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**PEARL RIVER COMMUNITY COLLEGE
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021**

PEARL RIVER COMMUNITY COLLEGE
Year Ended June 30, 2021

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FINANCIAL AUDIT REPORT

HERZOG CPA COMPANY, PLLC

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INDEPENDENT AUDITORS' REPORT

Dr. Adam Breerwood, President
And Board of Trustees
Pearl River Community College
Poplarville, Mississippi 39470

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Pearl River Community College as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Pearl River Community College, as of June 30, 2021, and the respective changes in financial position and cash flows for the year ended in conformity 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*, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of the College's Contributions-PERS, the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of the College's Contributions-OPEB 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 Pearl River 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 February 28, 2022, on our consideration of Pearl River Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Pearl River 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 Pearl River Community College's internal control over financial reporting and compliance.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
February 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pearl River Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2021. 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. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

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 of resources, liabilities, and deferred inflows of resources. The College's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) is one indicator of the College's financial health. Over time, increases or decreases in net position are 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.

**Condensed Statements of Net Position
June 30, 2021 and 2020**

	2021	2020
Assets		
Current Assets	\$ 40,301,098	\$ 41,523,265
Non-current Assets:		
Capital, Net	100,927,676	95,309,530
Other	7,500	-
<i>Total Assets</i>	<u>141,236,274</u>	<u>136,832,795</u>
Deferred Outflows of Resources		
Deferred Outflows-Pension	7,377,994	6,839,423
Deferred Outflows-OPEB	644,489	421,772
<i>Total Deferred Outflows of Resources</i>	<u>8,022,483</u>	<u>7,261,195</u>
Total Assets and Deferred Outflows of Resources	<u>149,258,757</u>	<u>144,093,990</u>
Liabilities		
Current Liabilities	4,335,443	4,117,734
Non-Current Liabilities	89,889,003	83,727,116
<i>Total Liabilities</i>	<u>94,224,446</u>	<u>87,844,850</u>
Deferred Inflows of Resources		
Deferred Inflows-Pension	657,105	49,282
Deferred Inflows-OPEB	584,909	190,814
<i>Total Deferred Inflows of Resources</i>	<u>1,242,014</u>	<u>240,096</u>
Total Liabilities and Deferred Inflows of Resources	<u>95,466,460</u>	<u>88,084,946</u>
Net Position		
Net Investment in Capital Assets	76,291,453	69,191,246
Restricted:		
Nonexpendable	7,500	7,500
Expendable	6,566,373	10,870,105
Unrestricted	(29,073,029)	(24,059,807)
<i>Total Net Position</i>	<u>53,792,297</u>	<u>56,009,044</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 149,258,757</u>	<u>\$ 144,093,990</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts, petty cash and certificates of deposit. The total amount of cash and cash equivalents reported as current assets on the College financial statements is \$31,802,413 at June 30, 2021, compared to the FY 2020 amount of \$26,676,958.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. 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 \$4,627,413 at June 30, 2021, compared to \$4,434,212 for FY 2020.

Inventories

The College maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories maintained for internal departmental use include paper goods. Inventories totaled \$483,582 at June 30, 2021, compared to \$384,473 for FY 2020.

Non-current Assets

Other Investments

Other long-term investments include bank certificates of deposit held by F.D.I.C. insured banks. The value at June 30, 2021, was \$7,500 and \$0 at June 30, 2020.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical College holdings at June 30, 2021. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$100,927,676 at June 30, 2021, compared to \$95,309,530 for FY 2020.

Deferred Outflows of Resources

The deferred outflows of resources are related to the pension and other postemployment benefits (OPEB). At June 30, 2021, the balance was \$8,022,483. The balance was \$7,261,195 at June 30, 2020.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2021 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,286,082 at June 30, 2021, compared to \$954,857 for FY 2020.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion, bonds and Net OPEB Liability-current portion represent the portion that would be payable by the end of the June 30, 2021 fiscal year. The amount of the current portion of debt at June 30, 2021 is \$1,350,408, compared to \$1,325,408 for FY 2020. The amount of the current portion of OPEB Liability at June 30, 2021 is \$94,218, compared to \$107,849 for FY 2020.

Non-current Liabilities

This liability consists of bonds payable and bond discounts and premiums. The total amount of the non-current portion of long-term liabilities is \$23,437,318 at June 30, 2021, compared to \$24,792,876 for FY 2020.

The net pension liability was \$61,112,754 at June 30, 2021 and \$53,552,605 at June 30, 2020.

The non-current portion of the OPEB Liability was \$2,610,122 at June 30, 2021 and \$2,775,891 at June 30, 2020.

Deferred Inflows of Resources

The deferred inflows of resources are related to the pension and the other postemployment benefits. The balance was \$1,242,014 at June 30, 2021 and \$240,096 at June 30, 2020.

Net Position

Net position represents the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Total net position at June 30, 2021 is \$53,792,297 compared to \$56,009,044 for FY 2020.

Analysis of Net Position

Restricted non-expendable net position consists of endowment gifts with specific restrictions on spending the principal given.

Restricted expendable net position consists of endowment gifts, gifts with specific restrictions, grants from third party agencies with expenditure restrictions, and loan funds.

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

The following is a breakdown of the unrestricted net position:

	<u>2021</u>	<u>2020</u>
Unrestricted General Fund	\$ (34,542,182)	\$ (30,360,213)
Unrestricted Auxiliary Fund	<u>5,469,153</u>	<u>6,300,406</u>
<i>Total Unrestricted Net Position</i>	<u><u>\$ (29,073,029)</u></u>	<u><u>\$ (24,059,807)</u></u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

Operating Revenues	2021	2020
Tuition and Fees	\$ 6,606,799	\$ 5,956,893
Grants and Contracts	29,943,420	25,195,843
Sales and Services of Educational Departments	145,457	142,892
Auxiliary Enterprises	7,317,492	6,929,933
Other Operating Revenues	301,520	467,098
	<hr/>	<hr/>
Total Operating Revenues	44,314,688	38,692,659
Operating Expenses	(71,907,163)	(60,938,239)
	<hr/>	<hr/>
Operating Loss	(27,592,475)	(22,245,580)
	<hr/>	<hr/>
Non-operating Revenues		
State Appropriations	16,735,373	16,719,777
County Appropriations	6,468,620	6,321,588
Investment Income (Expense), Net	(861,977)	(431,853)
Other Non-operating (Expenses)	(24,757)	(20,693)
	<hr/>	<hr/>
Net Non-operating Revenues	22,317,259	22,588,819
	<hr/>	<hr/>
Income (Loss) Before Other Revenues	(5,275,216)	343,239
Capital Appropriations	3,058,469	4,967,119
	<hr/>	<hr/>
Total Increase (Decrease) in Net Position	(2,216,747)	5,310,358
	<hr/>	<hr/>
Net Position		
Net Position - Beginning of Year	56,009,044	50,698,686
	<hr/>	<hr/>
Net Position - End of Year	\$ 53,792,297	\$ 56,009,044
	<hr/>	<hr/>

Total operating loss for the fiscal year 2021 is \$(27,592,475) compared to \$(22,245,580) for FY 2020. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will continue to 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 2021 are \$44,314,688, compared to \$38,692,659 for FY 2020. Tuition and fees are \$6,606,799, compared to \$5,956,893 for FY 2020. Operating expenses, including depreciation of \$3,793,145 totaled \$71,907,163. Of this total \$27,732,514 or 39% is for instruction. Operating expenses for FY 2020, including depreciation and amortization of \$3,283,235, totaled \$60,938,239. Of this total \$25,194,452, or 42%, was for instruction.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$6,606,799 for FY 2021, compared to \$5,956,893 for FY 2020.

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. Nonexchange 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 year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Federal Sources:		
Department of Education	\$ 25,305,029	\$ 19,192,282
Other Sources	<u>4,638,391</u>	<u>6,003,561</u>
<i>Total All Sources</i>	<u><u>\$ 29,943,420</u></u>	<u><u>\$ 25,195,843</u></u>

Non-capital Gifts

This consists of gifts made to the College from a nongovernmental organization and/or individual. The cash gifts totaled \$708,870 at June 30, 2021, compared to \$1,289,614 for FY 2020.

Sales and Services from Educational Activities

Other operating revenues, which consist of income from educational activities, totaled \$301,520 for the 2021 fiscal year and \$467,098 for the 2020 fiscal year.

