MERIDIAN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2018

C O N T E N T S

MERIDIAN COMMUNITY COLLEGE

INDEPENDENT AUDITORS’ REPORT

RSGS

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INDEPENDENT AUDITORS' REPORT

Dr. Thomas M. Huebner, 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, 2018, 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, 2018 and 2017 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, 2018, 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 4–21, the schedule of the College's share of net pension liability on page 69, the schedule of the College's contributions on page 70, the schedule of the College's share of the net OPEB liability on page 71, the schedule of the College's OPEB contributions on page 72, and notes to the required supplementary information on pages 73-75, 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 8, 2019, 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 8, 2019

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

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, 2018. 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 2017. 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, 2018 and 2017

	June 30, 2018		June 30, 2017	
	Amount	Percent	Amount	Percent
ASSETS				
Current Assets	$ 14,246,223	22.67%	$ 13,637,487	23.45%
Non-current Assets:				
Capital, net	48,585,927	77.33%	44,506,455	76.55%
Total assets	$ 62,832,150	100.00%	$ 58,143,942	100.00%
DEFERRED OUTFLOWS	$ 4,153,648	100.00%	$ 8,854,272	100.00%
LIABILITIES				
Current Liabilities	$ 3,210,048	6.63%	$ 3,005,033	5.93%
Non-current Liabilities	45,222,175	93.37%	47,642,785	94.07%
Total liabilities	$ 48,432,223	100.00%	$ 50,647,818	100.00%
DEFERRED INFLOWS	$ 1,072,635	100.00%	$ 167,187	100.00%
NET POSITION				
Net Investment in Capital Assets	$ 46,535,928	266.21%	$ 41,168,629	254.39%
Restricted:				
Expendable	423,592	2.42%	277,976	1.72%
Unrestricted	(29,478,580)	-168.63%	(25,263,396)	-156.11%
Total net position	$ 17,480,940	100.00%	$ 16,183,209	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 $11,213,520 on June 30, 2018, an increase of $1,417,886 above the balance of $9,795,634 on June 30, 2017. One main reason for the increase 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 $2,819,257 at June 30, 2018, a decrease of $673,116 below the balance of $3,492,373 at June 30, 2017.

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 $212,229 at June 30, 2018, a decrease of $20,974 below the balance of $233,203 at June 30, 2017.

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, 2018. The amount reported is net of accumulated depreciation. Capital assets, net totaled $48,585,927 at June 30, 2018, an increase of $4,079,472 over the balance of $44,506,455 at June 30, 2017.

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 changes in actuarial assumptions can have an impact on the deferred inflows/outflows of PERS. The college's proportionate share of the deferred outflows related to changes in assumptions totaled $60,353. Of this amount $17,909 has increased the pension expense for the year ended June 30, 2018. The remaining balance of $42,444 will be amortized as an increase to the pension expense over the next 2.37 years.

- Second, the employer contributions made to PERS during the 2018 fiscal year that will be reported as part of the pension expense of 2019 is reported as part of deferred outflows.

The total deferred outflows for 2018 is a combination of the $42,444 change in actuarial assumptions plus $2,500,065 of college contributions paid during the 2018 fiscal year and $3,086,217 of the unamortized outflows of the 2017 fiscal year, $2,159,590 of the unamortized deferred outflows of the 2016 fiscal year, ($1,099,697) of the unamortized deferred outflows of the 2015 fiscal year.

In addition, the "net difference between projected and actual earnings on pension plan adjustments" is netted between deferred outflows and deferred inflows. This results in a reduction of deferred outflows of $2,677,460.

The deferred outflows totaled $4,011,159 at June 30 2018, a decrease of $4,843,113 over the balance of $8,854,272 as of June 30, 2017.

<u>Deferred Outflows – Other Postemployment Benefits (OPEB)</u>

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

- The first item represents the difference between the expected expenditures of past years and the actual experience of health and life insurance 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 the State Health and Life Insurance Plan's deferred outflows due to these changes for the 2017 fiscal year as of June 30, 2017 was $65,709. This amount is amortized for over the average expected service life of members, which is 6.7. The first year of this calculation is reported as part of the OPEB expense for $9,807 for 2018. The remaining balance, $55,902 is part of the 2018 deferred outflows and will be amortized over the remaining 5.7 years.

- Second, the employer contributions made to the Life and Health Insurance Plan during the 2018 fiscal year that will be reported as part of the OPEB expense of 2019 is reported as part of deferred outflows.

The other item is $86,587 reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date and will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019.

The deferred outflows totaled $142,489 at June 30 2018.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2018 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $1,437,607 at June 30, 2018, an increase of $235,065 above the balance of $1,202,542 at June 30, 2017.

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 $612,837 at June 30, 2018, a decrease of $89,099 over the balance of $701,936 at June 30, 2017.

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, 2019 fiscal year. The amount of the current portion of compensated absences at June 30, 2018 was $67,123, an increase of $14,394 from the balance at June 30, 2017 of $52,729.

Net OPEB Liabilities – Current Portion

At June 30, 2018, the College reported a liability of $82,481 for its proportionate share of the net OPEB liability-current portion. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the College's proportion was 0.25886155 percent. This was an increase of 0.00804772 percent from the proportionate share as of the measurement date of June 30, 2016.

Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that will be paid during the 2019 fiscal year. The amount of the current portion of long-term debt at June 30, 2018 was $1,010,000, a decrease of $37,826 below the balance of $1,047,826 on June 30, 2017.

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 $57,466 at June 30, 2018, an increase of $15,450 over the balance of $42,016 at June 30, 2017.

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, 2018 was $617,655, a decrease of $36,872 below the balance of $654,527 at June 30, 2017.

Long-term Liabilities

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. The total amount of the non-current portion of long-term debt was $1,040,000 at June 30, 2018, a decrease of $1,250,000 below the balance of $2,290,000 at June 30, 2017.

Net Pension Liabilities

The College's proportionate share of the Net Pension Liability (NPL) of PERS was $41,558,484 for the statement of net position of June 30, 2018. 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, 2017, 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%. The total amount of the net pension liability was $41,558,484 at June 30, 2018, a decrease of $3,097,758 below the balance of $44,656,242 at June 30, 2017. Additional information is disclosed in Note 9 "Pension Plan."

Net OPEB Liabilities

At June 30, 2018, the College reported a liability of $1,948,570 for the noncurrent portion of its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the College's proportion was 0.25886155%. This was an increase of 0.00804772% from the proportionate share as of the measurement date of June 30, 2016.

