MERIDIAN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2020

CONTENTS

MERIDIAN COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT

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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, 2020, 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.

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, 2020 and 2019 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, 2020, 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 4–25, the schedule of the College's share of net pension liability on page 75, the schedule of the College's contributions on page 76, the schedule of the College's share of the net OPEB liability on page 77, the schedule of the College's OPEB contributions on page 78, and notes to the required supplementary information on pages 79-81, 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 January 31, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Meridian Community College's 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
January 31, 2021

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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, 2020. 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 2019. 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", and Governmental Accounting Standards Board Statement No. 75 (GASB 75) "Accounting and Financial Reporting for Postemployment Benefits other than Pensions." This includes information about the College's proportionate share of the total pension liability, pension contributions, and net pension liability of the Mississippi Public Employees Retirement System (PERS), and the net OPEB liability, the College's OPEB contributions, and the net OPEB liability of the State and School Employees' Life and Health Insurance Plan established for state employees.

Condensed Statement of Net Position

June 30, 2020 and 2019

	June 30, 2020		June 30, 2019	
	Amount	Percent	Amount	Percent
ASSETS				
Current Assets	$ 14,000,743	21.85%	$ 13,633,898	21.67%
Non-current Assets:				
Capital, net	50,066,941	78.15%	49,289,878	78.33%
Total assets	$ 64,067,684	100.00%	$ 62,923,776	100.00%
DEFERRED OUTFLOWS	$ 3,667,127	100.00%	$ 2,986,309	100.00%
LIABILITIES				
Current Liabilities	$ 1,777,929	3.55%	$ 3,126,552	6.59%
Non-current Liabilities	48,333,304	96.45%	44,288,348	93.41%
Total liabilities	$ 50,111,233	100.00%	$ 47,414,900	100.00%
DEFERRED INFLOWS	$ 743,916	100.00%	$ 1,236,543	100.00%
NET POSITION				
Net Investment in Capital Assets	$ 48,722,933	288.65%	$ 48,249,878	279.57%
Restricted:				
Expendable	814,976	4.83%	125,098	0.72%
Unrestricted	(32,658,247)	-193.48%	(31,116,334)	-180.29%
Total net position	$ 16,879,662	100.00%	$ 17,258,642	100.00%

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements was $9,885,055 on June 30, 2020, a decrease of $505,864 below the balance of $10,390,919 on June 30, 2019. One main reason for the decrease in cash was the use of capital outlay purchases for the addition to the Workforce Development Center for the Advanced Manufacturing Lab. Due to the decrease in interest rates, the College is currently holding excess cash in three money market accounts.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled $3,898,549 at June 30, 2020, an increase of $900,683 above the balance of $2,997,866 at June 30, 2019.

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 $201,333 at June 30, 2020, a decrease of $1,813 below the balance of $203,146 at June 30, 2019.

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, 2020. The amount reported is net of accumulated depreciation. Capital assets, net totaled $50,066,941 at June 30, 2020, an increase of $777,063 over the balance of $49,289,878 at June 30, 2019.

Deferred Outflows – Pensions

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

- The first item 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. This can have an impact on the deferred inflows/outflows of PERS. For the year ended June 30, 2020, there were no changes in the difference between the expected expenditures of past years and the actual experience of retirement benefit payments.

In addition, there are deferred outflows due to the net difference between projected and actual earnings on investments. The College's share of these PERS deferred outflows for the 2019 fiscal year as of June 30, 2019 was $1,003,955. This amount is amortized for over a five year period. The first year of this calculation is reported as pension expense for $200,791 for 2020. The remaining balance of $803,164 is part of the 2020 deferred outflows and will be amortized over the remaining four years.

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 $578,385. Of this amount, $153,826 has increased the pension expense for the year ended June 30, 2020. The remaining balance of $424,559 will be amortized as an increase to the pension expense over the next 2.76 years.

- The employer contributions made to PERS during the 2020 fiscal year that will be reported as part of the pension expense of 2020 is reported as part of deferred outflows.

The total deferred outflows for 2020 is a combination of the $1,227,723 change in actuarial assumptions plus $2,832,199 of college contributions paid during the 2020 fiscal year and $26,017 of the unamortized outflows of the 2019 fiscal year, $6,626 of the unamortized deferred outflows of the 2018 fiscal year, and $882,195 of the unamortized deferred outflows of the 2017 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 $1,685,359.

The deferred outflows totaled $3,289,401 at June 30 2020, a increase of $535,134 over the balance of $2,754,267 as of June 30, 2019.

Deferred Outflows – Other Postemployment Benefits (OPEB)

Deferred outflows consist of outflows that will be reported in future periods that will increase the OPEB expense.

- The deferred outflows are made up of 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 2019 fiscal year as of June 30, 2019 was $8,919. This amount is amortized for over the average expected service life of members, which is 6.4. The first year of this calculation is reported as part of the OPEB expense for $1,394 for 2020. The remaining balance, $7,525 is part of the 2020 deferred outflows and will be amortized over the remaining 5.4 years.

- The changes in actuarial assumptions can have an impact on the deferred inflows/outflows of OPEB. The College's proportionate share of the deferred outflows related to changes in assumptions totaled $203,877. Of this amount, $31,856 has increased the OPEB expense for the year ended June 30, 2020. The remaining balance of $172,021 will be amortized over 5.4 years.
- The net difference between the projected and actual investment earnings on OPEB plan investments can have an impact on the deferred inflows/outflows of OPEB. The College's net difference between the projected and actual investment earnings on OPEB plan investments total $52. Of this amount, $8 has increased the OPEB expense for the year ended June 30, 2020. The remaining balance, $44 will be amortized as an increase in expense over the remaining 5.4 years.
- The employer contributions made to the Life and Health Insurance Plan during the 2020 fiscal year that will be reported as part of the OPEB expense of 2020 is reported as part of deferred outflows. The amount of $85,399 is 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, 2020.

The total deferred inflows for 2020 is a combination of the $116,259 change in proportionate share, $3,499 of the difference in expected and actual experience, $44 net difference between projected and actual investment earnings on OPEB plan investments, $172,525 change of assumptions, and $85,399 of college contributions paid during the 2020 fiscal year.

The deferred outflows totaled $377,726 at June 30 2020, an increase of $145,684 over the balance of $232,042 as of June 30, 2019.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2020 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $1,489,288 at June 30, 2020, an increase of $130,517 over the balance of $1,358,771 at June 30, 2019.

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 $116,480 at June 30, 2020, a decrease of $426,631 below the balance of $543,111 at June 30, 2019.

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, 2020 fiscal year. The amount of the current portion of compensated absences at June 30, 2020 was $82,488, a decrease of $14,337 from the balance at June 30, 2019 of $96,825.

Net OPEB Liabilities – Current Portion

At June 30, 2020, the College reported a liability of $89,673 for its proportionate share of the net OPEB liability-current portion. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the College's proportion was 0.27271941 percent. This was an increase of 0.00107829 percent from the proportionate share as of the measurement date of June 30, 2018. The total amount of the net OPEB liability- current was $89,673 at June 30, 2020, an increase of $1,828 over the balance of $87,845 at June 30, 2019. Additional information is disclosed in Note 10.

Long-term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that will be paid during the 2020 fiscal year. The amount of the current portion of long-term debt at June 30, 2020 was $0, a decrease of $1,040,000 over the balance of $1,040,000 on June 30, 2019.

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 $70,716 at June 30, 2020, an increase of $5,700 over the balance of $65,016 at June 30, 2019.

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, 2020 was $714,185, an increase of $86,715 over the balance of $627,470 at June 30, 2019.

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 $1,344,008 at June 30, 2020, an increase of $1,344,008 over the balance of $0 at June 30, 2019.

Net Pension Liabilities

The College's proportionate share of the Net Pension Liability (NPL) of PERS was $43,979,932 for the statement of net position of June 30, 2020. 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, 2019, 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 $43,979,932 at June 30, 2020, an increase of $2,397,505 over the balance of $41,582,427 at June 30, 2019. Additional information is disclosed in Note 9.

Net OPEB Liabilities

At June 30, 2020, the College reported a liability of $2,224,463 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2019, the College's proportion was 0.27271941%. This was an increase of 0.00107829% from the proportionate share as of the measurement date of June 30, 2018. The total amount of the OPEB liability was $2,224,463 at June 30, 2020, an increase of $211,028 over the balance of $2,013,435 at June 30, 2019. Additional information is disclosed in Note 10.