Sales and Services, Net

Sales and services, net, consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. Auxiliary enterprises primarily include the College bookstore.

Operating Expenses

Operating expenses for FY 2021 totaling \$71,907,163, include salaries and benefits of \$37,385,670 scholarships and fellowships of \$12,407,198, utilities of \$1,927,067, supplies of \$8,000,248, services of \$8,131,369, travel of \$262,466, and depreciation of \$3,793,145. Operating expenses for FY 2020 totaling \$60,938,239, include salaries and benefits of \$31,897,869, scholarships and fellowships of \$10,571,460, utilities of \$2,035,013, supplies of \$5,614,893, services of \$7,052,931, travel of \$482,838, and depreciation and amortization of \$3,283,235.

	2021	2020
Expenses by Function:		
Instruction	\$ 27,732,514	\$ 25,194,452
Academic Support	1,433,172	1,205,690
Student Services	13,889,051	11,171,916
Institutional Support	13,120,018	9,588,753
Operations and Maintenance of Plant	6,714,182	5,538,482
Auxiliary Enterprises	5,225,081	4,955,711
Depreciation	3,793,145	3,278,085
Amortization	-	5,150
<i>Total Operating Expenses by Function</i>	<u>\$ 71,907,163</u>	<u>\$ 60,938,239</u>

Non-operating Revenues (Expenses)

State Aid

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$19,793,842 for 2020-2021 fiscal years, of which \$16,735,373 was for operations. In 2021, the College received \$3,058,469 in general obligation bonds of the State for capital improvements. During FY 2020, the College received \$21,686,896 which \$16,719,777 was for operations. The College received \$4,967,119 in general obligation bonds of the State for capital improvements for FY 2020.

County Appropriations

The College also receives revenue from the six county districts in which the school resides. The College uses the funding for salaries, benefits, and operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$6,468,620 for the 2021 fiscal year from the counties and \$6,321,588 for FY 2020. This appropriation was fully recorded by the College during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2021 was \$32,602, compared to the FY 2020 amount of \$498,997.

Other Non-operating Expenses

Total net other non-operating expenses amounted to \$(24,757) compared to FY 2020 in the amount of \$(20,693).

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 Statements of Cash Flows (Direct Method) Years Ended June 30, 2021 and 2020

	2021	2020
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (16,173,056)	\$ (16,790,660)
Non-capital Financing Activities	22,912,422	23,163,879
Capital and Related Financing Activities	(8,303,052)	(13,604,082)
Investing Activities	6,689,141	9,527,901
Net Increase in Cash and Cash Equivalents	5,125,455	2,297,038
Cash and Cash Equivalents:		
Beginning of the Year	26,676,958	24,379,920
End of the Year	<u>\$ 31,802,413</u>	<u>\$ 26,676,958</u>

The major sources of funds for FY 2021 included in operating activities includes student tuition and fees \$6,725,396, auxiliary enterprises \$7,317,493, and grants and contracts \$29,746,435. The major uses of funds were payments made to employees \$(29,632,102), and to suppliers \$(16,244,342). During FY 2020, the major sources of funds included in operating activities include student tuition and fees \$5,257,354, auxiliary enterprises \$6,929,934, and grants and contracts \$26,065,140. The major uses of funds during FY 2020 were payments made to employees \$(28,990,641), and to suppliers \$(13,607,968).

The largest inflow of cash for FY 2021 in the non-capital financing activities group is the State appropriation of \$16,446,137. This figure compares to the FY 2020 amount of \$16,836,246.

Significant Capital Asset Transactions

During the 2021 fiscal year, \$(9,128,073) was paid for capital asset transactions. This figure compares to the fiscal year 2020 amount of \$(16,935,839).

Factors Impacting Future Periods

There are a number of issues of Community College-wide importance that directly impacted the fiscal year 2021 financial situation. The level of State support, compensation increases, student tuition and fee increases, and energy cost increases, impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately thirty-eight percent (38%) of general operations' revenue. The level of State support is therefore one of the key factors influencing the College's financial condition.

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the College in the years to come.

Various committees and individuals are assessing the College's performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

AUDITED FINANCIAL STATEMENTS

EXHIBIT A
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 31,802,413
Short-term Investments	2,538,822
Accounts Receivable, Net	4,627,413
Interest Receivable	439
Inventories	483,582
Prepaid Expenses	848,429
Total Current Assets	<u>40,301,098</u>

NON-CURRENT ASSETS

Long-term Investments-Restricted	7,500
Capital Assets, Net of Accumulated Depreciation	100,927,676
Total Non-current Assets	<u>100,935,176</u>

<i>Total Assets</i>	<u>141,236,274</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows-Pension	7,377,994
Deferred Outflows-OPEB	644,489
<i>Total Deferred Outflows of Resources</i>	<u>8,022,483</u>

TOTAL ASSETS AND DEFERRED

<i>OUTFLOWS OF RESOURCES</i>	<u><u>\$ 149,258,757</u></u>
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The notes to the financial statements are an integral part of this statement.

**EXHIBIT A
PAGE TWO
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2021**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 1,286,082
Accrued Interest Payable	211,769
Retainage Payable	331,275
Unearned Revenues	1,061,691
Net OPEB Liability-Current Portion	94,218
Long-term Liabilities-Current Portion	1,350,408
Total Current Liabilities	<u>4,335,443</u>

NON-CURRENT LIABILITIES

Accrued Leave Liabilities	2,728,809
Long-term Liabilities	23,437,318
Net Pension Liability	61,112,754
Net OPEB Liability	2,610,122
Total Noncurrent Liabilities	<u>89,889,003</u>
<i>Total Liabilities</i>	<u><u>94,224,446</u></u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows-Pension	657,105
Deferred Inflows-OPEB	584,909
<i>Total Deferred Inflows of Resources</i>	<u>1,242,014</u>
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u><u>95,466,460</u></u>

NET POSITION

Net Investment in Capital Assets	76,291,453
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	7,500
Expendable:	
Scholarships and Fellowships	401
Capital Projects	2,595,402
Debt Service	3,885,465
Unemployment	85,105
Unrestricted	<u>(29,073,029)</u>
<i>Total Net Position</i>	<u>53,792,297</u>
<i>Total Liabilities, Deferred Inflows of Resources and Net Position</i>	<u><u>\$ 149,258,757</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT B
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and Cash Equivalents	\$ 366,906	\$ 1,400,987	\$ 1,767,893
Cash Value of Annuities	466,387	166,657	633,044
Investments	286,301	7,477,892	7,764,193
Total Current Assets	<u>1,119,594</u>	<u>9,045,536</u>	<u>10,165,130</u>
 Property and Equipment, net	 93,381	 -	 93,381
Total Assets	<u><u>\$ 1,212,975</u></u>	<u><u>\$ 9,045,536</u></u>	<u><u>\$ 10,258,511</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT B
PAGE TWO
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$ 11,275	\$ 6,721	\$ 17,996
Total Current Liabilities	<u>11,275</u>	<u>6,721</u>	<u>17,996</u>
Net Assets			
Without Donor Restrictions			
Undesignated	1,108,319	-	1,108,319
Net Investment in Capital Assets	93,381	-	93,381
With Donor Restrictions			
Purpose Restrictions	-	1,778,370	1,778,370
Perpetual in Nature	<u>-</u>	<u>7,260,445</u>	<u>7,260,445</u>
Total Net Assets	<u>1,201,700</u>	<u>9,038,815</u>	<u>10,240,515</u>
Total Liabilities and Net Assets	<u><u>\$ 1,212,975</u></u>	<u><u>\$ 9,045,536</u></u>	<u><u>\$ 10,258,511</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT C
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

OPERATING REVENUES

Tuition and Fees (Net of Scholarship Allowances of \$11,162,954)	\$ 6,606,799
Federal Grants and Contracts	25,305,029
State Grants and Contracts	3,681,765
Local Grants and Contracts	247,756
Non-governmental Grants and Contracts	708,870
Sales and Services of Educational Departments	145,457
Auxiliary Enterprises:	
Student Housing	1,962,731
Food Services	1,615,972
Bookstore	3,738,789
Other Operating Revenues	301,520
Total Operating Revenue	<u>44,314,688</u>

OPERATING EXPENSES

Salaries and Wages	22,462,593
Fringe Benefits	14,923,077
Travel	262,466
Contractual Services	8,131,369
Utilities	1,927,067
Scholarships and Fellowships	12,407,198
Commodities	8,000,248
Depreciation and Amortization Expense	3,793,145
Total Operating Expenses	<u>71,907,163</u>

OPERATING (LOSS) (27,592,475)

NON-OPERATING REVENUES (EXPENSES)

State Appropriations	16,735,373
Local Appropriations	6,468,620
Investment Income	32,602
Interest Expense on Capital Asset-related Debt	(894,579)
Other Non-operating Expenses	(24,757)
Total Non-operating Revenues	<u>22,317,259</u>

**INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS
AND LOSSES** (5,275,216)

The notes to the financial statements are an integral part of this statement.

