2016.

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 $233,203 at June 30, 2017, an increase of $2,060 over the balance of $231,143 at June 30, 2016.

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, 2017. The amount reported is net of accumulated depreciation. Capital assets, net totaled $44,506,455 at June 30, 2017, an increase of $7,003,782 over the balance of $37,502,673 at June 30, 2016.

Deferred Outflows – Pensions

Deferred outflows consist of outflows that will be reported in future periods that will increase the pension expense. This consists of two items.

> The first item is a proportionate share of the deferred outflows reported by PERS for the year ended June 30, 2016 and the remaining unamortized deferred outflows reported by PERS for the years ended June 30, 2015 and 2014. This represents the difference between the expected expenditures of past years and the actual experience of retirement benefit payments consisting of the difference in the expected and actual experience calculations, the difference in the employer expected contributions and the actual contributions, and the difference due to changes in assumptions. The College's

proportionate share of PERS deferred outflows due to these changes as of June 30, 2016 was $1,033,735. This amount is amortized for over the average expected service life of members which is 3.48 years. The first year of this calculation is reported as part of the pension expense or $297,050 for 2016. The remaining balance, $736,685, is part of the 2016 deferred outflows and will be amortized over the remaining 2.48 years. In addition, there are deferred outflows due to the net difference between projected and actual earnings on investments. The College's proportionate share of these PERS deferred outflows for the year ended June 30, 2016 was $4,410,970. This amount is amortized over a 5 year period. The first year of this calculation is reported as pension expense of $882,194 for 2016. The remaining balance of $3,528,776 is part of the 2016 deferred outflows and will be amortized over the remaining 4 years.

Second, the employer contributions made to PERS during the 2017 fiscal year that will be reported as part of the pension expense of 2018 is reported as part of deferred outflows.

The total deferred outflows for 2016 is a combination of the $4,265,461 remainder of the differences between the expected and actual experience of member benefits and $2,501,322 of College contributions paid during the 2017 fiscal year and $4,154,064 of the unamortized deferred outflows of the 2015 fiscal year and $132,820 of the unamortized deferred outflows of the 2014 fiscal year. The total deferred outflows equal $11,053,667 before netting the outstanding deferred inflows related to the timing difference between the actual and projected earnings on plan investments of $2,199,396. After netting these inflows, the total deferred outflows equals $8,854,272 at June 30, 2017, a decrease of $82,434 from the balance of $8,936,706 as of June 30, 2016.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $1,202,542 at June 30, 2017, a decrease of $83,969 below the balance of $1,286,511 at June 30, 2016.

Unearned revenue

Unearned 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 unearned revenue totaled $701,936 at June 30, 2017, an increase of $222,433 over the balance of $479,503 at June 30, 2016.

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, 2018 fiscal year. The amount of the current portion of compensated absences at June 30, 2017 was $52,729, an increase of $5,270 from the balance at June 30, 2016 of $47,459.

Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that was payable at June 30, 2017. The amount of the current portion of long-term debt at June 30, 2017 was $1,047,826, a decrease of $33,142 below the balance of $1,080,968 on June 30, 2016.

Non-current Liabilities

Deposits

Deposits represent 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 $42,016 at June 30, 2017, an increase of $3,200 as compared to the balance of $38,816 at June 30, 2016.

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, 2017 was $654,527, a decrease of $32,916 below the balance of $687,443 at June 30, 2016.

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 $2,290,000 at June 30, 2017, a decrease of $1,282,825 below the balance of $3,572,825 at June 30, 2016.

Net Pension Liabilities

The College's proportionate share of the Net Pension Liability (NPL) of PERS was $44,656,242 for the Statement of Net Position of June 30, 2017. The NPL is equal to the Total Pension Liability (TPL) minus the System Fiduciary Net Position (FNP) (basically the market values of assets.) The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportionate share of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The College's proportion was .25 percent. The total amount of the net pension liability was $44,656,242 at June 30, 2017, an increase of $6,011,172 over the balance of $38,645,070 at June 30, 2016. Additional information is disclosed in Note 9 "Pension Plan."

Deferred Inflows

Deferred inflows represent the College's proportionate share of the deferred inflows of PERS which was $68,086 for the year ended June 30, 2016. This consists of the difference between the actual and projected earnings on plan investments. This amount is amortized over 3.48 years. Of this amount, $19,565 has been expensed in the 2017 fiscal year. The remaining amount of $48,521 will be amortized over the next 2.48 years. The amount of deferred outflows for PERS 2014 fiscal year has been amortized for 3 of the past 5 years, leaving a balance of $2,199,396 to be reported as a decrease to the pension expense over the next 2 years. This remaining balance has been netted from the total deferred outflows related to the differences between the expected and actual earnings on plan investments.

Changes in actuarial assumptions can also have an impact on the deferred inflows/outflows of PERS. The College's proportionate share of the deferred inflows relate to changes in assumptions totaled $166,615. Of this amount, $47,849 has decreased the pension expense for the year ended June 30, 2017. The remaining balance of $118,666 will be amortized as a decrease to the pension expense over the next 2.48 years.

The remaining amount of $48,521 of changes in proportional differences between college contributions and proportionate share of contributions from 2016 and $118,666 remaining amount of deferred inflows due to changes in actual assumptions results in a total for June 30, 2017 of $167,187, a decrease of $3,131,907 from the balance of $3,299,094 as of June 30, 2016.

Net Position

Net position represents the difference between the College's assets and deferred outflows less liabilities and deferred inflows. Total net position at June 30, 2017 was $16,183,209, an increase of $2,419,291 from the balance of $13,763,918 on June 30, 2016 as reflected on the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2016.

Analysis of Net Position

The net investment in capital assets totaled $41,168,629, an increase of $8,319,749 from the balance of $32,848,880 on June 30, 2016. This is a result of the following increases and decreases:

Increases to Construction in Progress	$ 8,228,961
Increases to Library Books	9,474
Increases to Equipment	178,612
Debt retired	1,315,968
Deletions to Equipment & Improvements, net	(21,815)
Deletions to Library Books	(23,751)
Depreciation expense	(1,367,700)
	$ 8,319,749

Restricted expendable net position consists 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, 2017 Amount	June 30, 2016 Amount
Unemployment funds	$ 178,900	$ 177,120
Capital projects	-	3,115,163
Grants and contracts	99,076	8,953
Total restricted net position	$ 277,976	$ 3,301,236

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 unrestricted net position at June 30, 2017 was $(25,263,396), a decrease of $2,877,198, as compared to the unrestricted net position at June 30, 2016 of $(22,386,198).