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, 2020 and the remaining unamortized deferred inflows reported by PERS for the years ended June 30, 2019 and 2018. This consists of the following:

- The changes in proportionate share of the deferred inflows of PERS which was $47,832 for the year ended June 30, 2020. This amount is amortized over 3.76 years. Of this amount, $12,721 has been expensed in the 2020 fiscal year. The remaining amount of $35,111 will be amortized over the next 2.76 years.

The total deferred inflows for 2020 is the $35,111 changes in proportionate share. The remaining deferred inflows contain $583,088 of the unamortized deferred inflows of the 2019 fiscal year and $1,657,952 of the unamortized deferred inflows of the 2018 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 inflows of $1,685,359.

These changes combined with the prior year unamortized deferred inflows represent the detail of the balance of deferred inflows of $590,792 as of June 30, 2020, a decrease of $496,031 below the deferred inflow balance of $1,086,823 as of June 30, 2019.

Deferred Inflows – OPEB

Deferred inflows consist of inflows that will be reported in future periods that will decrease the OPEB expense. This consists of the following item:

- The College's share of the State Health and Life Insurance Plan's deferred inflows due to the net difference in expected expenditures of past years and the actual experience of retirement benefit payment exchanges for the 2019 fiscal year as of June 30, 2019 was $39,241. This amount is amortized over the average expected service life of members, which is 6.4. The first year of this calculation is reported as part of the OPEB expense for $6,131 for 2020. The remaining balance, $33,110 is part of the 2020 deferred inflows and will be amortized over the remaining 5.4 years.

The total deferred inflows for 2020 is a combination of the $33,125 of the difference in expected and actual experience and $119,999 change of assumptions.

The deferred inflows totaled $153,124 at June 30 2020, an increase of $3,404 over the balance of $149,720 as of June 30, 2019.

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, 2020 was $16,879,662, a decrease of $378,980 from the balance of $17,258,642 on June 30, 2019 as reflected on the statement of revenues, expenses, and changes in net position for fiscal year 2019.

Analysis of Net Position

The net investment in capital assets at June 30, 2020 totaled $48,722,933, an increase of $473,055 from the balance of $48,249,878 on June 30, 2019. This is a result of the following increases and decreases:

Increases to construction in-progress	$	1,619,786
Increases to library books		7,215
Increases to equipment		1,018,895
Debt retired		1,040,000
Deletions to equipment & improvements, net		(141,996)
Deletions to library books		(76,945)
Issuance of new debt		(1,344,008)
Depreciation expense		(1,649,892)
Total change in net investment in capital assets	$	473,055

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, 2020 Amount	June 30, 2019 Amount
Unemployment funds	$ 180,172	$ 179,721
Capital projects	240,540	(384,396)
Grants and contracts	394,264	329,773
Total restricted net position	$ 814,976	$ 125,098

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, 2020 was $(32,658,247), a decrease of $1,541,913, as compared to the unrestricted net position at June 30, 2019 of $(31,116,334).

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

The following is a breakdown of the unrestricted net position:

	June 30, 2020 Amount	June 30, 2019 Amount
Unrestricted undesignated fund	$ (34,922,345)	$ (33,949,066)
Unrestricted designated fund	2,264,098	2,423,777
Unrestricted auxiliary fund	-	408,955
Total unrestricted net position	$ (32,658,247)	$ (31,116,334)

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

	June 30, 2020 Amount	June 30, 2019 Amount
Total unrestriced net position (deficit)	$ (32,658,247)	$ (31,116,334)
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	43,370,857	41,933,941
Unrestricted net position, exclusive of the net pension and OPEB liabilty effect	$ 10,712,610	$ 10,817,607

GASB 68 and 75 impact on Net Position:

	2020	2019
Total net position	$ 16,879,662	$ 17,258,642
Deferred outflows of resources- pension	$ (3,289,401)	$ (2,754,267)
Deferred inflows of resources- pension	590,792	1,086,823
Net pension liability	43,979,932	41,582,427
Total impact on GASB 68	$ 41,281,323	$ 39,914,983
Net position net of GASB 68 impact	$ 58,160,985	$ 57,173,625
Deferred outflows of resources - OPEB	$ (377,726)	$ (232,042)
Deferred inflows of resources- OPEB	153,124	149,720
Net OPEB liability	2,314,136	2,101,280
Total impact on GASB 75	$ 2,089,534	$ 2,018,958
Net position net of GASB 68 and 75 impact	$ 60,250,519	$ 59,192,583
Less investment in capital assets	(48,722,933)	(48,249,878)
Less restricted net position	(814,976)	(125,098)
Unrestricted	$ 10,712,610	$ 10,817,607

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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

For the years ended June 30, 2020 and 2019:

	June 30, 2020 Amount	June 30, 2019 Amount
Operating revenues		
Tuition and fees, net	$ 4,208,226	$ 4,368,528
Grants and contracts	15,577,424	13,624,625
Auxiliary enterprises, net	3,298,075	3,629,429
Other operating revenues	304,825	354,464
Total operating revenues	$ 23,388,550	$ 21,977,046
Operating expenses	$ 41,220,522	$ 39,539,479
Operating loss	$(17,831,972)	$(17,562,433)
Non-operating revenues		
State appropriations	$ 12,953,754	$ 12,875,143
Local appropriations	2,323,641	2,358,635
Investment income, net	60,825	84,455
Net non-operating revenues	$ 15,338,220	$ 15,318,233
Loss before other revenues, expenses, gains and losses	$ (2,493,752)	$ (2,244,200)
State appropriations restricted for capital purposes	$ 1,080,445	$ 808,499
Local appropriations restricted for capital purposes	1,264,703	1,279,644
Capital gifts	3,016	2,789
Other deletions, net	(233,392)	(69,030)
Total other revenues, net	$ 2,114,772	$ 2,021,902
Total decrease in net position	$ (378,980)	$ (222,298)
Net position		
Net position at beginning of year, as previously reported	$ 17,258,642	$ 17,480,940
Net position at end of year	$ 16,879,662	$ 17,258,642

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

	2020	2019
Change in net position	$ (378,980)	$ (222,298)
GASB 68 impact	1,366,340	1,398,442
GASB 75 impact	70,576	126,728
Change in total net position, net of GASB 68 and GASB 75 expenses	$ 1,057,936	$ 1,302,872
Less investment in capital assets changes	(473,055)	(1,713,950)
Less restricted and plant fund changes	(689,878)	298,494
Change in unrestricted net position, net of GASB 68 and GASB 75 expenses	$ (104,997)	$ (112,584)
Other non-cash transactions:		
Depreciation	1,649,892	1,572,760
Compensated absences	72,378	39,517

Total operating loss for the fiscal year 2020 was $17,831,972, a decrease of $269,539 over the loss for fiscal year 2019 of $17,562,433. 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 2020 were $23,388,550. Tuition and fees were $4,208,226. The tuition discount was $5,707,894. Operating expenses, including depreciation of $1,649,892, totaled $41,220,522.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling $4,208,226. The tuition discount for the 2020 fiscal year was $5,707,894.

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, 2020 and 2019:

	June 30, 2020 Amount	June 30, 2019 Amount
Federal	$ 9,781,505	$ 8,362,949
State	3,804,756	3,270,669
Local	31,030	24,381
Private	1,960,133	1,966,626
Total all sources	$ 15,577,424	$ 13,624,625

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled $197,912 for the 2020 fiscal year, a decrease of $20,210 below the balance of $218,122 for the 2019 fiscal year.

Sales and Services, Net

Auxiliary enterprises include the College bookstore, food services, housing and other auxiliary revenues. The following table details the College's sales and services revenue for the fiscals years ended June 30, 2020 and 2019:

	June 30, 2020 Amount	June 30, 2019 Amount
Housing (net of scholarship allowance of $16,784)	$ 522,861	$ 610,598
Food services (net of scholarship allowance of $25,175)	487,270	570,043
Bookstore	2,201,295	2,340,655
Other auxiliary revenues	86,649	108,133
Total all sources	$ 3,298,075	$ 3,629,429

Operating Expenses

Operating expenses totaling $41,220,522 include salaries and benefits of $23,955,640, utilities of $967,370, supplies of $3,336,181, services of $4,377,933, and depreciation of $1,649,892.