Deferred Inflows – Pensions

Deferred inflows consist of inflows that will be reported in future periods that will decrease the pension expense. Deferred inflows are a proportionate share of the deferred inflows reported by PERS for the year ended June 30, 2018 and the remaining unamortized deferred inflows reported by PERS for the years ended June 30, 2017 and 2016. This consists of three items:

- The first item represents the college's proportionate share of the deferred inflows of PERS which was $46,394 for the year ended June 30, 2018. This consists of the difference between the actual and projected earnings on plan investments. This amount is amortized over 3.37 years. Of this amount $13,767 has been expensed in the 2018 fiscal year. The remaining amount of $32,627 will be amortized over the next 2.37 years.

- The next item 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 inflows due to these changes for the 2017 fiscal year as of June 30, 2017 was $431,190. This amount is amortized for over the average expected service life of members which is 3.37. The first year of this calculation is reported as part of the pension expense for $127,950 for 2018. The remaining balance, $303,240 is part of the 2018 deferred inflows and will be amortized over the remaining 2.37 years.

- In addition, there are deferred inflows due to the net difference between projected and actual earnings on investments. The college's proportionate share of these PERS deferred inflows for the 2017 fiscal year as of June 30, 2017 was $4,013,793. This amount is amortized over a 5-year period. The first year of this calculation is reported as pension expense for $802,759 for 2018. The remaining balance of $3,211,034, is part of the 2018 deferred inflows and will be amortized over the remaining 4 years.

The amount of deferred inflows for PERS 2016 fiscal year has been amortized for 3 of the past 5 years, leaving a balance of $99,774 to be reported as a decrease to the pension expense over the next 2 years.

In addition, the "net difference between projected and actual earnings on pension plan adjustments" is netted between deferred outflows and deferred inflows. This results in a reduction of deferred inflows of $3,211,034.

These changes combined with the prior year unamortized deferred inflows represent the detail of the balance of deferred inflows of $969,215 as of June 30, 2018 and the increase in the deferred inflows of $802,028 above the deferred inflow balance of $167,187 as of June 30, 2017.

Deferred Inflows OPEB

The changes in actuarial assumptions can have an impact on the deferred inflows/outflows of OPEB. The college's proportionate share of the deferred inflows related to changes in assumptions totaled $103,420. The balance of $103,420 will be amortized as a decrease to the OPEB expense over the next 5.7 years.

The deferred inflows totaled $103,420 at June 30 2018.

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, 2018 was $17,480,940, an increase of $1,297,731 from the balance of $16,183,209 on June 30, 2017 as reflected on the statement of revenues, expenses, and changes in net position for fiscal year 2017.

Analysis of Net Position

The net investment in capital assets totaled $46,535,928, an increase of $5,367,299 from the balance of $41,168,629 on June 30, 2017. This is a result of the following increases and decreases:

Increases to construction in-progress	$	4,548,735
Increases to library books		15,290
Increases to equipment		569,783
Debt retired		1,287,826
Increases to donated land		84,000
Increases to donated buildings		283,741
Deletions to equipment & improvements, net		(235)
Deletions to library books		(25,597)
Depreciation expense		(1,396,244)
	$	5,367,299

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, 2018 Amount	June 30, 2017 Amount
Unemployment funds	$ 179,272	$ 178,900
Capital projects	200	-
Grants and contracts	244,120	99,076
Total restricted net position	$ 423,592	$ 277,976

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, 2018 was $(29,478,580), a decrease of $4,215,184, as compared to the unrestricted net position at June 30, 2017 of $(25,263,396).

The following is a breakdown of the unrestricted net position:

	June 30, 2018 Amount	June 30, 2017 Amount
Unrestricted undesignated fund	$ (32,191,324)	$ (29,061,975)
Unrestricted designated fund	2,333,326	2,031,399
Unrestricted auxiliary fund	379,418	1,767,180
Total unrestricted net position	$ (29,478,580)	$ (25,263,396)

In connection with the application of standards on accounting and financial reporting for pensions and OPEB liabilities, management represents the following additional information:

Total unrestriced net position (deficit)	$ (29,478,580)
Less unrestricted deficit in net position resulting from recognition of the net pension and OPEB liabilities, including the deferred outflows and deferred inflows related to pension and OPEB	40,508,522
Unrestricted net position, exclusive of the net pension and OPEB liabilty effect	$ 11,029,942

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

GASB 68 and 75 impact on Net Position:

	2018	2017
Total net position	$ 17,480,940	$ 16,183,209
Deferred outflows of resources- pension	$ (4,011,159)	$ (8,854,272)
Deferred inflows of resources- pension	969,215	167,187
Net pension liability	41,558,484	44,656,242
Total impact on GASB 68	$ 38,516,540	$ 35,969,157
Net position net of GASB 68 impact	$ 55,997,480	$ 52,152,366
Deferred outflows of resources - OPEB	$ (142,489)	$ -
Deferred inflows of resources- OPEB	103,420	-
Net OPEB liability	2,031,051	-
Total impact on GASB 75	$ 1,991,982	$ -
Net position net of GASB 68 and 75 impact	$ 57,989,462	$ 52,152,366
Less investment in capital assets	(46,535,928)	(41,168,629)
Less restricted net position	(423,592)	(277,976)
Unrestricted	$ 11,029,942	$ 10,705,761

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

For the years ended June 30, 2018 and 2017:

	June 30, 2018 Amount	June 30, 2017 Amount
Operating revenues		
Tuition and fees, net	$ 4,236,139	$ 4,225,985
Grants and contracts	13,640,415	12,365,064
Auxiliary enterprises, net	3,738,171	3,740,750
Other operating revenues	566,861	548,583
Total operating revenues	$ 22,181,586	$ 20,880,382
Operating expenses	$ 39,131,280	$ 38,816,950
Operating loss	$(16,949,694)	$(17,936,568)
Non-operating revenues		
State appropriations	$ 12,836,793	$ 13,187,901
Local appropriations	2,260,966	2,271,993
Investment income, net	83,452	79,817
Net non-operating revenues	$ 15,181,211	$ 15,539,711
Loss before other revenues, expenses, gains and losses	$ (1,768,483)	$ (2,396,857)
State appropriations restricted for capital purposes	$ 3,503,981	$ 2,659,568
Local appropriations restricted for capital purposes	1,243,566	1,251,311
Federal grant for capital purposes	-	1,011,871
Private grant for capital purposes	-	28,410
Capital gifts	369,960	1,478
Other deletions, net	(83,342)	(136,490)
Total other revenues, net	$ 5,034,165	$ 4,816,148
Total increase in net position	$ 3,265,682	$ 2,419,291
Net position		
Net position at beginning of year, as previously reported	$ 16,183,209	$ 13,763,918
Prior period adjustment - Net OPEB liability	(1,967,951)	-
Net position at beginning of year, restated	$ 14,215,258	$ 13,763,918
Net position at end of year	$ 17,480,940	$ 16,183,209