The following is a breakdown of the unrestricted net position:

	June 30, 2017 Amount	June 30, 2016 Amount
Unrestricted undesignated fund	$(29,061,975)	$(26,069,320)
Unrestricted designated fund	2,031,399	1,952,608
Unrestricted auxiliary fund	1,767,180	1,730,514
Total unrestricted net position	$(25,263,396)	$(22,386,198)

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

Condensed Statements of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2017 and 2016

	June 30, 2017 Amount	June 30, 2016 Amount
Operating revenues:		
Tuition and fees	$ 4,225,985	$ 3,227,469
Grants and contracts	12,365,064	12,424,444
Auxiliary enterprises	3,740,750	3,779,948
Other operating revenues	548,583	753,512
Total operating revenues	$ 20,880,382	$ 20,185,373
Operating expenses	$ 38,816,950	$ 36,391,436
Operating loss	$(17,936,568)	$(16,206,063)
Non-operating revenues:		
State appropriations	$ 13,187,901	$ 13,020,235
Local appropriations	2,271,993	2,083,306
Investment income, net	79,817	100,899
Net non-operating revenues	$ 15,539,711	$ 15,204,440
Loss before other revenues, expenses, gains and losses	$ (2,396,857)	$ (1,001,623)
State appropriations restricted for capital purposes	$ 2,659,568	$ 691,690
Local appropriations restricted for capital purposes	1,251,311	1,216,673
Federal grant for capital purposes	1,011,871	488,129
Private grant for capital purposes	28,410	-
Capital gifts	1,478	261,525
Other deletions, net	(136,490)	(173,504)
Total other revenues, net	$ 4,816,148	$ 2,484,513
Total increase in net position	$ 2,419,291	$ 1,482,890
Net position		
Net position at beginning of year	$ 13,763,918	$ 12,281,028
Net position at end of year	$ 16,183,209	$ 13,763,918

Total operating loss for the fiscal year 2017 was $17,936,568, an increase of $1,730,505 over the loss for fiscal year 2016 of $16,206,063. 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 2017 were $20,880,382. Tuition and fees were $4,225,985. The tuition discount was $5,425,425. Operating expenses, including depreciation of $1,367,700, totaled $38,816,950.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling $4,225,985. The tuition discount for the 2017 fiscal year was $5,425,425.

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, 2017 and 2016:

	June 30, 2017 Amount	June 30, 2016 Amount
Federal	$ 7,516,671	$ 7,744,836
State	2,994,958	2,721,666
Local	20,116	26,187
Private	1,833,319	1,931,755
Total all sources	$ 12,365,064	$ 12,424,444

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $329,373 for the 2017 fiscal year, an increase of $138,506 over the balance of $190,867 for the 2016 fiscal year.

Sales and Services, Net

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

Operating Expenses

Operating expenses totaling $38,816,950 include salaries and benefits of $24,631,640, utilities of $805,612, supplies of $3,405,144, services of $3,974,843, and depreciation of $1,367,700.

	June 30, 2017 Amount	June 30, 2016 Amount
Expenses by functions:		
Instruction	$ 14,280,940	$ 14,259,751
Academic support	2,760,212	2,634,332
Student services	3,547,370	3,340,455
Institutional support	7,172,489	4,940,502
Operations and maintenance of plant	2,982,182	3,033,486
Student financial aid	3,460,651	3,695,227
Auxiliary enterprises	3,245,406	3,324,646
Depreciation	1,367,700	1,163,037
Total operating expenses by function	$ 38,816,950	$ 36,391,436

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received $15,847,469 for the 2016-2017 fiscal year, of which $13,187,901 was for operations. This represents an increase of $167,666 over the amount received for operations in the previous year. State appropriations for capital projects of $2,659,568 were paid on behalf of the College during the 2017 fiscal year.

Local Appropriations

The College also receives revenue from the City of Meridian and Lauderdale County. The College received $3,523,304 for the 2017 fiscal year from the local government of which

$2,271,993 was for operating purposes. This represents an increase of $188,687 of local operating revenue received from the local government for operating purposes in the previous year. The remaining $1,251,311 was received in fiscal year 2017 for capital projects or retirement of debt.

Investment Income, Net

This includes the interest income from the cash in the bank accounts. A total of $79,817 was earned during the 2017 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The College received $2,659,568 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2017 fiscal year. This represents funds appropriated as bond revenues by the state legislature. This revenue represents payment on behalf of the college for the following projects:

$2,639,618 was used for a new dormitory, and
$ 19,950 was used on the Matty Hersee Demolition project.

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 $1,251,311 for the 2017 fiscal year. These funds were used to support the renovation of the Workforce Development Center, construction of our new Quave Student Center, begin renovation of the nursing simulation area in Webb Hall, construction of a track field house, renovation of a faculty house, construction of a new boardroom, and to pay principal and interest on capital related debt.

Federal Grants for Capital Purposes

The College was awarded a $1.5 million grant from the Economic Development Administration, a part of the U.S. Department of Commerce. The grant represents 22.6% of the total cost to renovate our Workforce Development Center. The renovation includes replacing the HVAC system, upgrading the electrical capacity, and constructing classrooms and offices throughout the facility. This grant is funded on a reimbursement basis. As of June 30, 2017, revenues of $1,011,871 were due the College from this agency.

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 2017 fiscal year. Other additions (deletions), net were ($136,490) for the 2017 fiscal year. This is a combination of interest on indebtedness of

$91,097, plant assets sold or retired of $21,815 deletions to plant of $23,751, and addition of re-instated books or audio-visuals of $173. This is a $37,014 increase from the total of ($173,504) for the 2016 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.

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Years Ended June 30, 2017 and 2016

	June 30, 2017 Amount	June 30, 2016 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	$ (14,822,405)	$ (12,440,152)
Non-capital financing activities	15,517,434	15,243,132
Capital and related financing activities	(4,537,290)	(4,488,388)
Investing activities	79,817	100,899
Net decrease in cash and cash equivalents	$ (3,762,444)	$ (1,584,509)
Cash and cash equivalents - beginning of year	13,558,078	15,142,587
Cash and cash equivalents - end of year	$ 9,795,634	$ 13,558,078

The major sources of funds included in operating activities include student tuition and fees, $3,542,438, auxiliary enterprises, $3,743,949, and grants and contracts, $11,700,025. The major uses of funds were payments made to and for employees, $21,753,213, to scholarships and fellowships, $3,398,011, to service providers, $3,994,628 and to suppliers, $3,404,913.