	June 30, 2020 Amount	June 30, 2019 Amount
Expenses by functions:		
Instruction	$ 14,526,509	$ 14,428,714
Academic support	2,806,170	2,937,433
Student services	3,938,291	3,851,980
Institutional support	6,361,528	6,334,922
Operations and maintenance of plant	4,341,617	3,582,798
Student financial aid	4,488,956	3,552,060
Auxiliary enterprises	3,107,559	3,278,812
Depreciation	1,649,892	1,572,760
Total operating expenses by function	$ 41,220,522	$ 39,539,479

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

	June 30, 2020 Amount	June 30, 2019 Amount	Increase (Decrease)
Expenses by functions			
Instruction	$ 14,526,509	$ 14,428,714	$ 97,795
Academic support	2,806,170	2,937,433	(131,263)
Student services	3,938,291	3,851,980	86,311
Institutional support	6,361,528	6,334,922	26,606
Operations and maintenance of plant	4,341,617	3,582,798	758,819
Student financial aid	4,488,956	3,552,060	936,896
Auxiliary enterprises	3,107,559	3,278,812	(171,253)
Depreciation	1,649,892	1,572,760	77,132
Total operating expenses by function	$ 41,220,522	$ 39,539,479	$ 1,681,043
Less effect of GASB 68	$ (1,366,340)	$ (1,398,442)	$ 32,102
Less effect of GASB 75	(70,576)	(126,728)	56,152
Less depreciation	(1,649,892)	(1,572,760)	(77,132)
Less change in compensated absences	(72,378)	(39,517)	(32,861)
Total operating expenses after adjustments	$ 38,061,336	$ 36,402,032	$ 1,659,304

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

	June 30, 2020 Amount	June 30, 2019 Amount	Increase (Decrease)
Expenses by objects			
Salaries and wages	$ 16,808,010	$ 16,783,243	$ 24,767
Fringe benefits	7,147,630	6,818,932	328,698
Travel	356,686	416,158	(59,472)
Contractual services	4,377,933	4,686,959	(309,026)
Commodities	3,336,181	3,188,527	147,654
Utilities	967,370	940,345	27,025
Scholarships and fellowships	4,517,688	3,566,626	951,062
Depreciation	1,649,892	1,572,760	77,132
Other	2,059,132	1,565,929	493,203
Total operating expenses by function	$ 41,220,522	$ 39,539,479	$ 1,681,043
Less effect of GASB 68	$ (1,366,340)	$ (1,398,442)	$ 32,102
Less effect of GASB 75	(70,576)	(126,728)	56,152
Less depreciation	(1,649,892)	(1,572,760)	(77,132)
Less change in compensated absences	(72,378)	(39,517)	(32,861)
Total operating expenses after adjustments	$ 38,061,336	$ 36,402,032	$ 1,659,304

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received $14,034,199 for the 2019-2020 fiscal year, of which $12,953,754 was for operations. This represents an increase of $78,611 over the amount received for operations in the previous year. State appropriations for capital projects of $1,080,445 were paid on behalf of the College during the 2020 fiscal year.

Local Appropriations

The College also receives revenue from the City of Meridian and Lauderdale County. The College received $3,588,344 for the 2020 fiscal year from the local government of which $2,323,641 was for operating purposes. This represents a decrease of $34,994 of local operating revenue received from the local government for operating purposes in the previous year. The remaining $1,264,703 was received in fiscal year 2020 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 $60,825 was earned during the 2020 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The College received $1,080,445 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2020 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:

$34,153 was used to replace the Ivy Hall HVAC,
$669,131 was used to repair the Ivy Hall roof (including bookstore roof),
$43,389 was used to renovate the Science Labs, and
$333,772 was used for the addition to the Workforce Development Center for the Advanced Manufacturing Lab.

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 $1,264,703 for the 2020 fiscal year. These funds were used to support the construction of the athletic weight room facility, the construction of the Track Field House, renovation of the Workforce Development Center for Automation Control/CAD classrooms, renovations of restrooms, HVAC repairs in the College Crossing Apartments, repairs to Ivy Hall, renovations of classrooms in Reed Hall, other general repairs, and 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 2020 fiscal year. Other additions (deletions), net were ($233,392) for the 2020 fiscal year. This is a combination of interest on indebtedness of $14,560, plant assets sold or retired of $141,996, deletions to plant of $76,946, and addition of re-instated books or audio-visuals of $110. This is a $164,362 decrease from the total of ($69,030) for the 2019 fiscal year.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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, 2020 and 2019:

	June 30, 2020 Amount	June 30, 2019 Amount
Cash and cash equivalents provided by (used in):		
Operating activities	$ (15,988,285)	$ (14,665,905)
Non-capital financing activities	15,429,770	15,007,429
Capital and related financing activities	(8,174)	(1,264,808)
Investing activities	60,825	100,683
Net decrease in cash and cash equivalents	$ (505,864)	$ (822,601)
Cash and cash equivalents - beginning of year	10,390,919	11,213,520
Cash and cash equivalents - end of year	$ 9,885,055	$ 10,390,919

The major sources of funds included in operating activities include student tuition and fees, $3,807,099, auxiliary enterprises, $3,303,319, and grants and contracts, $14,405,103. The major uses of funds were payments made to and for employees, $22,491,017, to scholarships and fellowships, $4,505,775, to service providers, $4,117,990 and to suppliers, $3,313,381.

The largest inflow of cash in the non-capital financing activities group is the State appropriation for operating purposes of $13,080,458.

Significant Capital Asset Transactions

Weight Room Facility

During the 2020 fiscal year, the College completed the construction of a new Weight Room Facility for Athletics. For the 2020 fiscal year, the College spent $208,719 on construction of the project. The total capitalized value of the building is $1,145,644.

Addition to the Workforce Development Center for the Advanced Manufacturing Lab

MCC almost completed construction on an Advanced Manufacturing Skills Laboratory of approximately 10,000 square feet. The laboratory will be connected to the MCC-Riley Workforce Development Center and provide a one-stop location for manufacturing-related programs, both credit and non-credit. The laboratory will provide state-of-the-art equipment training students and manufacturing professionals in the technical and work readiness skills needed for today's manufacturer. During fiscal year 2020, the college has spent $937,579. The total cost of the project is expected to be $1,677,780. The projected will be financed by two different sources. Repair & Renovation Capital Funds from the State of Mississippi will finance $333,772 of the project, and the remaining $1,344,008 will be financed by the issuance of new debt. Payments on the new debt will occur over the next 6 years. We expect construction to be completed during the 2021 fiscal year. As of June 30, 2020, the College has spent a total of $1,655,948 on the project.

Automation Controls/CAD classroom renovations in the Workforce Development Center

During the 2020 fiscal year, the College began renovations within the Workforce Development Center to build classrooms for Automation Controls/CAD. For the 2020 fiscal year, the College spent $56,030 on construction of the project. The College estimates that the remaining cost for this project is $435,414. As of June 30, 2020, the College has spent $56,030 on the project.

Restroom Renovations

During the 2020 fiscal year, the College began renovations to restrooms with Montgomery Hall to make the restrooms more ADA accessible. For the 2020 fiscal year, the College spent $31,972 on construction of the project. The College estimates that the remaining cost for this project is $120,528. As of June 30, 2020, the College has spent $31,972 on the project.

Science Lab Renovations

During the 2020 fiscal year, the College began renovations to the science labs in Ivy Hall. For the 2020 fiscal year, the College spent $43,389 on construction of the project. The College estimates that the remaining cost for this project is $656,611. This project is being funded by the Mississippi Department of Finance and Administration – Bureau of Buildings. As of June 30, 2020, the College has spent $ 43,389 on the project.

Phone System Upgrade

During the 2020 fiscal year, the College began upgrading the phone system across campus with Slappey Communications. For the 2020 fiscal year, the College spent $8,325 on the project. The College estimates that the remaining cost for this project is $24,975. As of June 30, 2020, the College has spent $8,325 on the upgrade.

Subsequent Events/Uncertainties

Capital Debt

The College issued a new note for $1,344,008 on July 1 2019 for the construction of a 10,000 square foot addition to the Workforce Development Center to enable movement of the Advanced Manufacturing lab to this location from Reed Hall. The college was named a recipient of a Challenge Grant that will provide approximately $1 million in new equipment for this program and additional space was needed for this new machinery. The debt will be repaid with approximately $250,000 of funds from Lauderdale County for each of the next 6 years. The first payment is an interest-only payment due July 1, 2020, and the remaining 5 payments will include a principle and interest payment starting July 1, 2021.

Covid 19 Implications

The following events unfolded in the spring 2020 as a worldwide pandemic spread to the United States and created a health risk for MCC students, faculty and staff.

- On January 31, 2020, the U.S. Dept. of Health and Human Services Secretary Alex Azar declared a public health emergency for COVID-19 beginning on January 27, 2020, on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and on March 13, 2020, the President of the United States declared a nationwide state of emergency due to the coronavirus COVID-19 pandemic.