EXHIBIT C
PAGE TWO
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

State Appropriations Restricted for Capital Purposes	<u>\$ 3,058,469</u>
CHANGE IN NET POSITION	(2,216,747)
NET POSITION	
Net Position - Beginning of Year	<u>56,009,044</u>
Net Position - End of Year	<u><u>\$ 53,792,297</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT D
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF ACTIVITIES
PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 55,110	\$ 1,287,635	\$ 1,342,745
Special Projects	-	27,500	27,500
Other	12,649	-	12,649
Dividend and Interest Income	26,156	87,475	113,631
Net Assets Released From Restriction:			
Expiration of Usage Restrictions	937,906	(937,906)	-
Total Revenues, Gains, and Other Support	<u>1,031,821</u>	<u>464,704</u>	<u>1,496,525</u>
EXPENSES			
Program Services:			
Scholarships	519,470	-	519,470
Educational Departments	428,628	-	428,628
Service Awards	3,551	-	3,551
Special Projects	1,499	-	1,499
Total Program Services	<u>953,148</u>	<u>-</u>	<u>953,148</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT D
PAGE TWO
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF ACTIVITIES
PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Supporting Services:			
General Administration	\$ 92,713	\$ -	\$ 92,713
Fundraising Expense	8,216	-	8,216
Total Supporting Services	<u>100,929</u>	<u>-</u>	<u>100,929</u>
Other Income and Expenses:			
Realized Gain on Investments	2,534	85,280	87,814
Unrealized Gain on Investments	158,023	1,143,897	1,301,920
Transfers In	-	17,461	17,461
Transfers Out	(17,461)	-	(17,461)
Total Other Income and Expenses	<u>143,096</u>	<u>1,246,638</u>	<u>1,389,734</u>
<i>Change in Net Assets</i>	<u>120,840</u>	<u>1,711,342</u>	<u>1,832,182</u>
Net Assets:			
Beginning of the Year	<u>1,080,860</u>	<u>7,327,473</u>	<u>8,408,333</u>
End of the Year	<u><u>\$ 1,201,700</u></u>	<u><u>\$ 9,038,815</u></u>	<u><u>\$ 10,240,515</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT E
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 6,725,396
Grants and Contracts	29,746,435
Sales and Services of Educational Departments	145,457
Other Operating Revenues	368,014
Payments to Suppliers	(16,244,342)
Payments to Employees for Salaries and Benefits	(29,632,102)
Payments for Utilities	(1,928,925)
Payments for Travel	(258,881)
Payments for Scholarships and Fellowships	(12,411,601)
Auxiliary Enterprise Charges:	
Student Housing	1,962,731
Food Services	1,615,972
Bookstore	3,738,790
Net Cash (Used) by Operating Activities	<u>(16,173,056)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	16,446,137
Local Appropriations	6,466,285
Net Cash Provided by Non-capital Financing Activities	<u>22,912,422</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(9,128,073)
Principal Paid on Capital Debt	(1,325,408)
Interest Paid on Capital Debt	(908,040)
Capital Appropriations Received	3,058,469
Net Cash (Used) by Capital and Related Financing Activities	<u>(8,303,052)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of Investments	6,660,762
Interest Received on Investments	28,379
Net Cash Provided by Investing Activities	<u>6,689,141</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

5,125,455

CASH AND CASH EQUIVALENTS BALANCES

Beginning of Year	<u>26,676,958</u>
End of Year	<u>\$ 31,802,413</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT E
PAGE TWO
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
(USED) BY OPERATING ACTIVITIES**

Operating (Loss)	\$ (27,592,475)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	3,793,145
(Increase) Decrease in Assets:	
Receivables, Net	98,371
Inventories	(99,111)
Prepaid Expenses	(24,106)
(Increase) in Deferred Outflows of Resources:	
Deferred Outflows of Resources-Pension	(976,641)
Deferred Outflows of Resources-OPEB	(222,717)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	98,662
Accrued Leave Liabilities	123,065
Net Pension Liability	7,560,149
Net OPEB Liability	(179,400)
Unearned Revenues	(191,986)
Increase in Deferred Inflows of Resources:	
Deferred Inflows of Resources-Pension	1,045,893
Deferred Inflows of Resources-OPEB	394,095
Total Adjustments	11,419,419
Net Cash (Used) by Operating Activities	\$ (16,173,056)

The notes to the financial statements are an integral part of this statement.

EXHIBIT F
PEARL RIVER COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
PEARL RIVER COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	\$ 1,832,182
Adjustment to Reconcile Increase in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	8,652
Unrealized Gain on Investments	(1,301,920)
Realized Gain on Investments	(87,814)
Decrease in Accounts Payable	(30,052)
Net Cash Provided by Operating Activities	<u>421,048</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sale of Investments	762,740
Purchase of Property and Equipment	(47,603)
Net Cash Provided by Investing Activities	<u>715,137</u>

NET INCREASE IN CASH 1,136,185

CASH BALANCES:

Beginning of the Year	<u>631,708</u>
End of the Year	<u><u>\$ 1,767,893</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - Pearl River Community College was founded in 1924 and is one of Mississippi's fifteen (15) public community colleges. The legal authority for the establishment of Pearl River Community College is found in § 37-29-31, Miss. Code Ann. (1972).

Pearl River Community College is locally-governed by a sixteen-member Board of Trustees, selected by the Board of Supervisors of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River Counties who support the district through locally assessed Ad Valorem tax millage. One of the trustees from each of the supporting counties must be the County Superintendent of Education, unless the Superintendent chooses not to serve, in which case the county Board of Supervisors shall fill the vacancy in accordance with § 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a five-year term. In addition, Pearl River Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

Pearl River Community College reports the following discretely presented component unit:

Pearl River Community College Development Foundation, Inc. (Foundation) - The Foundation is a legally separate, tax-exempt nonprofit organization founded in 1987. The Foundation acts primarily as a fund-raising organization to supplement the resources available to Pearl River Community College (College) in support of its programs.

Although the College does not control the timing or number 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, 2021, the Foundation distributed \$441,133 to the College. Of this amount, \$420,733 was for scholarships and \$20,400 was for salary reimbursement.

- 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*, and 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.
- 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.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE TWO
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivable, Net - Accounts receivable consists 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 receivable are recorded net of an allowance for doubtful accounts.
- G. Student Notes Receivable, Net - Student notes receivable consists 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.
- H. Inventories - Inventories consist of the bookstore and printing supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.
- J. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor with the restrictions that only the income is to be utilized.
- K. 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 repair and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- L. Deferred Outflows 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The college has incurred deferred outflows that are related to pension reporting and to other postemployment benefits reporting.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE THREE
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. 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.
- N. Compensated Absences - Twelve-month employees earn annual personal leave at a rate of eighteen (18) days per year for three (3) months to three (3) years of service, twenty-one (21) days per year for three (3) to eight (8) years of service, twenty-four (24) days per year for eight (8) to fifteen (15) years of service and twenty-seven (27) days per year for over fifteen (15) years of service. Personal leave accrual is also provided for eleven (11) month, ten (10) month, nine and one-half (9.5) month and nine (9) month employees. Part-time regular employees working twenty (20) hours or more per week shall accrue the same personal leave benefits as full-time employees on a pro rata basis as full-time employees with a comparable length of contract. Adjunct faculty do not accrue personal leave. There is no requirement that annual leave be taken and there is no maximum accumulation. Upon retirement from employment, each employee shall be paid for not more than thirty days of unused accumulated personal leave. This payment shall be made based on the remaining number of days (up to 30) after the employee has banked all applicable unused personal leave as creditable service for the purposes of the retirement system. The liability for accrued leave at June 30, 2021, as reported in the Statement of Net Position is \$2,728,809. The current portion cannot be reasonably estimated. Therefore, all liability for accrued leave is classified as long-term.
- O. Long-term Liabilities and Bond Discounts and Premiums - In the proprietary financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.
- P. Deferred Inflows of Resources - This amount represents the College's proportionate share of the deferred inflows of resources reported by the pension plan and the other postemployment benefits in which the College participates. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. See Notes 10 and 11 for additional details.
- Q. 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. 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.
- R. Postemployment Benefits Other than Pensions (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 State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits become due. Investments are reported at fair value as determined by the State.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- S. Classification of Revenues - The 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 nonexchange 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.