The largest inflow of cash in the non-capital financing activities group is the State appropriation for operating purposes of $13,209,996.

Significant Capital Asset Transactions

Club Eagle

MCC has long had a need for a place for students to gather to study, fellowship, play games and watch movies/tv. The MCC Construction Trades Department under the direction of Architect Arjen Lagendijk and Instructors Jim Miles and Chad Thrash began construction on the new Club Eagle in 2015 and completed the project in the 2017 fiscal year.

Workforce Development Center Renovation

The College secured $4.9 million in debt to renovate of the Workforce Development Center. We were honored to receive two grants to help pay back that debt. The first grant from the EDA totaled $1.5 million. The second grant received was from the Riley Foundation in the amount of $3.7 million. The College will also use the $250,000 given annually from the Lauderdale County Supervisors towards this project.

New Dormitory

MCC Foundation Board Member and Supporter, Bob Malone, donated land many years ago to the Foundation with the dream of it becoming home to a new dormitory. Under the direction of Architect BB Archer and the Bureau of Building, that dream is now becoming a reality. During 2017, $2,639,619 was spent on construction of this facility. The new two story dorm will house 96 students with a total cost of $7.2 million.

Webb Hall Renovation- A.D.N. Nursing Simulation Lab

After our workforce support staff were relocated to the newly renovated Workforce Development Center, the College renovated a suite of Webb Hall to create a medical simulation lab for our Associate Degree Nursing Students. The College spent $49,897 on this renovation.

Various Small Projects

During the 2017 fiscal year, several smaller projects were in process of completion, including the renovation of a new boardroom located in the Dulaney Multi-Purpose Center.

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.

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.

The total General Fund state appropriated revenues for 2017 were cut 4 times by the governor due to actual revenue shortfalls. The final General Fund state appropriations for the College were $130,683 below the amount budgeted for that year. The amount budgeted for the 2018 General Fund state appropriation is $552,564 less than 2017 actual state General Fund appropriation received.

Although the economy in the U.S. appears to be improving, the Mississippi economy is recovering at a much slower rate than the rest of the country. Revenues for the 2017 fiscal year fell well below projections and resulted in the state economist lowering the projections for the 2018 fiscal year and therefore, the additional decrease for the current fiscal year

As we approach the 2018 legislative session, the recent Governor's budget recommendation released included level funding for the community college system support for 2019 as compared to the 2018 appropriation. However, the Legislative Budget Committee's recommendation for the 2019 fiscal year includes a decrease in state funding for the community college system of 1.4% or $9,035,600. As our funds are allocated based on enrollment on a pro-rata basis, we are uncertain at this time how enrollment changes may affect the College's portion of that cut.

MERIDIAN COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2017

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Current Assets	
Cash and cash equivalents	$ 9,795,634
Accounts receivables, net (note 3)	3,492,373
Inventories	233,203
Prepaid expenses	116,277
Total current assets	$ 13,637,487
Non-current Assets	
Capital assets, net of accumulated depreciation (note 5)	$ 44,506,455
Total non-current assets	$ 44,506,455
Total assets	$ 58,143,942
Deferred Outflows	
Deferred outflows - pensions	$ 8,854,272

LIABILITIES

Current Liabilities	
Accounts payable and accrued liabilities	$ 1,202,542
Annual leave liabilities - current portion (note 6)	52,729
Unearned revenues	701,936
Long-term liabilities - current portion (note 6)	1,047,826
Total current liabilities	$ 3,005,033
Non-current Liabilities	
Deposits refundable	$ 42,016
Accrued leave liabilities	654,527
Long-term liabilities (note 6)	2,290,000
Net pension liabilities	44,656,242
Total non-current liabilities	$ 47,642,785
Total liabilities	$ 50,647,818
Deferred Inflows	
Deferred inflows - pensions	$ 167,187

NET POSITION

Net Investment in capital assets	$ 41,168,629
Restricted for:	
Expendable:	
Unemployment compensation	178,900
Grants and contracts	99,076
Unrestricted	(25,263,396)
Total net position	$ 16,183,209

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash	$ 288,834	$ 333,246
Certificates of deposit	147,135	146,581
Investments	15,206,473	13,687,118
Pledge receivables	809,597	819,576
Property and equipment, net	778,549	871,581
Land held for sale	9,470	-
Other assets	252,934	252,822
Total assets	$ 17,492,992	$ 16,110,924

LIABILITIES AND NET ASSETS	2017	2016
Liabilities		
Accounts payable	$ 55,076	$ 101,468
Annuity liability	34,549	36,318
Total liabilities	$ 89,625	$ 137,786
Net Assets		
Unrestricted	$ 1,129,746	$ 1,150,556
Temporarily restricted	9,709,104	8,357,210
Permanently restricted	6,564,517	6,465,372
Total net assets	$ 17,403,367	$ 15,973,138
Total liabilities and net assets	$ 17,492,992	$ 16,110,924

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

Operating Revenues	
Tuition and fees (net of scholarship allowances of $5,425,425)	$ 4,225,985
Federal grants and contracts	7,516,671
State grants and contracts	2,994,958
Local grants and contracts	20,116
Nongovernmental grants and contracts	1,833,319
Sales and services of educational departments	329,373
Auxiliary enterprises:	
Student housing (net of scholarship allowances of $28,267)	611,975
Food services (net of scholarship allowances of $42,400)	620,624
Bookstore	2,417,829
Other auxiliary revenues	90,322
Other operating revenues	219,210
Total operating revenues	$ 20,880,382
Operating Expenses	
Salaries and wages	$ 16,479,110
Fringe benefits	8,152,530
Travel	504,720
Contractual services	3,851,326
Utilities	805,612
Scholarships and fellowships	3,484,975
Commodities	3,221,204
Depreciation expense	1,367,700
Other operating expenses	949,773
Total operating expenses	$ 38,816,950
Operating loss	$ (17,936,568)

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, 2017

Nonoperating Revenues (Expenses)	
State appropriations	$ 13,187,901
Local appropriations	2,271,993
Investment income	79,817
Total net nonoperating revenues	$ 15,539,711
Loss before other revenues, expenses, gains and losses	$ (2,396,857)
State appropriations restricted for capital purposes	$ 2,659,568
Local appropriations restricted for capital purposes	1,251,311
Federal grants for capital purposes	1,011,871
Private grants for capital purposes	28,410
Capital gifts	1,478
Other deletions, net	(136,490)
Change in net position	$ 2,419,291
Net Position	
Net position - beginning of year	$ 13,763,918
Net position - end of year	$ 16,183,209