- On March 14, 2020, pursuant to the Constitution of the State of Mississippi and Miss. Code Ann. 33-15-11(b)(17), Governor Tate Reeves issued a Proclamation declaring that a State of Emergency exists in the State of Mississippi as a result of the outbreak of COVID-19, and it is still in effect for the State of Mississippi, and

- On July 14, 2020, President Thomas Huebner obtained board approval for a State of Emergency for Meridian Community College related to the circumstances surrounding the outbreak and potential further spread of COVID-19 that threatens the health, safety, and welfare of MCC students and employees.

The college became the recipient of funding from the federal government through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through 5 different funding sources for the purpose of mitigating and responding to the health hazards and the need to shift education and services to an online format and remote working environments.

Although funds from the U.S. Department of Education were awarded prior to June 30, 2020, additional funds were received through appropriations by the state of MS funded through grants to states by the U.S. Treasury. A summary of our awards are as follows:

Date Awarded		Amount Awarded	Granting Agency
3/13/2020	$	1,470,055	U.S. Dept. of Education CFDA 84.425E- Stabilization Fund - student aid expense
3/13/2020		1,470,055	U.S. Dept. of Education CFDA 84.425F- Stabilization Fund - institutional expense
3/13/2020		198,092	U.S. Dept. of Education CFDA 84.425L- Stabilization Fund - minority serving institutions
3/1/2020		2,320,544	U.S. Treasury - by State of MS - MS Postsecondary Education COVID 19 Mitigation Relief Program
8/1/2020		2,372,799	U.S. Treasury - by State of MS - CARES Funds for Workforce
	$	7,831,545	

The College is grateful for all funds that help our students, faculty and staff during this pandemic. Funds have been and will continue to be used to provide financial awards to students, transition to online instruction programs, improve online services and instruction, improve our telework capacity, improve safety and physical prevention of COVID-19, and provide refunds of housing and meals as students.

The response to the pandemic has resulted in a decrease in our fall 2020 enrollment of approximately 12.5% with most of that occurring in our career technical programs that engage in more hands-on learning situations.

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, 2020

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current Assets	
Cash and cash equivalents	$ 9,885,055
Accounts receivables, net (note 3)	3,898,549
Inventories	201,333
Prepaid expenses	15,806
Total current assets	$ 14,000,743
Non-current Assets	
Capital assets, net of accumulated depreciation (note 5)	$ 50,066,941
Total non-current assets	$ 50,066,941
Total assets	$ 64,067,684
Deferred Outflows	
Deferred outflows - pensions	$ 3,289,401
Deferred outflows - OPEB	377,726
Total deferred outflows	$ 3,667,127

LIABILITIES

Current Liabilities	
Accounts payable and accrued liabilities	$ 1,489,288
Accrued leave liabilities - current portion (note 6)	82,488
Unearned revenues	116,480
Net OPEB liabilities- current portion	89,673
Total current liabilities	$ 1,777,929
Non-current Liabilities	
Deposits refundable	$ 70,716
Accrued leave liabilities	714,185
Long-term liabilities - (note 6)	1,344,008
Net pension liabilities	43,979,932
Net OPEB liabilities	2,224,463
Total non-current liabilities	$ 48,333,304
Total liabilities	$ 50,111,233
Deferred Inflows	
Deferred inflows - pensions	$ 590,792
Deferred inflows - OPEB	153,124
Total deferred inflows	$ 743,916

NET POSITION

Net investment in capital assets	$ 48,722,933
Restricted for:	
Expendable:	
Unemployment compensation	180,172
Capital projects	240,540
Grants and contracts	394,264
Unrestricted	(32,658,247)
Total net position	$ 16,879,662

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	$ 33,943	$ 517
Restricted cash	262,351	153,325
Pledge receivables, net	720,520	831,308
Investments	17,782,702	17,438,172
Beneficial interest in trust	151,668	154,203
Property and equipment, net	712,510	735,089
Land held for sale	9,470	9,470
Other assets	234,043	260,499
Total assets	$ 19,907,207	$ 19,582,583
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 181,883	$ 26,920
Annuity liability	29,524	31,148
Total liabilities	$ 211,407	$ 58,068
Net Assets		
Without donor restrictions	$ 1,074,784	$ 1,069,530
With donor restrictions	18,621,016	18,454,985
Total net assets	$ 19,695,800	$ 19,524,515
Total liabilities and net assets	$ 19,907,207	$ 19,582,583

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

Operating Revenues	
Tuition and fees (net of scholarship allowances of $5,707,894)	$ 4,208,226
Federal grants and contracts	9,781,505
State grants and contracts	3,804,756
Local grants and contracts	31,030
Nongovernmental grants and contracts	1,960,133
Sales and services of educational departments	197,912
Auxiliary enterprises:	
Student housing (net of scholarship allowances of $16,784)	522,861
Food services (net of scholarship allowances of $25,175)	487,270
Bookstore	2,201,295
Other auxiliary revenues	86,649
Other operating revenues	106,913
Total operating revenues	$ 23,388,550
Operating Expenses	
Salaries and wages	$ 16,808,010
Fringe benefits	7,147,630
Travel	356,686
Contractual services	4,377,933
Utilities	967,370
Scholarships and fellowships	4,517,688
Commodities	3,336,181
Depreciation expense	1,649,892
Other operating expenses	2,059,132
Total operating expenses	$ 41,220,522
Operating loss	$ (17,831,972)

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, 2020

Non-operating Revenues (Expenses)	
State appropriations	$ 12,953,754
Local appropriations	2,323,641
Investment income	60,825
Total net non-operating revenues	$ 15,338,220
Loss before other revenues, expenses, gains and losses	$ (2,493,752)
State appropriations restricted for capital purposes	1,080,445
Local appropriations restricted for capital purposes	1,264,703
Capital gifts	3,016
Other deletions, net	(233,392)
Change in net position	$ (378,980)
Net Position	
Net position - beginning of year	17,258,642
Net position - end of year	$ 16,879,662

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020

	Without donor Restrictions	With donor Restrictions	Total
Public support, revenues, and reclassifications			
Contributions	$ 384,890	$ 340,241	$ 725,131
Investment return, net	24,360	347,004	371,364
Other program revenues	-	5,426	5,426
Grant revenues	-	743,864	743,864
Net assets released from restrictions:			
Appropriation from donor endowment	24,587	(24,587)	-
Satisfaction of purpose restrictions	1,245,917	(1,245,917)	-
Total public support, revenues, and reclassifications	$ 1,679,754	$ 166,031	$ 1,845,785
Expenses			
Scholarships	$ 647,324	$ -	$ 647,324
Awards	1,475	-	1,475
Faculty/staff programs	40,565	-	40,565
Annuity interest expense	8,078	-	8,078
Other program expense	591,487	-	591,487
Management and general	183,302	-	183,302
Donations to Meridian Community College	202,269	-	202,269
Total expenses	$ 1,674,500	$ -	$ 1,674,500
Change in net assets	$ 5,254	$ 166,031	$ 171,285
Net assets, beginning of year	1,069,530	18,454,985	19,524,515
Net assets, end of year	$ 1,074,784	$ 18,621,016	$ 19,695,800

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2019

	Without donor Restrictions	With donor Restrictions	Total
Public support, revenues, and reclassifications			
Contributions	$ 384,764	$ 340,252	$ 725,016
Investment return, net	24,748	1,317,370	1,342,118
Other program revenues	-	300	300
Grant revenues	-	880,156	880,156
Net assets released from restrictions:			
Appropriation from donor endowment	30,389	(30,389)	-
Satisfaction of purpose restrictions	1,690,441	(1,690,441)	-
Total public support, revenues, and reclassifications	$ 2,130,342	$ 817,248	$ 2,947,590
Expenses			
Scholarships	$ 577,808	$ -	$ 577,808
Awards	2,975	-	2,975
Faculty/staff programs	55,614	-	55,614
Annuity interest expense	8,078	-	8,078
Other program expense	1,104,625	-	1,104,625
Management and general	181,496	-	181,496
Donations to Meridian Community College	198,865	-	198,865
Total expenses	$ 2,129,461	$ -	$ 2,129,461
Change in net assets	$ 881	$ 817,248	$ 818,129
Net assets, beginning of year	1,068,649	17,637,737	18,706,386
Net assets, end of year	$ 1,069,530	$ 18,454,985	$ 19,524,515