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

The following shows GASB 68 and 75 and other non-cash items impact on the Change of Net Position:

	2018	2017
Change in net position	$ 3,265,682	$ 2,419,291
GASB 68 impact	2,547,383	2,961,699
GASB 75 impact	24,031	-
Change in total net position, net of GASB 68 and GASB 75 impact	$ 5,837,096	$ 5,380,990
Less investment in capital assets changes	(5,367,299)	(8,319,749)
Less restricted and plant fund changes	(145,616)	3,023,260
Change in unrestricted net position, net of GASB 68 and GASB 75 impact	$ 324,181	$ 84,501
Other non-cash transactions:		
Depreciation	1,396,244	1,367,700
Compensated absences	(22,478)	(27,646)

Total operating loss for the fiscal year 2018 was $16,949,694, a decrease of $986,874 over the loss for fiscal year 2017 of $17,936,568. 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 2018 were $22,181,586. Tuition and fees were $4,236,139. The scholarship allowance was $5,910,475. Operating expenses, including depreciation of $1,396,244, totaled $39,131,280.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling $4,236,139. The scholarship allowance for the 2018 fiscal year was $5,910,475.

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, 2018 and 2017:

	June 30, 2018 Amount	June 30, 2017 Amount
Federal	$ 8,094,425	$ 7,516,671
State	3,394,375	2,994,958
Local	21,527	20,116
Private	2,130,088	1,833,319
Total all sources	$ 13,640,415	$ 12,365,064

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $429,963 for the 2018 fiscal year, an increase of $100,590 over the balance of $329,373 for the 2017 fiscal year.

Sales and Services, Net

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

Operating Expenses

Operating expenses totaling $39,131,280 include salaries and benefits of $24,284,193, utilities of $847,886, supplies of $3,342,114, services of $4,294,243, and depreciation of $1,396,244.

	June 30, 2018 Amount	June 30, 2017 Amount
Expenses by functions		
Instruction	$ 14,512,996	$ 14,280,940
Academic support	2,731,684	2,760,212
Student services	3,810,975	3,547,370
Institutional support	6,995,267	7,172,489
Operations and maintenance of plant	3,090,993	2,982,182
Student financial aid	3,313,895	3,460,651
Auxiliary enterprises	3,279,226	3,245,406
Depreciation	1,396,244	1,367,700
Total operating expenses by function	$ 39,131,280	$ 38,816,950

The following schedule shows operating expenses by function with prior year figures and changes:

	June 30, 2018 Amount	June 30, 2017 Amount	Increase (Decrease)
Expenses by functions			
Instruction	$ 14,512,996	$ 14,280,940	$ 232,056
Academic support	2,731,684	2,760,212	(28,528)
Student services	3,810,975	3,547,370	263,605
Institutional support	6,995,267	7,172,489	(177,222)
Operations and maintenance of plant	3,090,993	2,982,182	108,811
Student financial aid	3,313,895	3,460,651	(146,756)
Auxiliary enterprises	3,279,226	3,245,406	33,820
Depreciation	1,396,244	1,367,700	28,544
Total operating expenses by function	$ 39,131,280	$ 38,816,950	$ 314,330
Less effect of GASB 68	$ (2,547,383)	$ (2,961,699)	$ 414,316
Less effect of GASB 75	(24,031)	-	(24,031)
Less depreciation	(1,396,244)	(1,367,700)	(28,544)
Less change in compensated absences	22,478	27,646	(5,168)
Total operating expenses after adjustments	$ 35,186,100	$ 34,515,197	$ 670,903

The following schedule shows operating expenses by object with prior year figures and changes:

	June 30, 2018 Amount	June 30, 2017 Amount	Increase (Decrease)
Expenses by objects			
Salries and wages	$ 16,453,478	$ 16,479,110	$ (25,632)
Fringe benefits	7,830,715	8,152,530	(321,815)
Travel	623,394	504,720	118,674
Contractual services	4,294,243	3,851,326	442,917
Commodities	3,342,114	3,221,204	120,910
Utilities	847,886	805,612	42,274
Scholarships and fellowships	3,337,261	3,484,975	(147,714)
Depreciation	1,396,244	1,367,700	28,544
Other	1,005,945	949,773	56,172
Total operating expenses by function	$ 39,131,280	$ 38,816,950	$ 314,330
Less effect of GASB 68	$ (2,547,383)	$ (2,961,699)	$ 414,316
Less effect of GASB 75	(24,031)	-	(24,031)
Less depreciation	(1,396,244)	(1,367,700)	(28,544)
Less change in compensated absences	22,478	27,646	(5,168)
Total operating expenses after adjustments	$ 35,186,100	$ 34,515,197	$ 670,903

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received $16,340,774 for the 2017-2018 fiscal year, of which $12,836,793 was for operations. This represents a decrease of $351,108 below the amount received for operations in the previous year. State appropriations for capital projects of $3,503,981 were paid on behalf of the College during the 2018 fiscal year.

Local Appropriations

The College also receives revenue from the City of Meridian and Lauderdale County. The College received $3,504,532 for the 2018 fiscal year from the local government of which $2,260,966 was for operating purposes. This represents a decrease of $11,027 of local operating revenue received from the local government for operating purposes in the previous year. The remaining $1,243,566 was received in fiscal year 2018 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 $83,452 was earned during the 2018 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The College received $3,503,981 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2018 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:

$3,471,847 was used for a new dormitory, and
$32,134 was used on the repair of the Ivy Hall roof.

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 $1,243,566 for the 2018 fiscal year. These funds were used to support the construction of the new dormitory, construction of the athletic weight room facility, drainage repairs, 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 construction note.

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 2018 fiscal year. Other additions (deletions), net were ($83,342) for the 2018 fiscal year. This is a combination of interest on indebtedness of

$57,792, plant assets sold or retired of $235, deletions to plant of $25,597, and addition of re-instated books or audio-visuals of $282. This is a $53,148 decrease from the total of ($136,490) for the 2017 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, 2018 and 2017:

	June 30, 2018 Amount	June 30, 2017 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	$ (12,092,303)	$ (14,822,405)
Non-capital financing activities	15,156,115	15,517,434
Capital and related financing activities	(1,729,378)	(4,537,290)
Investing activities	83,452	79,817
Net decrease in cash and cash equivalents	$ 1,417,886	$ (3,762,444)
Cash and cash equivalents - beginning of year	9,795,634	13,558,078
Cash and cash equivalents - end of year	$ 11,213,520	$ 9,795,634

The major sources of funds included in operating activities include student tuition and fees, $3,621,779, auxiliary enterprises, $3,753,621, and grants and contracts, $14,415,767. The major uses of funds were payments made to and for employees, $21,721,221, to scholarships and fellowships, $3,324,661, to service providers, $4,281,718 and to suppliers, $3,323,364.