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and reclassifications				
Contributions	$ 423,687	$ 675,684	$ 99,145	$ 1,198,516
Interest and dividends	8,259	239,279	-	247,538
Gain on sale of assets	-	3,526	-	3,526
Impairment loss on land held for sale	(14,939)	(24,030)	-	(38,969)
Grant revenues	-	1,170,333	-	1,170,333
Miscellaneous other income	-	5,469	-	5,469
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,023,439	(2,023,439)	-	-
Total public support, revenues and reclassifications	$ 2,440,446	$ 46,822	$ 99,145	$ 2,586,413
Expenses				
Scholarships	$ 583,901	$ -	$ -	$ 583,901
Awards	3,050	-	-	3,050
Faculty/staff programs	79,681	-	-	79,681
Annuity interest expense	8,078	-	-	8,078
Other program expense	1,274,622	-	-	1,274,622
Management and general	204,407	-	-	204,407
Donations to Meridian Community College	355,716	-	-	355,716
Total expenses	$ 2,509,455	$ -	$ -	$ 2,509,455
Other income:				
Unrealized holding gains (losses) on marketable securities available for sale	$ 23,459	$ 151,925	$ -	$ 175,384
Excess of revenues over expenses before capital additions	$ (45,550)	$ 198,747	$ 99,145	$ 252,342
Capital additions				
Unrealized holding gains on marketable securites available for sale - endowment funds	-	1,177,887	-	1,177,887
Excess of revenues over expenses after capital additions	$ (45,550)	$ 1,376,634	$ 99,145	$ 1,430,229
Net assets, beginning of year	1,150,556	8,357,210	6,465,372	15,973,138
Fund transfers in (out)	24,740	(24,740)	-	-
Net assets, end of year	$ 1,129,746	$ 9,709,104	$ 6,564,517	$ 17,403,367

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and reclassifications				
Contributions	$ 331,274	$ 796,056	$ 257,893	$ 1,385,223
Interest and dividends	13,378	264,137	-	277,515
Gain on sale of assets	-	3,183	-	3,183
Grant revenues	-	888,000	-	888,000
Miscellaneous other income	-	9,085	-	9,085
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,866,591	(1,866,591)	-	-
Total public support, revenues and reclassifications	$ 2,211,243	$ 93,870	$ 257,893	$ 2,563,006
Expenses				
Scholarships	$ 489,511	$ -	$ -	$ 489,511
Awards	2,700	-	-	2,700
Faculty/staff programs	52,132	-	-	52,132
Annuity interest expense	8,078	-	-	8,078
Other program expense	1,019,764	-	-	1,019,764
Management and general	219,567	-	-	219,567
Donations to Meridian Community College	753,893	-	-	753,893
Total expenses	$ 2,545,645	$ -	$ -	$ 2,545,645
Other income:				
Unrealized holding gains (losses) on marketable securities available for sale	$ (23,836)	$ (16,339)	$ -	$ (40,175)
Excess of revenues over expenses before capital additions	$ (358,238)	$ 77,531	$ 257,893	$ (22,814)
Capital additions				
Unrealized holding gains on marketable securites available for sale - endowment funds	-	(224,390)	-	(224,390)
Excess of revenues over expenses after capital additions	$ (358,238)	$ (146,859)	$ 257,893	$ (247,204)
Net assets, beginning of year	1,493,755	8,474,108	6,252,479	16,220,342
Fund transfers in (out)	15,039	29,961	(45,000)	-
Net assets, end of year	$ 1,150,556	$ 8,357,210	$ 6,465,372	$ 15,973,138

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash Flows from Operating Activities	
Tuition and fees	$ 3,542,438
Grants and contracts	11,700,025
Sales and services of educational departments	329,373
Payments to suppliers	(3,404,913)
Payments to employees for salaries and benefits	(21,753,213)
Payments for contractual services	(3,994,628)
Payments for travel	(596,467)
Payments for other expenses	(239,092)
Payments for utilities	(812,212)
Payments for scholarships and fellowships	(3,498,011)
Auxiliary enterprise revenues:	
Residence halls	615,174
Bookstore	2,417,829
Food services	620,624
Other	90,322
Other payments	160,346
Net cash used in operating activities	$ (14,822,405)
Cash Flows from Noncapital Financing Activities	
State appropriations	$ 13,209,996
Local appropriations	2,271,993
Agency transfers - in	611,725
Agency transfers - out	(576,280)
Federal loan receipts	1,715,031
Federal loan disbursements	(1,715,031)
Net cash provided by noncapital financing activities	$ 15,517,434

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2017

Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	$ (8,415,395)
Capital appropriations received	3,910,880
Federal grants received for capital use	1,350,000
Private grants received for capital use	28,410
Principal paid on capital debt and leases	(1,315,968)
Capital debt interest paid	(91,097)
Other sources or uses	(4,120)
Net cash used by capital and related financing activities	$ (4,537,290)
Cash Flows from Investing Activities	
Interest received on investments	$ 79,817
Net cash provided by investing activities	$ 79,817
Net decrease in cash and cash equivalents	$ (3,762,444)
Cash and cash equivalents - beginning of year	13,558,078
Cash and cash equivalents - end of year	$ 9,795,634
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (17,936,568)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation expense	1,367,700
Change in pension expense	2,961,699
Changes in assets and liabilities:	
Receivables, net (excluding the state appropriations)	(1,215,809)
Inventories	2,060
Prepaid expenses	(80,060)
Accounts payables	(119,414)
Unearned revenues	222,433
Accrued leave liability	(27,646)
Deposits refundable	3,200
Net cash used in operating activities	$ (14,822,405)

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Excess (deficiency) revenues over expenses	$ 1,430,229	$ (247,204)
Adjustments to reconcile change in net assets		
used in operating activities:		
Depreciation expense	24,843	24,843
Gain on sale of assets	(3,526)	(3,183)
Impairment of land held for sale	38,969	-
Change in assets/liabilities:		
(Increase) decrease in accounts receivables	58	(142)
Decrease in educational trust - loans receivable	-	3,070
Decrease in pledge receivables	9,979	42,679
Increase (decrease) in accounts payables	(46,392)	58,657
Increase (decrease) in grant funds payable	-	(370,000)
Interest and dividends restricted for reinvestment	(212,139)	(264,137)
Interest and dividends restricted for long-term reinvestment	(27,140)	(13,378)
Unrealized holding gains on securities	(1,353,271)	267,320
Cash contributions restricted for endowments	(127,091)	(257,893)
Non-cash contributions	(401,035)	(417,634)
Non-cash expenses	247,629	479,234
Net cash used in operating activities	$ (418,887)	$ (697,768)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	$ 777,574	$ -
Proceeds from sales of assets	6,000	269,288
Interest and dividends restricted for reinvestments	212,139	264,137
Purchases of investments	(773,700)	(252,998)
Net cash provided by investing activities	$ 222,013	$ 280,427