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash Flows from Operating Activities	
Tuition and fees	$ 3,807,099
Grants and contracts	14,405,103
Sales and services of educational departments	197,912
Payments to suppliers	(3,313,381)
Payments to employees for salaries and benefits	(22,491,017)
Payments for contractual services	(4,117,990)
Payments for travel	(316,776)
Payments for other expenses	(1,951,939)
Payments for utilities	(944,861)
Payments for scholarships and fellowships	(4,505,775)
Auxiliary enterprise revenues:	
Residence halls	528,105
Bookstore	2,201,295
Food services	487,270
Other	86,649
Other payments	(59,979)
Net cash used in operating activities	$ (15,988,285)
Cash Flows from Noncapital Financing Activities	
State appropriations	$ 13,080,458
Local appropriations	2,323,641
Agency transfers - in	261,304
Agency transfers - out	(235,633)
Federal loan receipts	1,625,617
Federal loan disbursements	(1,625,617)
Net cash provided by noncapital financing activities	$ 15,429,770

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2020

Cash Flows from Capital and Related Financing Activities	
Proceeds from capital debt	$ 1,344,008
Cash paid for capital assets	(2,642,770)
Capital appropriations received	2,345,148
Principal paid on capital debt and leases	(1,040,000)
Capital debt interest paid	(14,560)
Net cash used by capital and related financing activities	$ (8,174)
Cash Flows from Investing Activities	
Interest received on investments	$ 60,825
Net cash provided by investing activities	$ 60,825
Net decrease in cash and cash equivalents	$ (505,864)
Cash and cash equivalents - beginning of year	10,390,919
Cash and cash equivalents - end of year	$ 9,885,055
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (17,831,972)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation expense	1,649,892
Change in pension expense - GASB 68	1,366,340
Change in OPEB expense - GASB 75	70,576
Changes in assets and liabilities:	
Receivables, net (excluding the state appropriations)	(1,027,388)
Inventories	1,813
Prepaid expenses	40,750
Accounts payables	90,711
Unearned revenues	(426,631)
Accrued leave liability	72,380
Deposits refundable	5,244
Net cash used in operating activities	$ (15,988,285)

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Excess revenues over expenses	$ 171,285	$ 818,129
Adjustments to reconcile change in net assets		
used in operating activities:		
Depreciation expense	22,579	22,579
Realized (gain)/loss on sale of non-endowment assets	5,600	(111)
Change in assets/liabilities:		
(Increase) decrease in pledge receivables	110,788	141,561
(Increase) decrease in other assets	8,891	(8,579)
Increase (decrease) in accounts payables	153,339	(35,135)
Unrealized holding gains on securities	(98,097)	(1,020,197)
Cash contributions restricted for endowments	(204,753)	(224,506)
Non-cash contributions	(85,436)	(105,242)
Non-cash expenses	83,976	98,616
Net cash provided by (used in) operating activities	$ 168,172	$ (312,885)
Cash Flows from Investing Activities		
Proceeds from sale of assets	$ 11,922	$ -
Proceeds from sales and maturities of investments	20,739	300,000
Purchases of investments	(263,134)	(301,066)
Net cash used in investing activities	$ (230,473)	$ (1,066)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowments	$ 204,753	$ 224,506
Net cash provided by financing activities	$ 204,753	$ 224,506
Net increase (decrease) in cash and cash equivalents	$ 142,452	$ (89,445)
Cash and cash equivalents - beginning of year	153,842	243,287
Cash and cash equivalents - end of year	$ 296,294	$ 153,842
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 33,943	$ 517
Cash and cash equivalents	262,351	153,325
	$ 296,294	$ 153,842

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 2020, the Foundation distributed $1,187,805 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, 2020, as reported in the statement of net position is $796,673 with $82,488 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, 2019. 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 $(32,658,247) at June 30, 2020, includes $2,264,098 reserved for designations, $0 reserved for auxiliaries, and a remaining amount of $(34,922,345).

R. Subsequent Events

Management has evaluated subsequent events through January 31, 2021, 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, 2020, 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, 2020, 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, 2020:

Student tuition and fees	$ 8,408,630
Federal, state and private grants and contracts	1,669,112
State appropriations	206,264
Other	415,515
Total accounts receivable	$10,699,521
Less allowance for doubtful accounts	(6,800,972)
Net accounts receivable	$ 3,898,549

Note 4. Notes Receivable from Students

In June 2013, the College purchased all outstanding Perkins loans for the purpose of liquidating the program. These represent all outstanding 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, 2020:

	Interest Rates	June 30, 2020	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, 2020, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2020	07/01/19 Beginning Balance	Increases	Decreases	06/30/20 Year-end Balance
Capital assets, non-depreciable:				
Land	$ 3,014,418	$ -	$ -	$ 3,014,418
Art collection	15,525	-	-	15,525
Construction in-progress	1,321,522	1,619,786	1,145,644	1,795,664
Total capital assets, non-depreciable	$ 4,351,465	$ 1,619,786	$1,145,644	$ 4,825,607
Capital assets, depreciable:				
Improvements other than buildings	$ 6,167,405	$ -	$ -	$ 6,167,405
Buildings	56,717,735	1,145,644	204,535	57,658,844
Equipment	5,384,633	1,018,895	130,884	6,272,644
Library books	1,212,429	7,215	76,946	1,142,698
Total capital assets, depreciable	$69,482,202	$ 2,171,754	$ 412,365	$71,241,591
Less accumulated depreciation for:				
Improvements other than buildings	$ 3,422,726	$ 164,964	$ -	$ 3,587,690
Buildings	15,881,590	1,074,657	65,087	16,891,160
Equipment	4,106,019	466,462	128,337	4,444,144
Library books	1,133,454	(56,191)	-	1,077,263
Total accumulated depreciation	$24,543,789	$ 1,649,892	$ 193,424	$26,000,257
Total depreciable capital assets, net	$44,938,413	$ 521,862	$ 218,941	$45,241,334
Capital assets, net of depreciation	$49,289,878	$ 2,141,648	$1,364,585	$50,066,941

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, 2020. 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, 2020, 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 7/1/2019	Additions	Reductions	Ending Balances 6/30/2020	Due Within One Year
Note Payable								
BankPlus loan for renovation of Workforce	$ 4,900,000	1.27%	05/2020	$ 1,040,000	$ -	$ 1,040,000	$ -	$ -
Citizens loan for Advanced Manufacturing Lab	1,344,008	1.70%	07/2026	-	1,344,008	-	1,344,008	-
Total note payable	$ 6,244,008			$ 1,040,000	$ 1,344,008	$ 1,040,000	$ 1,344,008	$ -
Other Long-term Liabilities								
Accrued leave liabilities				$ 724,295	$ 72,378	$ -	$ 796,673	$ 82,488
Deposits refundable				65,016	38,850	33,150	70,716	-
Total other long-term liabilities				$ 789,311	$ 111,228	$ 33,150	$ 867,389	$ 82,488
Total				$ 1,829,311	$ 1,455,236	$ 1,073,150	$ 2,211,397	$ 82,488
Due within one year							$ 82,488	
Total long-term liabilities (excluding net pension liabilities and OPEB liabilities)							$ 2,128,909	

Note 6. Long-term Liabilities (continued)

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

	Notes Payable	Interest	Total
2021	$ -	$ 22,848	$ 22,848
2022	208,008	22,848	230,856
2023	214,000	19,312	233,312
2024	221,000	15,674	236,674
2025	227,000	11,917	238,917
2026	234,000	8,058	242,058
2027	240,000	4,080	244,080
Total	$ 1,344,008	$ 104,737	$ 1,448,745

Note 7. Construction Commitments and Financing

The College is close to completing construction of a new weight training facility assisted by the City of Meridian. In addition, the College began construction on an addition to our current Workforce Development Center (WDC) for an Advanced Manufacturing Lab that will be assisted by the State of Mississippi, City of Meridian, and new debt that will be issued in FY 2020. The estimated costs to complete these projects are presented below:

		Funded by	
Project Title	Total Costs to Complete	State Sources	Institutional Funds
Science laboratory improvements	$ 656,611	$ 656,611	$ -
Montgomery restroom renovation	120,528	-	120,528
Upgrade of phone system	24,975	-	24,975
Automation controls/CAD	435,414	-	435,414
WDC Addition for Adv. Man. Lab.	21,832	-	21,832
Total	$ 1,259,360	$ 656,611	$ 602,749

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2020:

Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships and Fellowships	Depreciation Expense	Other	Total
Instruction	$ 9,503,343	$2,936,723	$130,522	$ 965,963	$ 453,230	$ 19,447	$ 28,732	$ -	$ 488,549	$14,526,509
Academic support	1,142,988	460,363	12,487	736,078	92,879	-	-	-	361,375	2,806,170
Student services	2,392,481	808,025	157,832	321,648	251,474	-	-	-	6,831	3,938,291
Institutional support	2,407,502	2,383,736	47,615	983,968	238,470	-	-	-	300,237	6,361,528
Operation of plant	1,028,873	412,616	5,987	589,369	699,133	724,352	-	-	881,287	4,341,617
Student aid	-	-	-	-	-	-	4,488,956	-	-	4,488,956
Auxiliary enterprises	332,823	146,167	2,243	780,907	1,600,995	223,571	-	-	20,853	3,107,559
Depreciation	-	-	-	-	-	-	-	1,649,892	-	1,649,892
Total operating expenses	$16,808,010	$7,147,630	$356,686	$4,377,933	$3,336,181	$ 967,370	$ 4,517,688	$ 1,649,892	$2,059,132	$41,220,522