- T. State Appropriations - Pearl River Community College receives funds from the State of Mississippi based on a full-time equivalent formula, which is based on total credit hours generated by all students with special consideration given only to high-cost programs.

- U. 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 a 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.

- V. Net Position - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Net Assets". Net position is classified in three categories. Net Investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or others. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted-expendable.

The unrestricted net position balance of \$(29,073,029) at June 30, 2021, includes \$483,582 reserved for inventories and \$5,469,153 reserved for auxiliaries.

- W. The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE FIVE
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- X. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Policies:

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

The carrying amount of the College's deposits with financial institutions reported in the accompanying financial statements was \$34,348,735. The bank balance was \$33,967,518.

Custodial Credit Risk – Deposits

Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. As of June 30, 2021, the College's bank balance was not exposed to custodial credit risk.

- B. Investments

As of June 30, 2021, the College had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Standard & Poors' Rating</u>
Short-term Investments			
Certificates of Deposit	Less than 1	\$ 2,538,822	AAA
Total Short-term Investments		<u>2,538,822</u>	
Long-term Investments			
Certificate of Deposit	More than 1	7,500	AAA
Total Long-term Investments		<u>7,500</u>	
Total Investments		<u>\$ 2,546,322</u>	

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE SIX
YEAR ENDED JUNE 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments – Continued

Credit Risk – Investment policies are set forth by state statute. Investments are reported at fair value (market). The College does not have a formal investment policy that addresses credit risk. Section 37-59-43, Miss. Code Ann. (1972), authorizes the College to invest surplus funds in the types of investments authorized by Section 21-105-33(d) and (e), Miss Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest-bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration.

Interest Rate Risk – The College does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Treasury securities are presented as investments with maturities of less than one year because they are redeemable in full immediately.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2021, there is no custodial credit risk associated with any investments.

Concentration of Credit Risk – Disclosures of investments by amount and issuer for any issuer that represents five percent (5%) 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, 2021, the College had the following investments that represent five percent (5%) or more of total investments:

Total Issuer	Fair Value	% of Investments
Bank Plus Bank Certificate of Deposit	\$ 1,189,605	47%
Bank Plus Bank Certificate of Deposit	621,993	24%
Bank Plus Bank Certificate of Deposit	619,281	24%

Level 1 Inputs

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. All investments are measured using Level 1 inputs, which are quoted market prices for identical assets traded in active markets.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
PAGE SEVEN
YEAR ENDED JUNE 30, 2021

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2021:

Student tuition	\$ 13,966,924
Federal, state, and private grants and contracts	2,936,584
Local appropriations	187,287
Other	<u>33,544</u>
Total accounts receivable	17,124,339
Less allowance for doubtful accounts	<u>(12,496,926)</u>
<i>Net accounts receivable</i>	<u><u>\$ 4,627,413</u></u>

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 4 - NOTES RECEIVABLE FROM STUDENTS

Notes receivable from students are payable in installments over a period of up to ten (10) years, commencing three (3) to twelve (12) months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2021.

	<u>Interest Rates</u>	<u>June 30, 2021</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Nursing Student Loans	3 % to 5%	\$ 15,066	\$ -	\$ 15,066
Total Notes Receivable		<u>15,066</u>	<u>-</u>	<u>15,066</u>
Less Allowance for Doubtful Accounts		<u>(15,066)</u>	<u>-</u>	<u>(15,066)</u>
Net Notes Receivable		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 1,536,871	\$ -	\$ -	\$ -	\$ 1,536,871
Construction in Progress	19,326,808	6,495,954	-	(815,131)	25,007,631
Total Nondepreciable Capital Assets	<u>\$ 20,863,679</u>	<u>\$ 6,495,954</u>	<u>\$ -</u>	<u>\$ (815,131)</u>	<u>\$26,544,502</u>

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Depreciable Capital Assets:					
Improvements Other than Buildings	\$ 45,056,198	\$ -	\$ -	\$ 738,105	\$ 45,794,303
Buildings	72,933,002	-	-	77,026	73,010,028
Equipment	9,237,101	2,916,810	(293,900)	-	11,860,011
Library Books	321,524	23,284	(81,568)	-	263,240
Leased Property Under Capital Leases	1,040,697	-	-	-	1,040,697
Total Depreciable Capital Assets	<u>128,588,522</u>	<u>2,940,094</u>	<u>(375,468)</u>	<u>815,131</u>	<u>131,968,279</u>
Less Accumulated Depreciation for:					
Improvements Other than Buildings	25,284,388	1,244,835	-	-	26,529,223
Buildings	19,927,811	1,444,482	-	-	21,372,293
Equipment	7,672,326	1,077,504	(269,143)	-	8,480,687
Library Books	228,936	26,324	(81,568)	-	173,692
Leased Property Under Capital Leases	1,029,210	-	-	-	1,029,210
Total Accumulated Depreciation	<u>54,142,671</u>	<u>3,793,145</u>	<u>(350,711)</u>	<u>-</u>	<u>57,585,105</u>
Total Depreciable Capital Assets, Net	<u>74,445,851</u>	<u>(853,051)</u>	<u>(24,757)</u>	<u>815,131</u>	<u>74,383,174</u>
Capital Assets, Net	<u>\$ 95,309,530</u>	<u>\$ 5,642,903</u>	<u>\$ (24,757)</u>	<u>\$ -</u>	<u>\$ 100,927,676</u>

The adjustments are for construction in progress completion, which was reclassified to buildings and improvements other than buildings.

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS (Continued)

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

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>	<u>Capitalization Threshold</u>
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 15 years	10%	5,000
College books	10 years	10%	--

NOTE 6 - NON-CURRENT LIABILITIES

Long-term liabilities of the College consist of bonds payable and certain other liabilities that are expected to be liquidated at least one (1) year from June 30, 2021. The College has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal 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 period.

Information regarding original issue amounts, interest rates and maturity dates for bonds included in the long-term liabilities balance at June 30, 2021, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

(See Schedule on Next Page)

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 6 - NON-CURRENT LIABILITIES (Continued)

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Capital Leases:								
Computer Equipment	\$ 477,039	0.00%	2024	\$ 381,631	\$ -	\$ (95,408)	\$ 286,223	\$ 95,408
Bonded Debt:								
General Obligation Bonds, Series 2010 (a)	1,765,000	2.50-3.25%	2026	800,000	-	(125,000)	675,000	125,000
General Obligation Bonds, Series 2011 (b)	2,450,000	2.50-3.25%	2026	1,130,000	-	(175,000)	955,000	180,000
Special Obligation Refunding Bonds - Student Housing Series 2012 (c)	10,000,000	2.00-3.375%	2037	8,100,000	-	(385,000)	7,715,000	395,000
General Obligation Refunding Bonds - Series 2013 (d)	3,025,000	2.00%	2022	550,000	-	(275,000)	275,000	275,000
General Obligation Refunding Bonds - Series 2018 (e)	15,000,000	3.00-4.00%	2049	15,000,000	-	(270,000)	14,730,000	280,000
Total Bonded Debt				25,580,000	-	(1,230,000)	24,350,000	1,255,000
<u>Bond Discount and Premium</u>								
Less: Discount Amount on Premium				(172,454)	-	6,250	(166,204)	-
Add: Premium on Bonds				329,107	-	(11,400)	317,707	-
Bonds Payable Net				25,736,653	-	(1,235,150)	24,501,503	1,255,000
<u>Other Non-Current Liabilities</u>								
Net Pension Liability				53,552,605	7,560,149	-	61,112,754	-
Net OPEB Liability				2,883,740	-	(179,400)	2,704,340	-
Compensated Absences				2,605,744	123,065	-	2,728,809	-
Total Other Non-Current Liabilities				59,042,089	7,683,214	(179,400)	66,545,903	-
Total				<u>\$ 85,160,373</u>	<u>\$ 7,683,214</u>	<u>\$ (1,509,958)</u>	<u>91,333,629</u>	<u>\$ 1,350,408</u>
Current Portion							(1,350,408)	
Total Long-Term Liabilities							<u>\$ 89,983,221</u>	