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS (continued)
For the Years Ended June 30, 2017 and 2016

		2017		2016
Cash Flows from Financing Activities				
Proceeds from contributions restricted for:				
Investment in endowments	$	125,322	$	245,423
Other financing activities:				
Interest and dividends restricted for long-term investments		27,140		13,378
Net cash provided by financing activities	$	152,462	$	258,801
Net decrease in cash and cash equivalents	$	(44,412)	$	(158,540)
Cash and cash equivalents - beginning of year		333,246		491,786
Cash and cash equivalents - end of year	$	288,834	$	333,246

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, 2017

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 fundraising 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, 2017, the Foundation distributed $1,728,685 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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported represent the deferred outflows of the Mississippi Public Employees Retirement System that is applicable to the College based on a pro-rata calculation of the employer contributions for the fiscal year ending June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported represent the deferred inflows of the Mississippi Public Employees Retirement System that is applicable to the College based on a pro-rata calculation of the employer contributions for the fiscal year ending June 30, 2016.

See Note 9 for further details.

J. Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

K. 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, 2017, as reported in the statement of net position is $707,256 with $52,729 of this amount estimated as current.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS.

Note 1. Summary of Significant Accounting Policies (continued)

For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. 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.

N. 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)

O. Scholarship Discounts and Allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

P. 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 $(25,263,396) at June 30, 2017, includes $2,031,399 reserved for designations, and $1,767,180 reserved for auxiliaries and a remaining amount of $(29,061,975).

Subsequent Events

Management has evaluated subsequent events through March 1, 2018, the date on which the financial statements were available to be issued. Management does not believe there are any material subsequent events which would require disclosure.

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 Deposit 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, 2017, 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 institution's 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, 2017, 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, 2017:

Student tuition and fees	$ 7,007,641
Federal, state and private grants and contracts	1,659,609
State appropriations	178,714
Other	234,314
Total accounts receivable	$ 9,080,278
Less allowance for doubtful accounts	(5,587,905)
Net accounts receivable	$ 3,492,373

Note 4. Notes Receivable from Students

In June 2017, the College purchased all outstanding Perkins loans for the purpose of liquidating the program. These represent all outstanding notes receivable 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, 2017:

	Interest Rates	June 30, 2017	Current Portion	Non-current Portion
MCC student loans	3% to 9%	$ 61,537	$ -	$ 61,537
Total notes receivable		$ 61,537	$ -	$ 61,537
Less allowance for doubtful accounts		61,537	-	61,537
Net notes receivable		$ -	$ -	$ -

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2017	07/01/16 Beginning Balance	Increases	Decreases	06/30/17 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 2,930,418	$ -	$ -	$ 2,930,418
Art collection	15,525	-	-	15,525
Construction in progress	4,632,402	8,250,969	9,438,026	3,445,345
Total capital assets, non-depreciable	$ 7,578,345	$ 8,250,969	$ 9,438,026	$ 6,391,288
Capital assets, depreciable:				
Improvements other than buildings	$ 6,167,405	$ -	$ -	$ 6,167,405
Buildings	38,529,963	9,416,018	-	47,945,981
Equipment	4,386,002	177,133	74,340	4,488,795
Library books	1,262,514	10,952	23,751	1,249,715
Total capital assets, depreciable	$ 50,345,884	$ 9,604,103	$ 98,091	$ 59,851,896
Less accumulated depreciation for:				
Improvements other than buildings	$ 2,926,073	$ 166,725	$ -	$ 3,092,798
Buildings	13,029,226	893,341	-	13,922,567
Equipment	3,352,212	274,944	52,527	3,574,629
Library books	1,114,045	32,690	-	1,146,735
Total accumulated depreciation	$ 20,421,556	$ 1,367,700	$ 52,527	$ 21,736,729
Total depreciable capital assets, net	$ 29,924,328	$ 8,236,403	$ 45,564	$ 38,115,167
Capital assets, net of depreciation	$ 37,502,673	$ 16,487,372	$ 9,483,590	$ 44,506,455

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 Thresholds
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 payables, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2017. 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, 2017, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

See Note 9. for information regarding pension liabilities.

Note 6. Long-term Liabilities (continued)

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balances 7/1/2016	Additions	Reductions	Ending Balances 6/30/2017	Due Within One Year
Bonded Debt								
Limited-tax refunding bonds, Series 2009	$ 1,910,000	3.40%	2019	$ 475,000	$ -	$ 235,000	$ 240,000	$ -
Total bonded debt	$ 1,910,000			$ 475,000	$ -	$ 235,000	$ 240,000	$ -
Note Payable								
BankPlus loan for renovation of Workforce	$ 4,900,000	1.27%	2020	$ 3,980,000	$ -	$ 950,000	$ 3,030,000	$ 980,000
Total note payable	$ 4,900,000			$ 3,980,000	$ -	$ 950,000	$ 3,030,000	$ 980,000
Capital Leases								
Energy Master lease			2018	$ 198,793	$ -	$ 130,967	$ 67,826	$ 67,826
Total capital leases				$ 198,793	$ -	$ 130,967	$ 67,826	$ 67,826
Other Long-term Liabilities								
Accrued leave liabilities				$ 734,902	$ -	$ 27,646	$ 707,256	$ 52,729
Deposits refundable				38,816	91,400	88,200	42,016	-
Total other long-term liabilities				$ 773,718	$ 91,400	$ 115,846	$ 749,272	$ 52,729
Total				$ 5,427,511	$ 91,400	$ 1,431,813	$ 4,087,098	$ 1,100,555
Due within one year							$ 1,100,555	
Total long-term liabilities (excluding net pension liabilities)							$ 2,986,543	

Note 6. Long-term Liabilities (continued)

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

	Bonded Debt	Notes Payable	Capital Leases	Interest	Total
2018	$ -	$ 980,000	$ 67,826	$ 25,416	$ 1,073,242
2019	240,000	1,010,000	-	31,770	1,281,770
2020	-	1,040,000	-	14,560	1,054,560
Total	$ 240,000	$ 3,030,000	$ 67,826	$ 71,746	$ 3,409,572