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, 2020 was 17.4% 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, 2020, 2019, 2018, 2017, 2016 and 2015 were $2,832,199, $2,547,438, $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, 2020, the College reported a liability of $43,979,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020 net pension liability was .25 percent, which was based on a measurement date of June 30, 2019. 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, 2020, the College recognized pension expense of $4,198,539. At June 30, 2020, 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	$ 26,017	$ 47,341
Changes in proportion and differences between college contributions and proportionate share of contributions	-	62,293
Net difference between projected and actual earnings on pension plan investments	-	481,158
Changes in assumptions	431,185	-
College contributions subsequent to the measurement date	2,832,199	-
Total	$ 3,289,401	$ 590,792

Note 9. Pension Plan (continued)

$2,832,199 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, 2021. 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:		
2021	$	190,590
2022		(646,002)
2023		121,031
2024		200,791
Total	$	(133,590)

Actuarial assumptions. The total pension liability in the June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00-18.25 %, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubSH-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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 most recent 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%	4.90%
International equity	22.00%	4.75%
Global	12.00%	5.00%
Fixed income	20.00%	1.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash	1.00%	0.25%
Total	100.00%	

Discount rate − the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (17.40%). 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 members. 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%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% decrease 6.75%	Current discount rate 7.75%	1% increase 8.75%
College's proportionate share of the net pension liability	$ 57,813,145	$ 43,979,932	$ 32,561,858

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. The plan issues a publicly available financial report that can be obtained at http://knowyourbenefits.dfa.ms.gov.

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.

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 $85,399 and $92,758 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the College reported a liability of $2,314,136 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the College's proportion was 0.27271941%. This was an increase of 0.00107829% from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the College recognized OPEB expense of $155,975. At June 30, 2020, 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	$ 3,499	$ 33,125
Changes in proportion and differences between college contributions and proportionate share of contributions	116,259	-
Net difference between projected and actual earnings on pension plan investments	44	-
Changes in assumptions	172,525	119,999
College contributions subsequent to the measurement date	85,399	-
Total	$ 377,726	$ 153,124

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

$85,399 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, 2021. 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:		
2021	$	23,973
2022		23,973
2023		23,973
2024		26,769
2025		29,634
Thereafter		10,881
Total	$	139,203

Actuarial assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00-18.25%, including wage inflation
Long-term Investment rate of return, net of OPEB plan investment expense, including inflation	4.50%
Municpal Bond Index Rate	
Measurement date	3.50%
Prior Measurement date	3.89%
Year FNP is projected to be depleted	
Measurement date	2019
Prior Measurement date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement date	3.50%
Prior Measurement date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.75% by 2028

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

Mortality rates were based on the PubSH-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50%. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2019 with an initial contribution of $1,000,000. As of June 30, 2020, the trust has $1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2018 and June 30, 2019.

The discount rate used to measure the total OPEB liability at June 30, 2019 was based on the monthly average of the Bond Buyers 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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% decrease 2.50%	discount rate 3.50%	1% increase 4.50%
Net OPEB liability	$ 2,570,601	$ 2,314,136	$ 2,094,706

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	$ 2,144,404	$ 2,314,136	$ 2,506,414

OPEB plan fiduciary net position- The fiduciary net position for the OPEB plan was zero as of June 30, 2019, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at http://knowyourbenefits.dfa.ms.gov/.

Note 11. Deficit Net Position

The unrestricted net position has a deficit fund balance in the amount of $32,658,247. 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. 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

Note 1. Summary of Significant Accounting Policies

Organization

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. Accordingly, net assets and changes therein are reported as follows:

Net assets with donor restrictions - consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that the donor stipulates the resources be maintained in perpetuity, but permits the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Net assets without donor restrictions - represent funds that are available for support of the operations of the Foundation and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. The Foundation considers donor contributions to various College departments to be included in net assets with donor restrictions as those College units have authority over expenditures. Expenses are reported as decreases in net assets without donor restrictions. When a donor restriction expires or the stated purpose is accomplished, net assets are reclassified as applicable in the statement of activities as net assets released from restriction.

Note 1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Such estimates include the present value discount rates applied to the pledges receivable and liabilities under remainder trusts, allowance for uncollectible pledges, fair market values of certain investments including real estate and depreciation of property and equipment. Actual results could differ significantly 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 value 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.

Revenue Recognition

The Foundation generally recognizes gifts as revenue when notified of an unconditional promise to give. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts of these amounts are computed using risk-free interest rates at the time of the pledge, which are applicable to the years in which the pledges are scheduled to be received. Accretion of the discounts is included in contribution revenue. Pledges receivable are discussed later in this note. Investments received by gift are recorded at fair value at the date of donation. Donated assets are recorded at fair market value at the date of gift.

The Foundation earns a management fee of 0.5% on endowment funds held with a balance of $100,000 and above unless disallowed by the endowment agreement. For the fiscal years ended June 30, 2020 and 2019, such fees totaled approximately $31,700 and $31,350, respectively.

Cash and Cash Equivalents and Liquidity

The Foundation recognizes all unrestricted 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. The Foundation received marketable securities by gift, which were immediately converted to cash. For the fiscal years ended June 30, 2020 and 2019, such gifts totaled approximately $1,460 and $6,626 respectively.

Note 1. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents and other financial assets available within one year at June 30, 2020 and 2019 are as follows:

Financial assets at year end	2020	2019
Cash and cash equivalents	$ 33,943	$ 517
Pledges receivable, net	720,520	831,308
Investments	17,782,702	17,438,172
Other assets (accounts receivable and life insurance policies)	-	19,857
Total financial assets at year end	$ 18,537,165	$ 18,289,854
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions	(7,326,602)	(7,428,945)
Subject to appropriation and satisfaction of donor restrictions	(9,571,086)	(9,788,900)
Total financial assets available to meet cash needs for general expenditures within one year	$ 1,639,477	$ 1,072,009

Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which includes pooled investment funds) 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 partnership and member interests are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

As of June 30, 2020 and 2019, the Foundation had no plans or intentions to sell investments at amounts different from NAV. The Foundation's real estate investments are initially recognized at fair value based on appraised values at the date of receipt and are subsequently carried at fair value. Both realized and unrealized gains and losses are classified in the accompanying statements of activities based on restrictions put in place by the donor.

Note 1. Summary of Significant Accounting Policies (continued)

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 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 FIN48, "Accounting for Uncertainty in Income Taxes"). FASB 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 positions nor do they expect to. The federal income tax returns of the Foundation for 2019, 2018, 2017 and 2016 are subject to examination by the IRS, generally for three years after they are filed.

Fair Value of Financial Instruments

The carrying amounts at June 30, 2020 and 2019 for cash and cash equivalents, pledges receivable, beneficial interest in trust, annuity liability under remainder trust and other liabilities approximate their fair values. See Note 6 for fair value measurement.

Recent Accounting Pronouncements

The FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230), *Presentation of Financial Statements of Not-For-Profit Entities,* in November 2016.ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total 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. The Foundation adopted the provisions of ASU 2016-18 during the year ended June 30, 2020 using a retrospective approach. As a result, cash and cash equivalents recorded in restricted cash in the Foundation's statements of financial position totaling $153,325 and $222,356 at June 30, 2019 and 2018, respectively, is included in cash, cash equivalents, and restricted cash at the beginning of the year in the statements of cash flows. Cash and cash equivalents recorded in restricted cash on the statements of financial position totaling $262,351 and $153,325 is included in the statements of cash flows at the end of the year for the years ended June 30, 2020 and 2019, respectively.

In June 2018, the FASB issued ASU 2018-08 – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating where transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented ASU 2018-08 applicable to contributions received in the accompanying financial statements under the full prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07 – Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard enhances disclosure requirements for recognized contributed nonfinancial assets and contributed services for not-for-profit entities. ASU 2020-07 is effective for annual periods beginning after June 15, 2021 and early adoption is permitted. The Foundation is currently evaluating the impact that ASU 2020-07 will have on its financial reporting.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the previously reported total net assets.