The largest inflow of cash in the non-capital financing activities group is the State appropriation for operating purposes of $12,881,659.

Significant Capital Asset Transactions

Elliott Hall (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 2018, $3,471,847 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. During 2018, the College completed this project with additional cost of $3,421 on this renovation.

Track Field House

During 2018, the College spent $1,040,181 on the construction of a new Track Field House. The college completed the project in the fall of 2018.

Weight Room Facility

During 2018, the College began construction of a new Weight Room Facility for Athletics with $21,186 spent as of June 30, 2018.

Smaller Capital Projects

During the 2018 fiscal year, several smaller projects were in process of completion, including the renovation of a staff house located across the street from campus and the construction of a new boardroom located in the Dulaney Multi-Purpose Center.

Contact Information

This financial report is designed to provide a general overview of the College's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Chief Financial Officer, Pam Harrison at Meridian Community College, 910 Highway 19 North, Meridian, MS 39307.

MERIDIAN COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2018

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current Assets	
Cash and cash equivalents	$ 11,213,520
Accounts receivables, net (note 3)	2,819,257
Inventories	212,229
Prepaid expenses	1,217
Total current assets	$ 14,246,223
Non-current Assets	
Capital assets, net of accumulated depreciation (note 5)	$ 48,585,927
Total non-current assets	$ 48,585,927
Total assets	$ 62,832,150
Deferred Outflows	
Deferred outflows - pensions	$ 4,011,159
Deferred outflows - OPEB	142,489
Total deferred outflows	$ 4,153,648

LIABILITIES

Current Liabilities	
Accounts payable and accrued liabilities	$ 1,437,607
Annual leave liabilities - current portion (note 6)	67,123
Unearned revenues	612,837
Net OPEB liability- current portion	82,481
Long-term liabilities - current portion (note 6)	1,010,000
Total current liabilities	$ 3,210,048
Non-current Liabilities	
Deposits refundable	$ 57,466
Accrued leave liabilities	617,655
Long-term liabilities (note 6)	1,040,000
Net pension liabilities	41,558,484
Net OPEB liabilities	1,948,570
Total non-current liabilities	$ 45,222,175
Total liabilities	$ 48,432,223
Deferred Inflows	
Deferred inflows - pensions	$ 969,215
Deferred inflows - OPEB	103,420
Total deferred inflows	$ 1,072,635

NET POSITION

Net investment in capital assets	$ 46,535,928
Restricted for:	
Expendable:	
Unemployment compensation	179,272
Capital projects	200
Grants and contracts	244,120
Unrestricted	(29,478,580)
Total net position	$ 17,480,940

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash	$ 243,287	$ 288,834
Certificates of deposit	147,634	147,135
Investments	16,417,794	15,206,473
Pledge receivables	972,869	809,597
Property and equipment, net	757,668	778,549
Land held for sale	9,470	9,470
Other assets	252,545	252,934
Total assets	$ 18,801,267	$ 17,492,992
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 62,055	$ 55,076
Annuity liability	32,826	34,549
Total liabilities	$ 94,881	$ 89,625
Net Assets		
Unrestricted	$ 1,068,649	$ 1,129,746
Temporarily restricted	10,541,493	9,709,104
Permanently restricted	7,096,244	6,564,517
Total net assets	$ 18,706,386	$ 17,403,367
Total liabilities and net assets	$ 18,801,267	$ 17,492,992

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

Operating Revenues	
Tuition and fees (net of scholarship allowances of $5,910,475)	$ 4,236,139
Federal grants and contracts	8,094,425
State grants and contracts	3,394,375
Local grants and contracts	21,527
Nongovernmental grants and contracts	2,130,088
Sales and services of educational departments	429,963
Auxiliary enterprises:	
Student housing (net of scholarship allowances of $30,230)	633,975
Food services (net of scholarship allowances of $45,344)	589,995
Bookstore	2,407,503
Other auxiliary revenues	106,698
Other operating revenues	136,898
Total operating revenues	$ 22,181,586
Operating Expenses	
Salaries and wages	$ 16,453,478
Fringe benefits	7,830,715
Travel	623,394
Contractual services	4,294,243
Utilities	847,886
Scholarships and fellowships	3,337,261
Commodities	3,342,114
Depreciation expense	1,396,244
Other operating expenses	1,005,945
Total operating expenses	$ 39,131,280
Operating loss	$ (16,949,694)

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, 2018

Non-operating Revenues (Expenses)	
State appropriations	$ 12,836,793
Local appropriations	2,260,966
Investment income	83,452
Total net non-operating revenues	$ 15,181,211
Loss before other revenues, expenses, gains and losses	$ (1,768,483)
State appropriations restricted for capital purposes	3,503,981
Local appropriations restricted for capital purposes	1,243,566
Capital gifts	369,960
Other deletions, net	(83,342)
Change in net position	$ 3,265,682
Net Position	
Net position - beginning of year, as previously reported	$ 16,183,209
Prior period adjustment - net OPEB liability	(1,967,951)
Net position - beginning of year, restated	$ 14,215,258
Net position - end of year	$ 17,480,940

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and reclassifications				
Contributions	$ 392,053	$ 485,551	$ 533,120	$ 1,410,724
Interest and dividends	7,748	249,845	-	257,593
Gain on sale of assets	-	398	-	398
Impairment loss on land held for sale	-	1,393	(1,393)	-
Grant revenues	-	1,107,159	-	1,107,159
Miscellaneous other income	-	6,200	-	6,200
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,876,669	(1,876,669)	-	-
Total public support, revenues and reclassifications	$ 2,276,470	$ (26,123)	$ 531,727	$ 2,782,074
Expenses				
Scholarships	$ 601,124	$ -	$ -	$ 601,124
Awards	6,645	-	-	6,645
Faculty/staff programs	64,783	-	-	64,783
Annuity interest expense	8,078	-	-	8,078
Other program expense	1,130,461	-	-	1,130,461
Management and general	215,771	-	-	215,771
Donations to Meridian Community College	348,181	-	-	348,181
Total expenses	$ 2,375,043	$ -	$ -	$ 2,375,043
Other income				
Unrealized holding gains on marketable securities available for sale	$ 4,219	$ 107,177	$ -	$ 111,396
Excess of revenues over expenses before capital additions	$ (94,354)	$ 81,054	$ 531,727	$ 518,427
Capital additions				
Unrealized holding gains on marketable securities available for sale - endowment funds	-	784,592	-	784,592
Excess of revenues over expenses after capital additions	$ (94,354)	$ 865,646	$ 531,727	$ 1,303,019
Net assets, beginning of year	1,129,746	9,709,104	6,564,517	17,403,367
Fund transfers in (out)	33,257	(33,257)	-	-
Net assets, end of year	$ 1,068,649	$ 10,541,493	$ 7,096,244	$ 18,706,386