Note 7. Construction Commitments and Financing

The College has completed the GED Building, now named the Ralph Young Adult Education Center. The College Construction Trades Program has almost completed the renovation of the DPS Building for the Medical Assisting and Health Care Assistant programs. This building has been named Weddington Hall. The College is also working with the Bureau of Buildings on a project to install smart meters on campus as well as the design and construction of a new dormitory. The College will use funds awarded from a $1.5 million grant from the Economic Development Administration of the U.S. Department of Commerce, a private grant from the Riley Foundation for $3,700,000, and institutional funds to complete the renovation of the Workforce Development Center. The estimated costs to complete these projects and the source of funding are presented below:

		Funded By		
Project Title	Total Costs to Complete	Federal Sources	State Sources	Institutional Funds
New Dormitory	$ 3,978,044	$ -	$ 3,978,044	$ -
Total	$ 3,978,044	$ -	$ 3,978,044	$ -

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2017:

Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships and Fellowships	Depreciation Expense	Other	Total
Instruction	$ 9,789,280	$ 2,826,401	$ 223,233	$ 817,753	$ 518,187	$ 17,596	$ 24,324	$ -	$ 64,166	$ 14,280,940
Academic support	1,300,042	489,825	26,051	565,985	91,148	-	-	-	287,161	2,760,212
Student services	2,168,050	692,887	220,431	245,252	211,847	-	-	-	8,903	3,547,370
Institutional support	1,936,848	3,674,416	31,414	920,745	153,601	-	-	-	455,465	7,172,489
Operation of plant	955,955	354,178	2,834	468,200	464,195	622,109	-	-	114,711	2,982,182
Student aid	-	-	-	-	-	-	3,460,651	-	-	3,460,651
Auxiliary enterprises	328,935	114,823	757	833,391	1,782,226	165,907	-	-	19,367	3,245,406
Depreciation	-	-	-	-	-	-	-	1,367,700	-	1,367,700
Total operating expenses	$ 16,479,110	$ 8,152,530	$ 504,720	$ 3,851,326	$ 3,221,204	$ 805,612	$ 3,484,975	$ 1,367,700	$ 949,773	$ 38,816,950

Note 9. Pension Plan

General Information about the Pension Plan

Plan Description − The College contributes to 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS. It is also available on their website www.pers.ms.gov.

Benefits provided − Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions − PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's

Note 9. Pension Plan (continued)

contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were $2,501,323, $2,485,067, and $2,441,302, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the College reported a liability of $44,656,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2017 net pension liability was .25 percent, which was based on a measurement date of June 30, 2016. There was no increase/decrease to the College's proportionate share used in the prior year to calculate the net pension liability.

For the year ended June 30, 2017, the College recognized pension expense of $5,463,022. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 1,245,583	$ -
Changes in proportion and differences between college contributions and proportionate share of contributions	(23,068)	48,521
Net difference between projected and actual earnings on pension plan investments	3,025,242	-
Changes in assumptions	2,105,192	118,666
District contributions subsequent to the measurement date	2,501,323	-
Total	$ 8,854,272	$ 167,187

Note 9. Pension Plan (continued)

$2,501,323 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2018	$	(2,139,427)
2019		(1,606,435)
2020		(1,557,706)
2021		(882,194)
Total	$	(6,185,762)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with male rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

Note 9. Pension Plan (continued)

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

Asset Class	Target Allocation	Long-term expected real rate of return
U.S. broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	100.00%	

Discount rate − The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate − The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount rate 7.75%	1% Increase 8.75%
College's proportionate share of the net pension liability	$ 57,259,315	$ 44,656,242	$ 34,199,778

Pension plan fiduciary net position − Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 10. Deficit Net Position

The unrestricted net position has a deficit balance in the amount of $25,263,396. This deficit net position is a direct result of recording the requirements of Governmental Accounting Standards Board Statement No. 68 (GASB 68) "Accounting and Financial Reporting for Pensions" and Governmental Accounting Standards Board Statement No. 71 (GASB 71) "Pension Transition for Payments Made Subsequent to the Measurement Date." As explained in Note 9, the College participation in the Mississippi Public Employees Retirement System requires the reporting of our proportionate share of the deferred outflows, deferred inflows and the net pension liabilities that resulted in a deficit net position.

Note 11. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, 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, 2017 and 2016

Note 1. Summary of Significant Accounting Policies

Description of Business Activities

The Meridian Community College Foundation is a nonprofit organization formed 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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:

	2017	2016
Land	$ 59,040	$ 127,229
Land improvements	14,500	14,500
Buildings and improvements	874,163	874,163
Equipment	15,849	15,849
	$ 963,552	$ 1,031,741
Less: accumulated depreciation	(185,003)	(160,160)
	$ 778,549	$ 871,581

During the year ended June 30, 2016, the Foundation transferred $208,000 in land to Meridian Community College. The land was received by the Foundation in previous years with the restriction that the land be utilized to build a dorm.

During the year ended June 30, 2017, the Foundation sold a parcel of land historically valued at $19,500 included as part of the Endowment. The land netted a sales price of $6,000 which was subsequently transferred to the CommonFund. Additionally, the Board instructed management to attempt to sell the additional land held in its portfolio. As a result, it was determined that land held in the unrestricted and endowment fund was held for amounts in excess of fair value. The Foundation transferred this land to held for sale and adjusted the cost to market value, resulting in an impairment of $38,969.

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 $24,843 for both years ended June 30, 2017 and 2016.

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

Note 1. Summary of Significant Accounting Policies (continued)

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, 2017 and 2016 for cash and cash equivalents, investments, pledges receivable, accounts payable, and annuity liabilities approximate their fair values. See note 12 for Investments.

Other Assets

Other assets at June 30, 2017 and 2016 consist of the following:

	2017	2016
Life insurance policies	$ 11,822	$ 11,951
Steel sculpture	5,000	5,000
Cartmell oil portraits	20,959	20,959
Donations of artwork	214,683	214,383
Miscellaneous receivable	470	529
	$ 252,934	$ 252,822

Included in other assets are donated assets (steel sculpture, Cartmell oil portraits, and artwork). These assets are recorded at their fair market value on the date of the gifts. It is the policy of the Foundation not to record appreciation or depreciation relative to these donated assets as the Foundation does not intend to sell these items.

Use of Estimates

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

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

Income Taxes

The Foundation is exempt from federal income taxes on related income under Internal Revenue Code section 501(a) as an organization described in section 501(c)(3). The

Note 1. Summary of Significant Accounting Policies (continued)

Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 740-10 (formerly FIN 48, "Accounting for Uncertainty in Income Taxes"). FASB ASC 740-10 calls for recognition and measurement of all uncertain tax positions taken or expected to be taken by U.S. companies. The Foundation has not taken any uncertain tax positions nor do they expect to. The federal income tax returns of the Foundation for 2017, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they are filed.