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2021

NOTE 6 - NON-CURRENT LIABILITIES (Continued)

A. Bonded Debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,255,000	\$ 876,982	\$ 2,131,982
2023	1,005,000	844,235	1,849,235
2024	1,040,000	812,052	1,852,052
2025	1,075,000	775,541	1,850,541
2026	1,115,000	737,620	1,852,620
2027-2031	4,240,000	3,218,272	7,458,272
2032-2036	5,075,000	2,382,509	7,457,509
2037-2041	3,505,000	1,515,672	5,020,672
2042-2046	3,545,000	864,500	4,409,500
2047-2049	2,495,000	152,300	2,647,300
Totals	<u><u>\$ 24,350,000</u></u>	<u><u>\$ 12,179,683</u></u>	<u><u>\$ 36,529,683</u></u>

- (a) The bonds mature through 2026. Interest payments are due on May 1 and November 1 of each year. The bonds are for Campus Improvements.
- (b) The bonds mature through 2026. Interest payments are due on May 1 and November 1 of each year. The bonds are for Campus Improvements.
- (c) The bonds mature through 2037. Interest payments are due on March 1 and September 1 of each year. The bonds are for refinancing a previous issue for student housing on the Poplarville Campus.
- (d) The bonds mature through 2022. Interest payments are due on October 1 and April 1 of each year. The bonds are for refinancing a previous issue for Campus Improvements.
- (e) The bonds mature through 2049. Interest payments are due on April 1 and October 1 of each year. The bonds are for Student Housing Construction and other capital projects.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2021

NOTE 6 - NON-CURRENT LIABILITIES (Continued)

B. Obligations Under Capital Leases:

The College has entered into a lease agreement as lessee for financing the acquisition of computer equipment at a cost of \$477,039. The lease qualifies as a capital lease for accounting purposes.

The following is a schedule by years of the total payments due on this debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 95,408	\$ -	\$ 95,408
2023	95,408	-	95,408
2024	95,407	-	95,407
Totals	<u><u>\$ 286,223</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 286,223</u></u>

NOTE 7 - OPERATING LEASES

Leased property under operating leases is composed of various office equipment. The following is a schedule by years of the future minimum rental payments required under those operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 152,006
2023	115,738
2024	73,444
2025	28,027
<i>Total minimum payments required</i>	<u><u>\$ 369,215</u></u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for fiscal year ending June 30, 2021 was \$130,764.

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 8 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The College's operating expenses by functional classifications were as follows for the year ended June 30, 2021:

Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation and Amortization Expense	Total
Instruction	\$ 13,517,887	\$ 8,654,049	\$ 37,884	\$ 701,613	\$ 1,631	\$ 3,872,539	\$ 946,911	\$ -	\$ 27,732,514
Academic Support	687,107	503,584	155	212,694	-	-	29,632	-	1,433,172
Student Services	2,956,106	1,904,422	203,506	488,264	1,008	7,862,411	473,334	-	13,889,051
Institutional Support	3,257,398	2,267,692	17,477	4,252,086	818	619,121	2,705,426	-	13,120,018
Operation of Plant	1,527,811	1,193,832	2,757	920,042	1,844,137	-	1,225,603	-	6,714,182
Auxiliary Enterprises	516,284	399,498	687	1,556,670	79,473	53,127	2,619,342	-	5,225,081
Depreciation	-	-	-	-	-	-	-	3,793,145	3,793,145
Total Operating Expenses	\$ 22,462,593	\$ 14,923,077	\$ 262,466	\$ 8,131,369	\$ 1,927,067	\$ 12,407,198	\$ 8,000,248	\$ 3,793,145	\$ 71,907,163

NOTE 9 - CONSTRUCTION COMMITMENTS AND FINANCING

The College has contracted for construction projects as of June 30, 2021. Estimated cost to complete the project and the source of anticipated funding are presented below:

Project Title	To Complete	Bond Funds	Federal Sources	Local Sources	To Complete
Math and Science Building	\$ 6,549,286	\$ 6,530,512	\$ -	\$ 18,774	\$ 4,618
Seal Hall	4,582,762	4,582,762	-	-	2,995,730
FCC Courtyard	341,009	-	289,857	51,152	180,546
Hancock County Hangar	6,617,640	-	6,617,640	-	6,617,640
Hancock County Academy	2,248,400	-	2,248,400	-	2,248,400
Bookstore Renovations	130,715	-	-	130,715	74,618
Total	\$ 20,469,812	\$ 11,113,274	\$ 9,155,897	\$ 200,641	\$ 12,121,552

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION PLAN OBLIGATIONS

General Information about the Pension Plan

Plan Description

The College is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the College. Code Section § 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, 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 annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 2.50% 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section § 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

Contributions

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended June 30, 2021, member employees were required to contribute 9.00 percent of their annual pay, while the College's required contribution rate was 17.40 percent of annual covered payroll. The College's employer contributions to PERS for the years ending June 30, 2021, 2020, and 2019 were \$3,759,765, \$3,657,590, and \$3,122,563 (employer share). The contributions for the years met the required contributions.

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YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION PLAN OBLIGATIONS (Continued)

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

At June 30, 2021, the Pearl River Community College reported a liability of \$61,112,754 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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 employer contributions to PERS for the plan's fiscal year ended June 30, 2020, relative to the total employer contributions of participating employers to PERS. At June 30, 2021, the College's proportion was .315684%, which was .011269% more than its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the College, recognized pension expense of \$6,417,707. At June 30, 2021, the College reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 404,692	\$ -
Net difference between projected and actual earnings on pension plan investments	2,883,875	-
Changes of assumptions	329,662	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	657,105
Contributions subsequent to the measurement date	<u>3,759,765</u>	<u>-</u>
	<u><u>\$ 7,377,994</u></u>	<u><u>\$ 657,105</u></u>

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YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION PLAN OBLIGATIONS (Continued)

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

At June 30, 2021, The Pearl River Community College reported \$3,759,765 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending 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	Amount
2022	\$ 841,844
2023	795,285
2024	809,699
2025	514,296
	\$ 2,961,124

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by an actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are 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 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. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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.

PEARL RIVER COMMUNITY COLLEGE
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NOTE 10 - PENSION PLAN OBLIGATIONS (Continued)

Actuarial Assumptions (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 Percentage	Long-term Expected Real Rate of Return
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75
Global equity	12.00	5.00
Fixed income	20.00	0.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash	1.00	-
	<u>100.00 %</u>	

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 employee contributions will be made at the current contribution rate (9.00%) and that participating employer contributions will be made at the current 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.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION PLAN OBLIGATIONS (Continued)

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

The College's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the College's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 79,102,951	\$ 61,112,754	\$ 46,263,613

Pension Plan Fiduciary Net Position

Detailed information about the pension's fiduciary net position is available in the separately issued comprehensive annual financial report which can be obtained at www.pers.ms.gov.

Payable to the Pension Plan

At June 30, 2021, the College has no amounts payable for outstanding contributions to the pension plan required for the year ended June 30, 2021.

NOTE 11 - 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 sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan.

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YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS(OPEB) (Continued)

General Information about the OPEB Plan (Continued)

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 were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were 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 \$94,218 for the year ended June 30, 2021.