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 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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Tuition and fees	$ 3,621,779
Grants and contracts	14,415,767
Sales and services of educational departments	429,963
Payments to suppliers	(3,323,364)
Payments to employees for salaries and benefits	(21,721,221)
Payments for contractual services	(4,281,718)
Payments for travel	(502,034)
Payments for other expenses	(454,763)
Payments for utilities	(832,482)
Payments for scholarships and fellowships	(3,324,661)
Auxiliary enterprise revenues:	
Residence halls	649,426
Bookstore	2,407,501
Food services	589,995
Other	106,699
Other payments	126,810
Net cash used in operating activities	$ (12,092,303)
Cash Flows from Noncapital Financing Activities	
State appropriations	$ 12,881,659
Local appropriations	2,260,966
Agency transfers - in	840,699
Agency transfers - out	(827,209)
Federal loan receipts	1,763,145
Federal loan disbursements	(1,763,145)
Net cash provided by noncapital financing activities	$ 15,156,115

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2018

Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	$	(5,131,307)
Capital appropriations received		4,747,547
Principal paid on capital debt and leases		(1,287,826)
Capital debt interest paid		(57,792)
Net cash used by capital and related financing activities	$	(1,729,378)
Cash Flows from Investing Activities		
Interest received on investments	$	83,452
Net cash provided by investing activities	$	83,452
Net increase in cash and cash equivalents	$	1,417,886
Cash and cash equivalents - beginning of year		9,795,634
Cash and cash equivalents - end of year	$	11,213,520
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(16,949,694)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense		1,396,244
Change in pension expense - GASB 68		2,547,383
Change in OPEB expense - GASB 75		24,031
Changes in assets and liabilities:		
Receivables, net (excluding the state appropriations)		628,250
Inventories		20,974
Prepaid expenses		115,060
Accounts payables		221,575
Unearned revenues		(89,098)
Accrued leave liability		(22,478)
Deposits refundable		15,450
Net cash used in operating activities	$	(12,092,303)

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Excess (deficiency) revenues over expenses	$ 1,303,019	$ 1,430,229
Adjustments to reconcile change in net assets used in operating activities:		
Depreciation expense	20,881	24,843
Gain on sale of assets	(398)	(3,526)
Impairment of land held for sale	-	38,969
Change in assets/liabilities:		
(Increase) decrease in accounts receivables	58	58
(Increase) decrease in pledge receivables	(163,272)	9,979
Increase (decrease) in accounts payables	6,979	(46,392)
Unrealized holding gains on securities	(895,988)	(1,353,271)
Cash contributions restricted for endowments	(372,560)	(127,091)
Non-cash contributions	(120,715)	(401,035)
Non-cash expenses	118,617	247,629
Net cash used in operating activities	$ (103,379)	$ (179,608)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	$ 278,196	$ 777,574
Proceeds from sales of assets	-	6,000
Purchases of investments	(592,924)	(773,700)
Net cash provided by (used in) investing activities	$ (314,728)	$ 9,874

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS (continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowments	$ 372,560	$ 125,322
Net cash provided by financing activities	$ 372,560	$ 125,322
Net decrease in cash and cash equivalents	$ (45,547)	$ (44,412)
Cash and cash equivalents - beginning of year	288,834	333,246
Cash and cash equivalents - end of year	$ 243,287	$ 288,834

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

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, 2018, the Foundation distributed $1,974,807 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 College has deferred outflows which are presented as a deferred outflow for pension and OPEB.

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 College has deferred inflows which are presented as a deferred inflow for pension and OPEB.

See Note 9 and 10 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, 2018, as reported in the statement of net position is $684,778 with $67,123 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. See Note 9 for further details.

M. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Mississippi State and School Employees Life and Health Insurance Plan and additions to/deductions from OPEB's fiduciary net position have been determined on the same basis as they are reported by Mississippi State and School Employees Life and Health Insurance Plan. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017. See Note 10 for further details.

N. 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.

O. 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)

P. Scholarship Discounts and Allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). 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.

Q. 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 $(29,478,580) at June 30, 2018, includes $2,333,326 reserved for designations, and $379,418 reserved for auxiliaries and a remaining amount of $(32,191,324).

R. Subsequent Events

Management has evaluated subsequent events through March 8, 2019, 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

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, 2018, 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, 2018, 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, 2018:

Student tuition and fees	$ 7,497,599
Federal, state and private grants and contracts	919,561
State appropriations	133,848
Other	244,402
Total accounts receivable	$ 8,795,410
Less allowance for doubtful accounts	(5,976,153)
Net accounts receivable	$ 2,819,257

Note 4. Notes Receivable from Students

In June 2018, 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, 2018:

	Interest Rates	June 30, 2018	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, 2018, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2018	07/01/17 Beginning Balance	Increases	Decreases	06/30/18 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 2,930,418	$ 84,000	$ -	$ 3,014,418
Art collection	15,525	-	-	15,525
Construction in-progress	3,445,345	4,548,735	208,495	7,785,585
Total capital assets, non-depreciable	$ 6,391,288	$ 4,632,735	$ 208,495	$ 10,815,528
Capital assets, depreciable:				
Improvements other than buildings	$ 6,167,405	$ -	$ -	$ 6,167,405
Buildings	47,945,981	492,236	-	48,438,217
Equipment	4,488,794	569,783	23,470	5,035,107
Library books	1,249,715	15,290	25,597	1,239,408
Total capital assets, depreciable	$ 59,851,895	$ 1,077,309	$ 49,067	$ 60,880,137
Less accumulated depreciation for:				
Improvements other than buildings	$ 3,092,798	$ 164,964	$ -	$ 3,257,762
Buildings	13,922,568	903,187	-	14,825,755
Equipment	3,574,629	328,160	23,236	3,879,553
Library books	1,146,735	(67)	-	1,146,668
Total accumulated depreciation	$ 21,736,730	$ 1,396,244	$ 23,236	$ 23,109,738
Total depreciable capital assets, net	$ 38,115,165	$ (318,935)	$ 25,831	$ 37,770,399
Capital assets, net of depreciation	$ 44,506,453	$ 4,313,800	$ 234,326	$ 48,585,927

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, 2018. 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, 2018, 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 and Note 10 for information regarding OPEB liabilities.