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, net are summarized as follows at June 30, 2017 and 2016:

	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	$ 198,633	$ 178,984
One year to five years	200,000	200,000
Over five years	600,000	650,000
	998,633	1,028,984
Less unamortized discount (3.95%)	(189,036)	(209,408)
	$ 809,597	$ 819,576

The pledge receivable from the Phil Hardin Foundation dated December 12, 2014 has a balance of $850,000 and $900,000 as of June 30, 2017 and 2016, respectively. This $1,000,000 pledge is to fund an endowment of which the earnings will be used for operating costs of the Honors College. The first installment of $50,000 was received December 18, 2014; the second installment was received November 10, 2015, and the third installment was received November 9, 2016. Additional $50,000 installments will be made over the next 17 years.

Based on the Foundation's historical collection rate and evaluation of pledges receivable at June 30, 2017 and 2016, no allowance for uncollectible pledges has been recorded.

Note 1. Summary of Significant Accounting Policies (continued)

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, 2017 through March 1, 2018, 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.

Recent Accounting Pronouncements

In May 2015, The FASB issued ASU No. 2015-07, *Disclosures for Investment in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2015-07). This ASU eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient as discussed in FASB subtopic 820-10. The new standard permits early adoption and is effective for annual reporting periods beginning after December 15, 2016. The Foundation implemented the provisions of ASU 2015-07 as of July 1, 2017.

The FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, in August 2016. AUS 2016-14 changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The new standard permits early adoption and is effective for annual reporting periods after December 15, 2017. The Foundation will implement the provisions of ASU 2016-14 as of July 1, 2018.

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:

	2017	2016
Purpose restriction accomplished:		
Scholarship programs	$ 394,486	$ 327,499
Awards	1,650	1,475
Faculty/staff programs	79,681	52,132
Annuity interest expense	8,078	8,078
Other program services	1,344,083	1,009,764
Management and general	12,344	11,989
Donations to Meridian Community College	183,127	455,654
	$ 2,023,449	$ 1,866,591

Note 2. Temporarily Restricted Net Assets (continued)

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

	2017	2016
Donor-restricted endowment funds	$ 7,187,722	$ 6,182,018
Scholarships	834,579	711,371
Awards	14,251	12,239
Faculty/staff programs	112,351	99,141
Capital support - Meridian Community College	355,557	367,392
Other program services	1,204,644	985,049
	$ 9,709,104	$ 8,357,210

Note 3. Permanently Restricted Net Assets

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

	2017	2016
Donor-restricted endowment funds	$ 5,887,967	$ 5,762,645
Contribution receivable	676,550	702,727
	$ 6,564,517	$ 6,465,372

Note 4. Pass Through Grant Funds Payable

The Riley Foundation, a (501(c)(3) organization) located in Meridian, Mississippi, entered into a grant agreement with the Foundation on behalf of Meridian Community College in order to renovate the exterior and interior of the Workforce Development Center. This $3,700,000 grant authorized April 20, 2015 is for 5 years beginning May 1, 2015 and ending April 30, 2020. The first semi-annual payment of $370,000 was received June 22, 2015. Additional semi-annual payments of $370,000 were received December 19, 2015 and June 21, 2016. These funds are shown on the face of the statement of financial position as pass through grant funds payable and are considered temporarily restricted. All installments had been transferred to the College as of June 30, 2017 and 2016.

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.

Note 5. Annuity Liability (continued)

At June 30, 2017 and 2016, the annuity liability amounted to $34,549 and $36,318, respectively.

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, 2017 and 2016, 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, 2017 and 2016, the Foundation's uninsured cash balance totaled $203,323 and $44,764, respectively.

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 $127,026 and $94,860 for the years ended June 30, 2017 and 2016, respectively. 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 $52,046 and $48,892 for the years ended June 30, 2017 and 2016, respectively.

Note 8. Commitments

A grant of $1,000,000 made by the Phil Hardin Foundation to the MCC Foundation to fund an endowment to support the operating expenses of the Honors College at Meridian Community College is to be paid in $50,000 installments over 20 years. The MCC Foundation committed to pay $25,000 annually to the College to assist with operating costs of the Honors College during this time. This commitment is to be reviewed during the last quarter of the 2018 fiscal year to determine if the Foundation is financial able to continue to assist with these costs before budgeting any additional support.

Note 9. Non-Cash Contributions

The Foundation receives a variety of non-cash contributions. For the years ended June 30, 2017 and 2016, non-cash contributions totaled $401,035 and $417,634, respectively, and were included in revenue.

Note 9. Non-Cash Contributions (continued)

For the year ended June 30, 2017, the Foundation received $247,629 in non-cash contributions that were included in revenues and expenses in the statement of activities. Following is a summary of these items:

Management and general	$ 16,184
Donation to Meridian Community College	231,445
	$ 247,629

For the year ended June 30, 2017, the Foundation received $153,406 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:

Investments	$ 153,106
Donated art	300
	$ 153,406

For the year ended June 30, 2016, the Foundation received $271,233 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:

Management and general	$ 19,871
Donation to Meridian Community College	251,362
	$ 271,233

For the year ended June 30 2016, the Foundation received $146,401 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Investments	$ 139,251
Donated art	7,150
	$ 146,401

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, 2017:

June 30, 2017	Cost	Market	Unrealized Appreciation (Depreciation)
The Common Fund - Intermediate	$ 18,567	$ 7,552	$ (11,015)
The Common Fund - Equity	5,736,080	14,640,853	8,904,773
Corporate Stocks	33,903	136,824	102,921
Mutual Funds	1,862	1,862	-
Vanguard Wellesley	157,982	200,162	42,180
Vanguard Morgan Growth	33,864	54,432	20,568
Regions Shared Investment	193,333	164,788	(28,545)
	$ 6,175,591	$ 15,206,473	$ 9,030,882

The Foundation's investments recorded at market value consist of the following at June 30, 2016:

June 30, 2016	Cost	Market	Unrealized Appreciation (Depreciation)
The Common Fund - Intermediate	$ 18,461	$ 7,543	$ (10,918)
The Common Fund - Equity	4,986,331	12,584,539	7,598,208
Corporate Stocks	525,767	637,510	111,743
Fixed Income Funds	45,324	46,449	1,125
Mutual Funds	10,000	10,000	-
Vanguard Wellesley	50,189	190,560	140,371
Vanguard Morgan Growth	30,654	45,461	14,807
Regions Shared Investment	193,333	165,056	(28,277)
	$ 5,860,059	$ 13,687,118	$ 7,827,059

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.