Subsequent Events

The Foundation has evaluated subsequent events through January 31, 2021, the date the financial statements were available to be issued and determined no subsequent events occurred requiring disclosure in the financial statements.

Uncertainties

In March 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. State and local mandates have required periodic temporary closure and/or limited operations of certain schools, businesses and other facilities that have affected the Foundation. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the situation on its financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, management is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Note 2. 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Pledges receivable, net, are summarized as follows at June 30, 2020 and 2019:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 203,787	$ 282,247
One year to five years	250,000	250,000
Over five years	400,000	450,000
	$ 853,787	$ 982,247
Less unamortized discount (2.95%)	(133,267)	(150,939)
	$ 720,520	$ 831,308

The pledge receivable from the Phil Hardin Foundation dated December 12, 2014 has a balance of $700,000 and $750,000 as of June 30, 2020 and 2019, 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. Subsequent annual installments have been received each November. Additional $50,000 installments will be made over the next 15 years.

Based on the Foundation's historical collection rate and evaluation of pledges receivable at June 30, 2020 and 2019, no allowance for uncollectible pledges has been recorded.

Note 3. Investments

The Foundation's investments, aggregated by investment strategy, consist of the following at June 30, 2020 and 2019:

	2020	2019
Investment strategy:		
Fixed income:		
Certificates of deposit	$ 129,363	$ 148,894
Equities		
Common stocks	$ 107,570	$ 124,412
Pooled investment funds, at NAV:		
Commonfund investments		
Multi-stategy equity fund	$ 11,089,244	$ 11,085,671
Multi-stategy bond fund	6,448,306	6,071,290
Multi-stategy term fund	8,219	7,905
Total pooled investment funds at NAV	$ 17,545,769	$ 17,164,866
Total investments	$ 17,782,702	$ 17,438,172

Note 4. Beneficial Interest in Trust

In 2004 the Foundation was notified that it had been named as a beneficiary in a perpetual trust created in that year upon the death of the donor. The interest is shared with two unrelated charitable organizations, and the interest equated to $196,540 based on the fair value of the assets placed in the trust. Income is paid quarterly from the trust to the Foundation, which in turn, distributes such funds to the without donor restrictions fund at the first of the next fiscal year.

The foundation's interest in this trust totaled approximately $151,668 and $154,203 at June 30, 2020 and 2019, respectively.

Note 5. Annuity Liability

The Foundation is obligated pursuant to the terms of a charitable remainder annuity trust agreement established by a donor-program of the Foundation to pay the donors an annual sum of $8,078 per trust agreement (paid monthly) for the lives of the donors. Pursuant to this agreement an $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, 2020 and 2019, the annuity liability amounted to $29,524 and $31,148, respectively.

Note 5. Annuity Liability (continued)

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, 2020 and 2019, the joint annuity received in February 2000 is the only outstanding liability.

Note 6. 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 value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Note 6. Fair Value Measurement (continued)

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income				
Certificates of deposit	$ -	$ 129,363	$ -	$ 129,363
Equities				
Common stocks	107,570	-	-	107,570
	$ 107,570	$ 129,363	$ -	$ 236,933
Pooled investment funds, at NAV- Commonfund				17,545,769
Total investments				$ 17,782,702
Beneficial interest in trust	$ 60,520	$ 91,148	$ -	$ 151,668

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income				
Certificates of deposit	$ -	$ 148,894	$ -	$ 148,894
Equities				
Common stocks	124,412	-	-	124,412
	$ 124,412	$ 148,894	$ -	$ 273,306
Pooled investment funds, at NAV- Commonfund				17,164,866
Total investments				$ 17,438,172
Beneficial interest in trust	$ 60,310	$ 93,893	$ -	$ 154,203

As of June 30, 2020 and 2019, the estimated fair value of the Foundation'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 6. Fair Value Measurement (continued)

The table below represents a summary of the fair value, unfunded commitments, eligible redemption frequency and expected life of the respective investments as of June 30, 2020:

Investment	Fair Value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period	Expected life span of investment
Intermediate Term Fund	$ 8,219	-	Monthly	Last 7 business days of the month	Indefinite
Multi-Stategy Equity Fund	11,089,244	-	Monthly	Last 7 business days of the month	Indefinite
Multi-Stategy Bond Fund	6,448,306	-	Monthly	Last 7 business days of the month	Indefinite
	$ 17,545,769				

Note 7. Endowment Funds

The Foundation’s endowment consists of 130 donor-restricted funds established for a variety of purposes to benefit Meridian Community College. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Mississippi adopted UPMIFA 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 net assets with donor restrictions the original gift donated to the endowment and the original value of subsequent gifts, as both are corpus. The remaining portion of the donor-restricted endowment fund that is not classified as corpus is restricted 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 Finance 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.

Note 7. Endowment Funds (continued)

The Foundation's spending policy is designed to instill confidence that positive growth in the market value of the endowment is sufficient to offset reasonable spending over an extended period of time. The spending policy is approved by the Foundation's Board of Directors. 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 balance as long as earnings retained are above corpus. At the request of the Finance Committee of the Board of Directors, the spending rate was increased to 5% for the year beginning July 1, 2020 with Board approval. 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.

Endowment net assets composition by type of fund for the year ended June 30, 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Original donor- restricted gift amount and amounts required to be retained by donor	$ -	$ 6,756,513	$ 6,756,513
Portion subject to appropriation	-	8,240,332	8,240,332
Total endowment funds June 30, 2020	$ -	$ 14,996,845	$ 14,996,845

Endowment net assets composition by type of fund for the year ended June 30, 2019 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Original donor- restricted gift amount and amounts required to be retained by donor	$ -	$ 6,551,761	$ 6,551,761
Portion subject to appropriation	-	8,470,411	8,470,411
Total endowment funds June 30, 2019	$ -	$ 15,022,172	$ 15,022,172

Note 7. Endowment Funds (continued)

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	$ -	$ 14,076,482	$ 14,076,482
Contributions to endowment	-	224,506	224,506
Appropriation of expenditures	-	(440,915)	(440,915)
Investment return:			
Investment income	-	272,882	272,882
Net appreciation	-	889,217	889,217
Endowment net assets, June 30, 2019	$ -	$ 15,022,172	$ 15,022,172
Contributions to endowment	-	204,753	204,753
Transfer in from unrestricted life insurance proceeds	-	9,462	9,462
Appropriation of expenditures	-	(542,467)	(542,467)
Investment return:			
Investment income	-	236,121	236,121
Net appreciation	-	66,804	66,804
Endowment net assets, June 30, 2020	$ -	$ 14,996,845	$ 14,996,845

Note 8. Life Insurance Policy

The Meridian Community College Foundation received a life insurance policy in 1994 on the life of a donor. Since that time, the donor has made monthly donations which have been used to pay the premiums of the policy of which the Foundation is the named beneficiary. The purpose of this policy is to fund a scholarship endowment in the names of teachers the donor had while attending Meridian Public Schools and Meridian Junior College (now Meridian Community College). In the fall of 2019, the donor contacted the foundation and stated that he would no longer be able to make the donations to cover the premiums of the policy in the coming year.

On February 18, 2020, the net Cash Surrender Value of the life insurance policy was received in the amount of $9,462. The proceeds were transferred to the endowment in the donor's name as corpus. These scholarships will be awarded from the endowment in the name of the donor's teachers.

Note 9. 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, 2020, the Foundation's uninsured cash balance amounted to $110,400. There were no uninsured cash balances as of June 30, 2019.

Note 10. 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:

	2020	2019
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	(251,042)	(228,463)
	$ 712,510	$ 735,089

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 $22,579 for years ended June 30, 2020 and 2019.

Note 11. Other Assets

Other assets at June 30, 2020 and 2019 consist of the following:

	2020	2019
Life insurance policies	$ -	$ 10,966
Steel sculpture	5,000	5,000
Cartmell oil portraits	20,959	20,959
Donations of artwork	208,084	214,683
Miscellaneous receivable	-	8,891
	$ 234,043	$ 260,499

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 were restricted for the following purposes:

	2020	2019
Subject to expenditure for specified purpose:		
Scholarships	$ 5,426,001	$ 5,395,880
Awards	33,681	31,485
Faculty/staff expense	1,347,818	1,350,047
Facilities	320,024	331,887
Other program expense	4,736,979	4,793,925
	$ 11,864,503	$ 11,903,224
Subject to endowment spending policy and appropriation:		
Scholarships	$ 4,682,777	$ 4,530,376
Awards	10,000	10,000
Faculty/staff expense	697,012	694,661
Other program expense	1,366,724	1,316,724
	$ 6,756,513	$ 6,551,761
Total net assets with donor restrictions	$ 18,621,016	$ 18,454,985

Note 13. 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 $131,777 and $144,306 for the years ended June 30, 2020 and 2019, 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 $54,240 and $53,879 for the years ended June 30, 2020 and 2019, respectively.