Note 6. Long-term Liabilities (continued)

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balances 7/1/2017	Additions	Reductions	Ending Balances 6/30/2018	Due Within One Year
Bonded Debt								
Limited-tax refunding bonds, Series 2009	$ 1,910,000	3.40%	2018	$ 240,000	$ -	$ 240,000	$ -	$ -
Total bonded debt	$ 1,910,000			$ 240,000	$ -	$ 240,000	$ -	$ -
Note Payable								
BankPlus loan for renovation of Workforce	$ 4,900,000	1.27%	2020	$ 3,030,000	$ -	$ 980,000	$ 2,050,000	$ 1,010,000
Total note payable	$ 4,900,000			$ 3,030,000	$ -	$ 980,000	$ 2,050,000	$ 1,010,000
Capital Leases								
Energy Master lease			2018	$ 67,826	$ -	$ 67,826	$ -	$ -
Total capital leases				$ 67,826	$ -	$ 67,826	$ -	$ -
Other Long-term Liabilities								
Accrued leave liabilities				$ 707,256	$ -	$ 22,478	$ 684,778	$ 67,123
Deposits refundable				42,016	87,141	71,691	57,466	-
Total other long-term liabilities				$ 749,272	$ 87,141	$ 94,169	$ 742,244	$ 67,123
Total				$ 4,087,098	$ 87,141	$ 1,381,995	$ 2,792,244	$ 1,077,123
Due within one year							$ 1,077,123	
Total long-term liabilities (excluding net pension liabilities and OPEB liabilities)							$ 1,715,121	

Note 6. Long-term Liabilities (continued)

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

	Notes Payable	Interest	Total
2019	$ 1,010,000	$ 31,770	$ 1,041,770
2020	1,040,000	14,560	1,054,560
Total	$ 2,050,000	$ 46,330	$ 2,096,330

Note 7. Construction Commitments and Financing

The College is close to completing construction of a new dormitory assisted by the State of Mississippi, Bureau of Buildings, Grounds and Real Property and track fieldhouse assisted by the City of Meridian. In addition, the College began construction on a new weight training facility assisted by the City of Meridian. The estimated costs to complete these projects are presented below:

		Funded by	
Project Title	Total Costs to Complete	State Sources	Institutional Funds
Track Fieldhouse	$ 156,476	$ -	$ 156,476
Weight Training Facility	728,814	-	728,814
New Dormitory	506,197	506,197	-
Total	$ 1,391,487	$ 506,197	$ 885,290

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2018:

Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships and Fellowships	Depreciation Expense	Other	Total
Instruction	$ 9,793,189	$ 2,836,198	$ 309,699	$ 885,736	$ 488,447	$ 24,861	$ 23,366	$ -	$ 151,500	$ 14,512,996
Academic support	1,288,072	503,948	18,709	603,345	87,227	-	-	-	230,383	2,731,684
Student services	2,252,690	728,287	248,071	345,764	204,935	-	-	-	31,228	3,810,975
Institutional support	1,892,568	3,281,767	43,321	992,119	221,120	-	-	-	564,372	6,995,267
Operation of plant	930,370	354,731	2,757	627,648	534,964	631,127	-	-	9,396	3,090,993
Student aid	-	-	-	-	-	-	3,313,895	-	-	3,313,895
Auxiliary enterprises	296,589	125,784	837	839,631	1,805,421	191,898	-	-	19,066	3,279,226
Depreciation	-	-	-	-	-	-	-	1,396,244	-	1,396,244
Total operating expenses	$ 16,453,478	$ 7,830,715	$ 623,394	$ 4,294,243	$ 3,342,114	$ 847,886	$ 3,337,261	$ 1,396,244	$ 1,005,945	$ 39,131,280

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, 2018 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, 2018, 2017, 2016 and 2015 were $2,500,065, $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, 2018, the College reported a liability of $41,558,484 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was .25 percent, which was based on a measurement date of June 30, 2017. 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, 2018, the College recognized pension expense of $5,047,448. At June 30, 2018, 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	$ 597,062	$ 303,240
Changes in proportion and differences between college contributions and proportionate share of contributions	(9,655)	61,584
Net difference between projected and actual earnings on pension plan investments	-	533,574
Changes in assumptions	923,687	70,817
College contributions subsequent to the measurement date	2,500,065	-
Total	$ 4,011,159	$ 969,215

Note 9. Pension Plan (continued)

$2,500,065 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, 2019. 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:		
2019	$	(679,868)
2020		(631,139)
2021		(33,630)
2022		802,758
Total	$	(541,879)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25-18.50 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 2022 with male rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00%	4.60%
International equity	18.00%	4.50%
Emerging markets equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real estate	10.00%	3.50%
Private equity	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
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 the current employer contribution rate 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	$ 54,506,728	$ 41,558,484	$ 30,808,630

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. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description - State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided - The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Note 10. Other Postemployment Benefits (OPEB) (continued)

Contributions - The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were $86,587 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the College reported a liability of $2,031,051 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the College's proportion was 0.25886155 percent. This was an increase of 0.00804772 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of $110,618. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ -	$ -
Changes in proportion and differences between college contributions and proportionate share of contributions	55,902	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in assumptions	-	103,420
College contributions subsequent to the measurement date	86,587	-
Total	$ 142,489	$ 103,420

Note 10. Other Postemployment Benefits (OPEB) (continued)

$86,587 reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:		
2019	$	(8,337)
2020		(8,337)
2021		(8,337)
2022		(8,337)
2023		(8,337)
thereafter		(5,833)
Total	$	(47,518)

Actuarial assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment rate of return, net of OPEB plan investment expense, including inflation	N/A
Municpal Bond Index Rate	
Measurement date	3.56 percent
Prior Measurement date	3.01 percent
Year FNP is projected to be depleted	
Measurement date	2017
Prior Measurement date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement date	3.56 percent
Prior Measurement date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

Note 10. Other Postemployment Benefits (OPEB) (continued)

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56%. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

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

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% decrease 2.56%	discount rate 3.56%	1% increase 4.56%
Net OPEB liability	$ 2,084,690	$ 2,031,051	$ 1,991,106

Note 10. Other Postemployment Benefits (OPEB) (continued)

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates

	1% decrease	Healthcare cost trend rates current	1% increase
Net OPEB liability	$ 1,875,812	$ 2,031,051	$ 2,208,273

OPEB plan fiduciary net position - The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 11. Deficit Net Position

The unrestricted net position has a deficit fund balance in the amount of $29,478,580. This deficit net position is a direct result of recording the requirements the following three standards of the Governmental Accounting Standards Board:

- Governmental Accounting Standards Board Statement No. 68 (GASB 68) "Accounting and Financial Reporting for Pensions,"
- Governmental Accounting Standards Board Statement No. 71 (GASB 71) "Pension Transition for Payments Made Subsequent to the Measurement Date," and
- Governmental Accounting Standards Board Statement No. 75 (GASB 75) "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions."