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2017 and 2016:

June 30, 2017	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 147,135	$ -	$ -	$ 147,135
Other short-term investments	-	7,552	-	7,552
Corporate fixed income	-	5,487,689	-	5,487,689
Equity securities	136,824	9,153,164	-	9,289,988
Mutual funds	256,456	164,788	-	421,244
	$ 540,415	$ 14,813,193	$ -	$ 15,353,608

June 30, 2016	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 146,581	$ -	$ -	$ 146,581
Other short-term investments	-	7,543	-	7,543
Corporate fixed income	56,056	5,181,616	-	5,237,672
Equity securities	238,709	7,544,539	-	7,783,248
Mutual funds	493,599	165,056	-	658,655
	$ 934,945	$ 12,898,754	$ -	$ 13,833,699

Note 12. Fair Value Measurement (continued)

As of June 30, 2017 and 2016, the estimated fair value of the College's alternative investments was determined by applying net asset value (NAV) as a practical expedient. Investments in funds that invest in common and collective trusts include corporate equities and domestic mid-cap equities. Management of the common and collective trusts has the ability to shift investments between categories and value strategies. The fair values of these investments have been estimated using net asset value per share. The entire value of investments in this class has no redemption restrictions and can be redeemed at the beginning of each month with seven days' notice.

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.

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

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

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, 2017 and 2016. 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, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets, June 30, 2015	$ -	$ 6,433,941	$ 5,515,356	$ 11,949,297
Contributions to endowment	-	-	292,289	292,289
Appropriation for expenditures	-	(311,581)	-	(311,581)
Investment return:				
Investment income	-	239,048	-	239,048
Net appreciation	-	(224,390)	-	(224,390)
Donor redesignation	-	45,000	(45,000)	-
Donor-restricted endowment net assets, June 30, 2016	$ -	$ 6,182,018	$ 5,762,645	$ 11,944,663
Contributions to endowment	-	-	125,322	125,322
Appropriation for expenditures	-	(360,292)	-	(360,292)
Impairment loss on land held for sale	-	(24,030)	-	(24,030)
Investment return:				
Investment income	-	212,139	-	212,139
Net appreciation	-	1,177,887	-	1,177,887
Donor-restricted endowment net assets, June 30, 2017	$ -	$ 7,187,722	$ 5,887,967	$ 13,075,689

MERIDIAN COMMUNITY COLLEGE

REQUIRED SUPPLEMENTAL INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY

For the Year Ended June 30, 2017

	2017	2016	2015
College's proportion of the total net pension liability	0.25%	0.25%	0.25%
College's proportion of the plan net position	$ 60,337,540	$ 62,266,390	$ 62,192,797
College's proportionate share of the net pension liability	$ 44,656,242	$ 38,645,070	$ 30,345,423
College's covered payroll	$ 15,778,182	$ 15,500,332	$ 15,511,079
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	283.00%	245.00%	196.00%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year end June 30, 2015, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

The notes to the required supplemental information are an integral part of this schedule.

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S CONTRIBUTIONS

For the Year Ended June 30, 2017

	2017	2016	2015
Contractually required contribution	$ 2,501,323	$ 2,485,067	$ 2,441,302
Contributions in relation to the contractually required contribution	2,501,323	2,485,067	2,441,302
Contributions deficiency (excess)	$ -	$ -	$ -
College's covered payroll	$ 15,881,416	$ 15,778,182	$ 15,500,332
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%
Proportionate share percentage	0.25%	0.25%	0.25%

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year end June 30, 2015, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

The notes to the required supplemental information are an integral part of this schedule.

MERIDIAN COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2017

Pension Schedules

(1) Changes in assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. Assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

MERIDIAN COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid - Cluster			
Federal Supplemental Education			
Opportunity Grant Program (FSEOG)	84.007		$ 121,976
Federal Direct Loans	84.268		1,715,031
Federal Work-Study Program (FWS)	84.033		126,209
Federal PELL Grant Program	84.063		6,315,219
Total U.S. Department of Education			$ 8,278,435
Total student financial aid cluster			$ 8,278,435
Other Programs			
U.S. Department of Labor			
Pass-through Programs From:			
MS Employment Security Commission:			
Smart Start, Governor's Reserve	17.260		$ 4,062
WIA Dislocated Worker Formula Grants	17.278		162,094
Total WIA Cluster			$ 166,156
Computer Software Applications Instructor	17.UN		$ 25,242
Trade Adjustment Assistance	17.245		25,472
Total U.S. Department of Labor			$ 216,870
National Aeronautics and Space Administration			
Pass-through Program From:			
University of Mississippi			
Aerospace Education Services Program	43.001		$ 17,500
Total National Aeronautics and Space Administration			$ 17,500

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Pass-through Programs From:			
State Department of Education:			
Adult Education - State Grant Program	84.002	EV048A700248	$ 188,488
Adult Literacy Education - State Grant Program	84.002A		14,494
Vocational Education Basic Grants to States	84.048	E-V243A60095	181,150
Tech-Prep Education	84.243		15,000
Total U.S. Department of Education			$ 399,132
U.S. Department of Commerce			
Economic Development Administration - Public Works	11.300		$ 1,011,871
Total U.S. Department of Commerce			$ 1,011,871
U.S. Department of Agriculture			
Supplemental Nutrition Assistance program	10.561		$ 271,473
Child Care & Development Block Grant	93.575		48,292
Total U.S. Department of Agriculture			$ 319,765
Total other programs			$ 1,965,138
Total expenditures of federal awards			$ 10,243,573

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.

Federal grants per this schedule	$ 10,243,573
Direct loans	1,715,031
Federal grants and contracts	$ 8,528,542

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*

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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, 2017, 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 1, 2018. 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, Mississippi
March 1, 2018

MERIDIAN COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

RSGS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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 *U.S. Office of Management and Budget (OMB) 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, 2017. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
March 1, 2018

MERIDIAN COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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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, 2017, and have issued our report thereon dated March 1, 2018. 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 1, 2018

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I. Summary of Auditors' Results

<u>Financial Statements – GAS Audit</u>

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

<u>Federal Awards – Single Audit</u>

4. Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
5. Type of auditors' report issued on compliance for major federal programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(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
11.300	Economic Development Administration

8. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
9. Auditee qualified as low-risk auditee?	Yes

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017 (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.