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YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS(OPEB) (Continued)

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

At June 30, 2021, the College reported a liability of \$2,704,340 for its proportionate share of the net OPEB liability. The net OPEB was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as 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, 2020, the College's proportion was .34750857 percent. This was an increase of .007662 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the College recognized OPEB expense of \$86,196. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,447	\$ 470,627
Changes of assumptions	419,874	114,282
Net difference between projected and actual earnings on OPEB plan investments	87	-
Changes in the proportion and differences between the College's contributions and proportionate share of contributions	126,863	-
College contributions subsequent to the measurement date	94,218	-
	<u>\$ 644,489</u>	<u>\$ 584,909</u>

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NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS(OPEB) (Continued)

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

\$94,218 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date, will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. 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	Amount
2022	\$ (11,767)
2023	(11,767)
2024	(6,945)
2025	8,408
2026	(12,567)
	<u>\$ (34,638)</u>

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS(OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary Increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19 percent
Prior Measurement Date	3.50 percent
Year FNP is Projected to be Depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB Plan Investment Expense, Including Inflation	
Measurement Date	2.19 percent
Prior Measurement Date	3.50 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an
Pre-Medicare	ultimate rate of 4.50 percent by 2030

Mortality rates were based on the PubS.H2010(B) Retiree Table with the following adjustments: For males, 112% of the 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, 2020 valuation were based on the results of the last 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, rate of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS(OPEB) (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19%. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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 the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Discount Rate (2.19%)	1% Increase (3.19%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability	\$ 2,988,480	\$ 2,704,340	\$ 2,460,625

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
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability	\$ 2,497,044	\$ 2,704,340	\$ 2,939,196

PEARL RIVER COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS(OPEB) (Continued)

OPEB Plan Fiduciary Net Position

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 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 or students; and natural disasters. The College carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - CONCENTRATIONS

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

NOTE 14 - CONTINGENCIES

Federal Grants – The College has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to those resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the College.

The College is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the College with respect to the various proceedings. However, the College's legal counsel believes that the ultimate liability resulting from these lawsuits will not have a material adverse effect of the financial position of the College.

NOTE 15 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(29,073,029) includes the effect of deferred inflows/outflows of resources related to pensions and OPEB. A portion of the deferred outflow of resources related to pension in the amount of \$3,759,765 and OPEB in the amount of \$94,218 resulting from the College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability and OPEB liability in the year ended June 30, 2022. The \$3,618,229 balance of the deferred outflow of resources related to pension at June 30, 2021, will be recognized in pension expense over the next four years. The \$550,271 balance of the deferred outflow of resources related to OPEB at June 30, 2021, will be recognized in expense over the next five years. The \$657,105 balance of the deferred inflow of resources related to pension at June 30, 2021, will be recognized in revenue over the next three years. The \$584,909 balance of deferred inflow of resources related to OPEB will be recognized in revenue over the next five years.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2021

NOTE 16 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the College evaluated the activity of the College through February 28, 2022 (the date the financial statements were available to be issued), and determined that the following subsequent events require disclosure in the notes to the financial statements:

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

On October 12, 2021, the Board approved a bid from a local contractor for Aerospace Training Hanger Project in the amount of \$2,475,000.

On December 7, 2021, the Board approved a bid from a local contractor for repairs to damaged roofs at Forrest, Moody, Holder and Hancock Halls in the amount of \$1,074,000.

***PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS***

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pearl River Community College Development Foundation, Inc., a nonprofit organization, was founded in 1987. The Foundation's mission is to raise funds in order to provide scholarships, faculty awards, teacher grants and endowments for the students and faculty of Pearl River Community College. Revenue is derived primarily from outside contributors.

The accounting policies of Pearl River Community College Development Foundation, Inc. conform to accounting principles generally accepted in the United States of America applicable to nonprofit organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting - The financial statements of the Foundation have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined and presented for the Foundation as a whole in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Contributions - Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donations of property, equipment, marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose.

Cash and Cash Equivalents - For purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

Investments - The Foundation has investments in certificates of deposit, which are short-term in nature and the fair market value approximates cost. The fair value of all the Foundation's investments in marketable securities are based upon quoted prices for these securities in active markets (Level 1 Measurements). Gains or losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE TWO
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Pearl River Community Development Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Contributed Facilities - The Foundation occupies, without charge, certain premises located in Pearl River Community College owned buildings. The Foundation does not have a lease with the College for the office space and office furniture, which is for future benefits to be received from the Foundation. The College also provides other operating expenses, such as staff payroll and benefits, which have been shown on the Statement of Activities as both support and general administration expenses. The value of the office space, office furniture and utilities has not been included in the Statement of Activities because they cannot be reasonably determined.

Fixed Assets - The Foundation's fixed assets consist of computer equipment and office furniture. All assets are valued at cost and depreciated using the straight-line method over the estimated useful life of the asset. Office furniture and equipment are being depreciated over 5-7 years. Leasehold improvements are being depreciated over 15 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation charged to expense in the current year totaled \$8,652. The fixed assets have a cost of \$155,263 and accumulated depreciation is \$61,882 at June 30, 2021.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE THREE
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,767,893
Annuities	633,044
Investments	7,764,193
Total financial assets	<u>\$ 10,165,130</u>
Less amounts not available to be used within one year:	<u>\$ 9,038,815</u>
Net assets with donor restrictions	<u>9,038,815</u>
Financial assets available to meet general expenses over the next twelve months	<u>\$ 1,126,315</u>

Pearl River Community College Development Foundation's goal is generally to maintain financial assets without restrictions to meet 90 days of operating expenses (approximately \$264,000).

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 – FUNDRAISING

The Foundation conducts various fundraising events throughout the year. Fundraising revenue included under revenues in the Statement of Activities are for funds received from contributors related to a fundraising activity.

The fundraising expenses included under supporting services in the Statement of Activities are for expenses incurred in inducing others to contribute money for which the contributor will receive no direct economic benefit, such as printing, mailing and maintaining mailing lists.

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

The Foundation receives a substantial amount of its support from Pearl River Community College. A significant reduction in the level of this support, if this were to occur, may have an effect on the Foundation's programs and activities.

Financial instruments that potentially subject the Foundation to credit risk include cash and investments.

The Federal Deposit Insurance Corporation (FDIC) provides up to \$250,000 coverage at each institution. On June 30, 2021, \$1,517,893 of cash deposits were uninsured. Because the Foundation is classified as a private non-profit foundation, many financial institutions will not pledge securities for deposits in excess of FDIC coverage. However, management feels there is minimal risk exposure as a result of this uninsured balance.

The Foundation's investments are not collateralized. Future changes in market prices may make such investments less valuable.

The Foundation has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment managers who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Foundation.

The Foundation receives a substantial amount of support from Pearl River Community College. A significant reduction in the level of this support, if it were to occur, would have an effect on the Foundation's programs and activities.

NOTE 6 – INVESTMENTS

Interest Rate Risk – The Foundation does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2021, there is no custodial credit risk associated with any investments.

Concentration of Credit Risk – Disclosure of investments by amounts 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, 2021, the Foundation did not have any investments to which this would apply.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 – INVESTMENTS – Continued

	Fair Value	Carrying Amount
Level 1 Investments		
Cash Value of Annuities	\$ 633,044	\$ 563,401
Fixed Income Investments	3,500,021	3,500,000
Stock	4,264,172	2,464,940
Total Investments	<u>\$ 8,397,237</u>	<u>\$ 6,528,341</u>

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. At June 30, 2021, fair value exceeded costs by \$1,868,896. Interest and investment income for the year ended June 30, 2021, consisted of interest income of \$113,631, realized gains of \$87,814, and unrealized gains of \$1,301,920

Level 1 Inputs

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. All investments are measured using Level 1 inputs, which are quoted market prices for identical assets traded in active markets.

During the year ended June 30, 1996, the Foundation received a \$250,000 Endowment Challenge Grant. This grant, along with the funds raised during the Endowment Challenge period, is invested with a regional investment firm.

The activity in the Investment Account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 2,100,684
Contributions Received	125,685
Dividends and Interest Income	51,582
Unrealized Market Gain	399,744
Expenses	(13,384)
Disbursements	(60,000)
Less: Cash and Cash Equivalents	(205,947)
Market Value at June 30, 2021	<u><u>\$ 2,398,364</u></u>
 Cost Basis at June 30, 2021, including Cash and Cash Equivalents	 \$ 1,574,603
Less: Cash and Cash Equivalents	(205,947)
Cost Basis at June 30, 2021	<u><u>\$ 1,368,656</u></u>

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 – INVESTMENTS – Continued

The Foundation is restricted from spending the fund corpus for twenty (20) years from the grant date. The Foundation is allowed to spend fifty percent (50%) of the income earned each year; however, it is not the Foundation's intent to do so.