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. In addition, as explained in Note 10, the college participation in the State and School Employees' Life and Health Insurance Plan requires the reporting of our proportionate share of the deferred outflows, deferred inflows and the net other postemployment benefit plan liabilities that further increased the deficit net position.

Note 12. Prior Period Adjustment

A summary of significant net position adjustments is as follows:

Net position - June 30, 2017, as previously reported	$	16,183,209
Cumulative effect of changes from adoption of GASB 75		(1,967,951)
Net position - June 30, 2017, restated	$	14,215,258

Note 13. 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, 2018 and 2017

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)

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:

	2018	2017
Land	$ 59,040	$ 59,040
Land improvements	14,500	14,500
Buildings and improvements	874,163	874,163
Equipment	15,849	15,849
	$ 963,552	$ 963,552
Less: accumulated depreciation	(205,884)	(185,003)
	$ 757,668	$ 778,549

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 $20,881 and $24,843 for years ended June 30, 2018 and 2017, respectively.

Investments

Investments are recorded at fair value. The fair values of all investments other than real estate are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. The Foundation's real estate investments are

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, 2018 and 2017 for cash and cash equivalents, investments, pledges receivable, accounts payable, and annuity liabilities approximate their fair values. See note 10 for Investments.

Other Assets

Other assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Life insurance policies	$ 11,491	$ 11,822
Steel sculpture	5,000	5,000
Cartmell oil portraits	20,959	20,959
Donations of artwork	214,683	214,683
Miscellaneous receivable	412	470
	$ 252,545	$ 252,934

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 2018, 2017, 2016 and 2015 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, 2018 and 2017:

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	$ 292,407	$ 198,633
One year to five years	300,000	200,000
Over five years	550,000	600,000
	1,142,407	998,633
Less unamortized discount (3.95%)	(169,538)	(189,036)
	$ 972,869	$ 809,597

The pledge receivable from the Phil Hardin Foundation dated December 12, 2014 has a balance of $800,000 and $850,000 as of June 30, 2018 and 2017, 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, the third installment was received November 9, 2016, and the fourth installment was received November 28, 2017. Additional $50,000 installments will be made over the next 16 years.

Based on the Foundation’s historical collection rate and evaluation of pledges receivable at June 30, 2018 and 2017, 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, 2018 through March 8, 2019, 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.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These classifications have no effect on the reported net assets or changes in net assets.

Recent Accounting Pronouncements

The FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, in August 2016. ASU 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.

The FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230), Presentation of Financial Statements of Not-For-Profit Entities, in August 2016. ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash and restricted cash. Therefore, amounts generally described as restricted cash should be included with cash when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018, using a retrospective transition method to each period presented. The Foundation is currently evaluating the impact that ASU 2016-18 will have on the financial statements.

In June 2018, The FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides assistance in determining if a transaction should be accounted for as a contribution or an exchange, as well as providing guidance in determining whether a contribution is conditional. The guidance should be applied on a modified prospective basis, although retrospective application is permitted. The new standard is effective for the Foundation for the fiscal year ended 2020. The Foundation is currently evaluating the impact on the financial statements and related disclosures and has not yet determined the impact of the new standard.

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:

	2018	2017
Purpose restriction accomplished:		
Scholarship programs	$ 387,568	$ 394,486
Awards	950	1,650
Faculty/staff programs	64,783	79,681
Annuity interest expense	8,078	8,078
Other program services	1,130,461	1,344,073
Management and general	20,335	12,344
Donations to Meridian Community College	264,494	183,127
	$ 1,876,669	$ 2,023,439

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

	2018	2017
Donor-restricted endowment funds	$ 7,817,348	$ 7,187,722
Scholarships	858,180	834,579
Awards	16,935	14,251
Faculty/staff programs	104,004	112,351
Capital support - Meridian Community College	343,723	355,557
Other program services	1,401,303	1,204,644
	$ 10,541,493	$ 9,709,104

Note 3. Permanently Restricted Net Assets

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

	2018	2017
Donor-restricted endowment funds	$ 6,259,134	$ 5,887,967
Contribution receivable	837,110	676,550
	$ 7,096,244	$ 6,564,517

Note 4. Annuity Liability

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

At June 30, 2018 and 2017, the annuity liability amounted to $32,826 and $34,549, 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, 2018 and 2017, the joint annuity received in February 2000 is the only outstanding liability.

Note 5. Concentration of Credit Risk

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2018 and 2017, the Foundation’s uninsured cash balance totaled $0 and $203,323, respectively.

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

Note 6. Tuition Guarantee Program

The Foundation sponsors a Tuition Guarantee Program to encourage area-wide attendance based on academic eligibility. This program cost the Foundation approximately $150,187 and $127,026 for the years ended June 30, 2018 and 2017, 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 $51,969 and $52,046 for the years ended June 30, 2018 and 2017, respectively.

Note 7. 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 2019 fiscal year to determine if the Foundation is financial able to continue to assist with these costs before budgeting any additional support.

Note 8. Non-Cash Contributions

The Foundation receives a variety of non-cash contributions. For the years ended June 30, 2018 and 2017, non-cash contributions totaled $120,715 and $401,035, respectively, and were included in revenue.