Note 14. Non-Cash Contributions

The Foundation receives a variety of non-cash contributions. For the years ended June 30, 2020 and 2019, non-cash contributions totaled $85,436 and $105,242, respectively, and were included in revenue.

For the year ended June 30, 2020, the Foundation received $83,976 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	$	18,333
Donation to Meridian Community College		65,643
	$	83,976

For the year ended June 30, 2020, the Foundation received $1,460 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, 2019, the Foundation received $98,616 in non-cash contributions related to investments that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Management and general	$	21,621
Donation to Meridian Community College		76,995
	$	98,616

For the year ended June 30 2019, the Foundation received $6,626 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.

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

Note 15. 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 16. Net Assets Released From Donor Restrictions

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

	2020	2019
Purpose restriction accomplished:		
Scholarship programs	$ 456,183	$ 376,033
Awards	1,475	1,800
Faculty/staff programs	39,590	55,614
Annuity interest expense	8,078	8,078
Other program services	591,487	1,104,625
Management and general	11,834	11,835
Donations to Meridian Community College	137,270	132,456
	$ 1,245,917	$ 1,690,441

Note 17. Functional Expenses

Expenses by function and natural classification for the year ended June 30, 2020 is as follows:

	Scholarship	Program-matic	General and Administrative	Fundraising	Total Expenses
Scholarships	$ 647,324	$ -	$ -	$ -	$ 647,324
Awards	1,475	-	-	-	1,475
Faculty and support staff	-	40,565	-	-	40,565
Annuity interest expense	-	-	-	8,078	8,078
Other programs	-	591,487	-	-	591,487
Management and general	-	-	183,302	-	183,302
Donations to MCC	-	25,000	177,269	-	202,269
	$ 648,799	$ 657,052	$ 360,571	$ 8,078	$ 1,674,500

Expenses by function and natural classification for the year ended June 30, 2019 is as follows:

	Scholarship	Program-matic	General and Administrative	Fundraising	Total Expenses
Scholarships	$ 577,808	$ -	$ -	$ -	$ 577,808
Awards	2,975	-	-	-	2,975
Faculty and support staff	-	55,614	-	-	55,614
Annuity interest expense	-	-	-	8,078	8,078
Other programs	-	1,104,625	-	-	1,104,625
Management and general	-	-	181,496	-	181,496
Donations to MCC	-	25,000	173,865	-	198,865
	$ 580,783	$ 1,185,239	$ 355,361	$ 8,078	$ 2,129,461

MERIDIAN COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY
For the Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
College's proportion of the total net pension liability	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
College's proportion of the plan net position	$ 70,516,505	$ 69,407,975	$ 66,357,743	$ 60,337,540	$ 62,266,390	$ 62,192,797
College's proportionate share of the net pension liability	$ 43,979,932	$ 41,582,427	$ 41,558,484	$ 44,656,242	$ 38,645,070	$ 30,345,423
College's covered payroll	$ 16,277,002	$ 15,873,435	$ 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	270.00%	262.00%	262.00%	283.00%	249.00%	196.00%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	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, 2020

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,832,199	$ 2,547,438	$ 2,500,065	$ 2,501,323	$ 2,485,067	$ 2,441,302
Contributions in relation to the contractually required contribution	2,832,199	2,547,438	2,500,065	2,501,323	2,485,067	2,441,302
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 16,277,002	$ 16,174,207	$ 15,873,443	$ 15,881,416	$ 15,778,182	$ 15,500,332
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%
Proportionate share percentage	0.25%	0.25%	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, 2020

	2020	2019	2018
College's proportion of the total net OPEB liability	0.27271941%	0.27164112%	0.25886155%
College's proportionate share of the net OPEB liability	$ 2,314,136	$ 2,101,280	$ 2,031,051
College's covered-employee payroll	$ 12,488,984	$ 12,286,143	$ 11,629,938
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	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, 2020

	2020	2019	2018
Actuarially determined contribution	$ 85,399	$ 92,758	$ 86,587
Contributions in relation to the actuarially determined contribution	85,399	92,758	86,587
Contributions deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 14,471,058	$ 14,316,034	$ 14,117,602
Contributions as a percentage of covered-employee payroll	0.59%	0.65%	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. Prior year information is based on historical amounts reported in prior year report(s).

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

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%.

2019
The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The price inflation assumption was reduced from 3.00% to 2.75%. The wage inflation assumption was reduced from 3.25% to 3.00%. Withdrawal rates, pre-retirement mortality rates, and service retirement 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 7% to 9%.

(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 1% 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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3%
Salary increase	3.25% to 18.50% 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.

2018
The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.

2019
The discount rate was changed from 3.89% for the prior measurement date to 3.50% for the current measurement date.

(2) Changes in benefit provisions

<u>2017</u>
None

<u>2018</u>
None

<u>2019</u>
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, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

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	7.25%
Ultimate health care cost trend rates:	
Medicare supplement claims	
Pre-Medicare	4.75%
Year of ultimate trend rates, medicare supplement claims, pre-medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.89%

MERIDIAN COMMUNITY COLLEGE

SUPPLEMENTARY INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid - Cluster			
U.S. Department of Education			
Federal Supplemental Education			
Opportunity Grant Program (FSEOG)	84.007		$ 179,825
Federal Direct Loans	84.268		1,625,617
Federal Work-Study Program (FWS)	84.033		115,745
Federal PELL Grant Program	84.063		6,694,765
COVID-19 Education Stabilization Fund			
CARES Act Student Emergency Grants	84.425E		832,249
Total U.S. Department of Education			$ 9,448,201
Total Student Financial Aid - Cluster			$ 9,448,201
Other Programs			
U.S. Department of Labor			
Pass-through Programs From:			
MS Employment Security Commission:			
Smart Start, Governor's Reserve	17.260		$ 24,998
WIA Dislocated Worker Formula Grants	17.278		193,985
Total WIA Cluster			$ 218,983
Computer Software Applications Instructor	17.UN		$ 39,674
Supportive Services	17.UN		26,622
WIOA Internships	17.UN		24,983
Trade Adjustment Assistance	17.245		6,168
WIOA Out of School Youth	17.259		127,114
Total U.S. Department of Labor			$ 443,544
National Aeronautics and Space Administration			
Pass-through Program From:			
University of Mississippi			
Aerospace Education Services Program	43.001		$ 6,551
Total National Aeronautics and Space Administration			$ 6,551
Veteran's Affairs Support Funds			
Pass-through Programs From:			
VA Support Funds	99.001		$ 2,100
Total Veteran's Affairs Support Funds			$ 2,100

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Grant			
COVID-19 Education Stabilization Fund			
CARES Act Institution Emergency Grants	84.425F		$ 417,064
Pass-through Programs From:			
State Department of Education:			
Adult Education - State Grant Program	84.002	EV048A700248	312,882
Adult Literacy Education - State Grant Program	84.002A		11,120
Vocational Education Basic Grants to States	84.048	E-V243A60095	265,771
MS Departartment of Finance and Administration - Postsecondary Education Covid 19	21.019		16,450
Total U.S. Department of Education			$ 1,023,287
U.S. Department of Health and Human Services			
Pass-through Programs From:			
State Department of Human Services:			
Supplemental Nutrition Assistance Program	10.561		$ 1,969
Supplemental Nutrition Assistance Program - Employment & Training	10.561		241
Families First	93.597		23,225
Child Care & Development Block Grant- Early Childhood Academy	93.575		281,153
Pass-through Programs From:			
Mississippi Community College Board:			
Administration for Children & Families - PDG-B5	93.434		176,851
Total U.S. Department of Health and Human Services			$ 483,439
Total other programs			$ 1,958,921
Total expenditures of federal awards			$ 11,407,122

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	$ 11,407,122
Direct loans	1,625,617
Federal grants and contracts	$ 9,781,505

MERIDIAN COMMUNITY COLLEGE

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

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R. Benton Moulds
O. Keith Evans
Alan L. Webb
W. Douglas Coleman
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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, 2020, 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 January 31, 2021. 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
January 31, 2021

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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Mississippi Society
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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, 2020. 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, 2020.

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
January 31, 2021

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, 2020, and have issued our report thereon dated January 31, 2021. 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, and entities with accreditation overview, federal awarding agencies, the Office of the State Auditor 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
January 31, 2021

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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 programs:

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
84.425E	CARES Act Student Emergency Grants
84.425F	CARES Act Institution Emergency Grants

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020 (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.