The Foundation maintains a stock account at another regional investment firm. The activity in this investment account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 220,798
Disbursements	(441,250)
Unrealized Market Gain	220,452
Market Value at June 30, 2021	\$ -
Cost Basis at June 30, 2021	\$ -

The Foundation maintains a stock account at another investment firm. The activity in this investment account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 34,712
Distributions	(3,240)
Dividends	1,758
Unrealized Market Gain	7,710
Expenses	(121)
Market Value at June 30, 2021	\$ 40,819
Cost Basis at June 30, 2021	\$ 49,964

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 – INVESTMENTS – Continued

The Foundation maintains a stock account at another regional investment firm. The activity in this investment account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 143,366
Contributions Received	432,639
Expenses	(937)
Dividends and Interest	8,589
Realized Loss	(28,012)
Unrealized Market Gain	110,468
Disbursements	(22,125)
Less: Cash and Cash Equivalents	(4,761)
Market Value at June 30, 2021	\$ 639,227
Cost Basis at June 30, 2021, including Cash and Cash Equivalents	\$ 567,355
Less: Cash and Cash Equivalents	(4,761)
Cost Basis at June 30, 2021	\$ 562,594

During the year ended June 30, 2017, the Foundation received a \$2,000,000 contribution for scholarships. This contribution is invested with a regional investment firm. The activity in this investment account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 1,901,238
Dividends and Interest	45,609
Realized Gain	132,328
Unrealized Gain	221,734
Expenses	(11,977)
Scholarships	(143,310)
Less: Cash and Cash Equivalents	(150,083)
Market Value at June 30, 2021	\$ 1,995,539
Cost Basis at June 30, 2021, including Cash and Cash Equivalents	\$ 1,789,212
Less: Cash and Cash Equivalents	(150,083)
Cost Basis at June 30, 2021	\$ 1,639,129

The Foundation maintains annuities at a national life insurance company. The cost basis in the annuities at June 30, 2021, was \$563,401 the cash surrender value was \$587,391, and the total contract value was \$633,044. One annuity has a guaranteed annual withdrawal amount of five percent, and one annuity has a guaranteed annual withdrawal amount of six percent. The current death benefit total of both annuities is \$922,000.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 – INVESTMENTS – Continued

The Foundation maintains an investment account at another regional investment firm. The activity in this investment account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 1,768,436
Disbursements	(64,840)
Dividends and Interest Income	65,907
Realized Market Gain	3,195
Unrealized Market Gain	219,750
Less: Cash and Cash Equivalents	(14,707)
Market Value at June 30, 2021	<u>\$ 1,977,741</u>
 Cost Basis at June 30, 2021, including Cash and Cash Equivalents	 \$ 1,674,016
Less: Cash and Cash Equivalents	(14,707)
Cost Basis at June 30, 2021	<u>\$ 1,659,309</u>

During the year ended June 30, 2014, the Foundation received a \$234,745 Title III Endowment Grant. This grant, along with Foundation funds in the amount of \$235,000 are invested with a regional investment firm.

The activity in the investment account for the year ended June 30, 2021, is as follows:

Market Value at June 30, 2020	\$ 622,560
Contributions Received	98,250
Dividends and Interest Income	24,063
Realized Gain	14,923
Unrealized Market Loss	(3,656)
Expenses	(3,967)
Less: Cash and Cash Equivalents	(39,670)
Market Value at June 30, 2021	<u>\$ 712,503</u>
 Cost Basis at June 30, 2021, including Cash and Cash Equivalents	 \$ 724,958
Less: Cash and Cash Equivalents	(39,670)
Cost Basis at June 30, 2021	<u>\$ 685,288</u>

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE NINE
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 – INVESTMENTS – Continued

Investment Policy - The endowment's purpose is to enhance the educational mission of Pearl River Community College by providing an option for private sector support and by increasing community awareness of the programs and services offered by the College.

Interpretations of Relevant Law – The Foundation's Board has interpreted the State of Mississippi Code of 1972, cited as the "Uniform Management of Institutional Funds Act" (UMIFA) as requiring the Board to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds.

Spending Policy – The Foundation's spending policy is to allocate funds available for scholarships based on return on endowments at the time scholarships are to be awarded. The Foundation believes this method is appropriate to apply the most recent investment earnings of the investments and to maintain its long-term goals.

NOTE 7 – RESTRICTIONS ON NET ASSETS

Net assets are released from donor restrictions by meeting the time restrictions or by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Restrictions Accomplished:

Scholarships	\$ 519,470
Educational Departments	416,937
Special Projects	1,499
	<u>\$ 937,906</u>

Net assets with donor restrictions at June 30, 2021, are restricted as follows:

Purpose Restrictions:

Scholarships and Grants	<u>\$ 1,778,370</u>
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Perpetual in Nature:

Endowment Scholarships and Grants	<u>\$ 7,260,445</u>
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NOTE 8 – RELATED PARTY TRANSACTIONS

The Foundation purchased supplies from a related party in the amount of \$9,877 during the year ended June 30, 2021. The Foundation also distributed \$441,133 to the College during the year ended June 30, 2021. Of this amount, \$420,733 was for scholarships and \$20,400 was for salary reimbursement.

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 – STATEMENT OF FUNCTIONAL EXPENSES

Statement of Functional Expenses for the fiscal year 2021 consisted of:

	Supporting Service			
	Programs Service	Management and General	Fundraising	Total
Scholarships	\$ 519,470	\$ -	\$ -	\$ 519,470
Support for College	428,628	-	-	428,628
Service Awards	3,551	-	-	3,551
Special Projects	1,499	-	-	1,499
Investment Fees	-	30,386	-	30,386
Personnel Reimbursement	-	20,400	-	20,400
Event Expenses	-	-	8,216	8,216
Faculty Development	-	5,105	-	5,105
Depreciation	-	8,652	-	8,652
Insurance	-	2,434	-	2,434
Software	-	10,597	-	10,597
Rental of Office Equipment	-	3,742	-	3,742
Travel	-	1,963	-	1,963
Committee Meetings	-	1,766	-	1,766
Office Expenses	-	7,668	-	7,668
	<u>\$ 953,148</u>	<u>\$ 92,713</u>	<u>\$ 8,216</u>	<u>\$ 1,054,077</u>

NOTE 10 – SUBSEQUENT EVENTS

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of The Foundation evaluated the activity of the Foundation through February 28, 2022, and determined that the following subsequent event requires disclosure in the notes to the financial statements:

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

***PEARL RIVER COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION***

Pearl River Community College
Schedule of the College's Proportionate Share
of the Net Pension Liability - Unaudited
Last 10 Fiscal Years*
For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, and 2015

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	.315684%	.304415%	.292828%	.300%	.300%	.312%	.314%
Employer's proportionate share of the net pension liability (asset)	\$ 61,112,754	\$ 53,552,605	\$ 48,705,996	\$ 49,870,182	\$ 53,587,491	\$ 48,229,047	\$ 38,113,851
Employer's covered payroll	\$ 21,021,073	\$ 19,825,796	\$ 18,699,841	\$ 19,085,695	\$ 19,206,635	\$ 19,478,057	\$ 19,166,451
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.72%	270.12%	260.46%	261.30%	279.00%	247.61%	198.86%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

Information above is presented as of the measurement date of June 30 of the prior fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

Pearl River Community College
Schedule of the College's Contributions - PERS - Unaudited
Last 10 Fiscal Years*
For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,759,765	\$ 3,657,590	\$ 3,122,563	\$ 2,945,225	\$ 3,005,997	\$ 3,025,045	\$ 3,067,794	\$ 3,018,716
Contributions in relation to the contractually required Contributions	<u>(3,759,765)</u>	<u>(3,657,590)</u>	<u>(3,122,563)</u>	<u>(2,945,225)</u>	<u>(3,005,997)</u>	<u>(3,025,045)</u>	<u>(3,067,794)</u>	<u>(3,018,716)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 21,607,845	\$ 21,021,073	\$ 19,825,796	\$ 18,699,841	\$ 19,085,695	\$ 19,206,635	\$ 19,478,057	\$ 19,166,451
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%

Information above is presented as of the College's fiscal year

* The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

**Pearl River Community College
Required Supplementary Information
Schedule of the College's Proportionate
Share of the Net OPEB Liability - Unaudited
Last 10 Fiscal Years*
For the Years 2021, 2020, 2019, and 2018**

	2021	2020	2019	2018
College's proportion of the net OPEB liability	0.34750857%	0.33984688%	0.33472471%	0.32976135%
College's proportionate share of the net OPEB liability	\$ 2,704,340	\$ 2,883,740	\$ 2,589,263	\$ 2,587,337
College's covered employee payroll	\$ 21,021,073	\$ 19,825,796	\$ 18,699,841	\$ 19,085,695
College's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	12.86%	14.55%	13.85%	13.56%
Plan fiduciary net position as a percentage of the Total OPEB liability	0.13%	0.12%	0.13%	0%

*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

Pearl River Community College
Required Supplementary Information
Schedule of the College Contributions - OPEB - Unaudited
Last 10 Fiscal Years*
For the Years 2021, 2020, 2019, and 2018

	2021	2020	2019	2018
Actuarially determined contribution	\$ 94,218	\$ 107,849	\$ 115,589	\$ 110,302
Contributions in relation to the actuarially determined contribution	(94,218)	(107,849)	(115,589)	(110,302)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered employee payroll	\$ 21,607,845	\$ 21,021,073	\$ 19,825,796	\$ 18,699,841
Contributions as a percentage of covered employee payroll	0.43%	0.51%	0.56%	0.59%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2018, 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 off historical amounts reported in prior year audit reports.