For the year ended June 30, 2018, the Foundation received $118,617 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	$ 20,706
Donation to Meridian Community College	97,911
	$ 118,617

For the year ended June 30, 2018, the Foundation received $2,098 in non-cash contributions related to investments that were included in revenues in the statement of activities and assets on the statement of financial position:

For the year ended June 30, 2017, the Foundation received $247,629 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	$ 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 and expensed in the statement of activities. Following is a summary of these items:

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

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

Note 9. Contingencies

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

Note 10. Investments

The Foundation's investments recorded at market value consist of the following at June 30, 2018:

June 30, 2018	Cost	Market	Unrealized Appreciation (Depreciation)
The Common Fund - Intermediate	$ 18,707	$ 7,578	$ (11,129)
The Common Fund - Equity	6,318,635	16,129,740	9,811,105
Corporate Stocks	33,903	124,437	90,534
Regions Shared Investment	187,012	156,039	(30,973)
	$ 6,558,257	$ 16,417,794	$ 9,859,537

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

Note 11. 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, 2018 and 2017:

June 30, 2018	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 147,634	$ -	$ -	$ 147,634
Other short-term investments	-	7,578	-	7,578
Corporate fixed income	-	5,657,504	-	5,657,504
Equity securities	124,437	10,472,236	-	10,596,673
Mutual funds	-	156,039	-	156,039
	$ 272,071	$ 16,293,357	$ -	$ 16,565,428

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

Note 11. Fair Value Measurement (continued)

As of June 30, 2018 and 2017, 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 12. 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 12. 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, 2018 and 2017. 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, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Contributions to endowment	-	-	372,560	372,560
Appropriation for expenditures	-	(377,088)	-	(377,088)
Investment return:				
Investment income	-	220,729	-	220,729
Net appreciation	-	784,592	-	784,592
Donor redesignation	-	1,393	(1,393)	-
Donor-restricted endowment net assets, June 30, 2018	$ -	$ 7,817,348	$ 6,259,134	$ 14,076,482

MERIDIAN COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY
For the Year Ended June 30, 2018

	2018	2017	2016	2015
College's proportion of the total net pension liability	0.25%	0.25%	0.25%	0.25%
College's proportion of the plan net position	$ 66,357,743	$ 60,337,540	$ 62,266,390	$ 62,192,797
College's proportionate share of the net pension liability	$ 41,558,484	$ 44,656,242	$ 38,645,070	$ 30,345,423
College's covered payroll	$ 15,881,416	$ 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	262.00%	283.00%	245.00%	196.00%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	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 supplementary information are an integral part of this schedule.

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE’S CONTRIBUTIONS
For the Year Ended June 30, 2018

	2018	2017	2016	2015
Contractually required contribution	$ 2,500,065	$ 2,501,323	$ 2,485,067	$ 2,441,302
Contributions in relation to the contractually required contribution	2,500,065	2,501,323	2,485,067	2,441,302
Contributions deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 15,873,443	$ 15,881,416	$ 15,778,182	$ 15,500,332
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%
Proportionate share percentage	0.25%	0.25%	0.25%	0.25%

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 supplementary information are an integral part of this schedule.

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF THE NET OPEB LIABILITY
For the Year Ended June 30, 2018

	2018
College's proportion of the total net OPEB liability	0.25886155%
College's proportionate share of the net OPEB liability	$ 2,031,051
College's covered payroll	$ 11,629,938
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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 75 was implemented in fiscal year end June 30, 2018, 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 supplementary information are an integral part of this schedule.

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S OPEB CONTRIBUTIONS

For the Year Ended June 30, 2018

	2018
Contractually required contribution	$ 86,587
Contributions in relation to the contractually required contribution	86,587
Contributions deficiency (excess)	$ -
College's covered payroll	$ 14,117,602
Contributions as a percentage of covered payroll	0.61%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year end June 30, 2018, 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 supplementary information are an integral part of this schedule.

MERIDIAN COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Pension Schedules

(1) Changes in assumptions

2015
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 increase 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.

2016
The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017
The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) Changes in benefit provisions

2016
Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate 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 5%.

(3) Methods and assumptions used in calculations

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3%
Salary increase	3.75% to 19.00% including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

OPEB Schedules

(1) Changes in assumptions
2017

The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

(2) Changes in benefit provisions
2017

None

(3) Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer Contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market value of assets
Price Inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare supplement claims:	
Pre-Medicare	7.75%
Ultimate health care cost trend rates:	
Medicare supplement claims	
Pre-Medicare	5.00%
Year of ultimate trend rates, medicare supplement claims, pre-medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

MERIDIAN COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

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		$ 113,901
Federal Direct Loans	84.268		1,763,145
Federal Work-Study Program (FWS)	84.033		101,678
Federal PELL Grant Program	84.063		6,641,915
Total U.S. Department of Education			$ 8,620,639
Total student financial aid cluster			$ 8,620,639
Other Programs			
U.S. Department of Labor			
Pass-through Programs From:			
MS Employment Security Commission:			
Smart Start, Governor's Reserve	17.260		$ 26,820
WIA Dislocated Worker Formula Grants	17.278		168,069
Total WIA Cluster			$ 194,889
Computer Software Applications Instructor	17.UN		$ 34,044
Supportive Services	17.UN		50,155
WIOA Internships	17.UN		12,310
Complete2Complete	17.258		14,932
Trade Adjustment Assistance	17.245		54,713
Total U.S. Department of Labor			$ 361,043
National Aeronautics and Space Administration			
Pass-through Program From:			
University of Mississippi			
Aerospace Education Services Program	43.001		$ 8,000
Total National Aeronautics and Space Administration			$ 8,000

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2018

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	$ 312,026
Adult Literacy Education - State Grant Program	84.002A		13,797
Vocational Education Basic Grants to States	84.048	E-V243A60095	183,426
Total U.S. Department of Education			$ 509,249
U.S. Department of Agriculture			
Supplemental Nutrition Assistance program	10.561		$ 71,896
Families First	93.597		159,037
Child Care & Development Block Grant	93.575		127,706
Total U.S. Department of Agriculture			$ 358,639
Total other programs			$ 1,236,931
Total expenditures of federal awards			$ 9,857,570

Notes to Schedule

(1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

(2) The College allocates indirect costs related to grant programs in accordance with, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The College has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

(3) For purposes of this schedule, loans made to students under the Federal Direct Student Loan (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 federal lending institutions.

Federal grants per this schedule	$ 9,857,570
Direct loans	1,763,145
Federal grants and contracts	$ 8,094,425

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*

RSGS

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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. Thomas M. Huebner, 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, 2018, 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 8, 2019. 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 8, 2019

MERIDIAN COMMUNITY COLLEGE

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

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

To Dr. Thomas M. Huebner, 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 federal 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 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, 2018.

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 8, 2019

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. Thomas M. Huebner, 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, 2018, and have issued our report thereon dated March 8, 2019. 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 8, 2019

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I. Summary of Auditors' Results

Financial Statements – GAS Audit

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

Federal Awards – Single Audit

4. Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not 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

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, 2018 (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.