See Notes to the Required Supplementary Information.

Pearl River Community College
Notes to the Required Supplementary Information - Unaudited
For the Year Ended June 30, 2021

A. Schedule of the College's Proportionate Share of the Net Pension Liability and Schedule of the College's Contributions.

Changes of Assumptions.

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 18 to 65 scaled up to 102% for ages 75 to 119.
 - 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, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active members with disabilities assumed to be in line of duty was increased from 7% to 9%.

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, pre-retirement mortality rates, disability 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 6% to 7%.

2016

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

Pearl River Community College
Notes to the Required Supplementary Information - Unaudited
For the Year Ended June 30, 2021

A. Schedule of the College's Proportionate Share of the Net Pension Liability and Schedule of the College's Contributions. – continued

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.

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 proceeding year with a minimum rate of 1% and a maximum rate of 5%.

Pearl River Community College
Notes to the Required Supplementary Information - Unaudited
For the Year Ended June 30, 2021

A. Schedule of the College's Proportionate Share of the Net Pension Liability and Schedule of the College's Contributions - continued

Method and assumptions used in calculations of actuarially determined contributions.

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, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent , net of pension plan investment expense, including inflation

B. OPEB Schedules

(1) Changes of 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.

2020

The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

Pearl River Community College
Notes to the Required Supplementary Information - Unaudited
For the Year Ended June 30, 2021

B. OPEB Schedules - continued

(2) Changes in Benefit Provisions.

2017

None

2018

None

2019

None

2020

The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the select coverage and the coinsurance maximums were increased for the base coverage beginning January 1, 2021.

(3) Methods and assumptions used in calculations of Actuarially Determined Contributions.

The Actuarially Determined Contributions rate; 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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00 % to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims-Pre Medicare	7.00%
Ultimate health care cost trend rates	
Medicare Supplements Claims-Pre Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplements Claims-Pre Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

***PEARL RIVER COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION***

**PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
SCHEDULE 1
PAGE ONE**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Commerce</u>			
Pass through Program from:			
Mississippi Manufacturer's Association - Manufacturing Extension Partnership	11.611	MEP 2022 - 5	\$ 9,105
Mississippi Manufacturer's Association - Manufacturing Extension Partnership	11.611	70NANB17HO17	41,267
Total U.S. Department of Commerce			<u>50,372</u>
<u>U.S. Department of Labor</u>			
WIA Cluster:			
Pass-through Program from:			
Southern Mississippi Planning and Development - Internship Program	17.258	20-3520-21-110	32,575
Southern Mississippi Planning and Development - Case Manager	17.258	20-3520-21-570	28,736
Total WIA Cluster			<u>61,311</u>
Pass through Program from:			
Mississippi Community College Board - WIA National Emergency Grants Opioid	17.277	19-S90-004-6109-1	<u>48,512</u>
<u>Workforce Innovation and Opportunity Act</u>			
Passed-through Program from:			
Southern Mississippi Planning and Development - Internship Program	17.278	20-3520-21-110	32,575
Southern Mississippi Planning and Development - Case Manager	17.278	20-3520-21-570	28,736
Total Workforce Innovation and Opportunity Act			<u>61,311</u>

PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
SCHEDULE 1
PAGE TWO

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Labor (Continued)</u>			
Pass-through program from:			
Mississippi Community College Board - Apprenticeship USA Grants	17.285	16-S90-029-6006-1	\$ 11,462
Mississippi Community College Board - MS Apprenticeship Program	17.285	16-S90-004-6109-1	18,231
			<u>29,693</u>
Total U.S. Department of Labor			<u>200,827</u>
<u>U.S. Department of Treasury</u>			
Pass-through program from:			
Mississippi Department of Environmental Quality - Resource and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of The Gulf Coast States	21.015	21-00152	<u>373,536</u>
Pass-through program from:			
Southern Mississippi Planning and Development-COVID-19-Coronavirus Relief Fund *	21.019	HB 1795	1,723,484
Mississippi Department of Employment Security-COVID-19-Coronavirus Relief Fund *	21.019	SLT0019/SLT0069	2,996,128
			<u>4,719,612</u>
Total U.S. Department of Treasury			<u>5,093,148</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through program from:			
University of Mississippi - Aerospace Education Services Program	43.001	21-08-011	<u>6,795</u>
Total National Aeronautics and Space Administration			<u>6,795</u>

*- denotes major program

PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
SCHEDULE 1
PAGE THREE

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid Cluster			
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)*	84.007		\$ 246,002
Federal Work-Study Program (FWS)*	84.033		77,843
Federal Pell Grant Program*	84.063		12,480,168
Federal Direct Student Loans*	84.268		8,178,560
Total Student Financial Aid Cluster			<u>20,982,573</u>
Trio - Student Support Services	84.042		<u>377,068</u>
Pass-through programs from:			
Mississippi Community College Board - Adult Education-Basic Grants to States	84.002	V002A190025	441,236
Mississippi Community College Board -Vocational Education			
Basic Grants for States	84.048	V048A180024	377,176
Subtotal Pass-through Programs			<u>818,412</u>
Child Care Access Means Parents in Schools	84.335		<u>2,825</u>
Cares Act: Higher Education Emergency Relief Fund:			
Covid-19 Education Stabilization Fund - Student Aid Portion*	84.425E		2,194,375
Covid-19 Education Stabilization Fund - Institutional Portion*	84.425F		3,031,704
			<u>5,226,079</u>
Total U.S. Department of Education			<u>27,406,957</u>

*- denotes major program

**PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
SCHEDULE 1
PAGE FOUR**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-through Program from:			
Mississippi Community College Board - MiBest	93.558	FY 2021-59	\$ 48,858
Southern Mississippi Planning & Development - TANF WTEP	93.558	20-3900-21-570	121,564
			<u>170,422</u>
Pass-through Program from:			
Mississippi Department of Human Services & Mississippi Community College Board			
Child Care and Development	93.575	6021249/6021250	403,810
Picayune School District Early			
Head Start Childcare Partnership	93.600	04HP000323	144,089
Total U.S. Department of Health and Human Services			<u>718,321</u>
Total Expenditures of Federal Awards			<u><u>\$ 33,476,420</u></u>

*- denotes major program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

PEARL RIVER COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

(3) Indirect Cost Rate

The College did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

Student Loans	<u>\$ 8,178,560</u>
Federal Grants and Contracts	<u><u>\$ 8,178,560</u></u>

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HERZOG CPA COMPANY, PLLC

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

Dr. Adam Breerwood, President
And Board of Trustees
Pearl River Community College
Poplarville, Mississippi 39470

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Pearl River Community College as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pearl River Community College's basic financial statements, and have issued our report thereon dated February 28, 2022. The Pearl River Community College Development Foundation, Inc. was 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 Pearl River 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl River Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Pearl River Community College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

College's Response to Finding

The College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 result 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. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
February 28, 2022

HERZOG CPA COMPANY, PLLC

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

Dr. Adam Breerwood, President
And Board of Trustees
Pearl River Community College
Poplarville, MS 39470

Report on Compliance for Each Major Federal Program

We have audited the compliance of Pearl River Community College with 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 its major federal programs for the year ended June 30, 2021. The 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 the College's compliance for each major federal program based on our audit of the type 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 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 the 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 on the College's compliance.

Opinion on Each Major Federal Program

In our opinion, Pearl River Community College complied, in all material respects, with the 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, 2021.

Report on Internal Control Over Compliance

The management of Pearl River 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, we considered the College's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 the College's internal control over compliance.

A deficiency in internal control over compliance exist when the design or operation of the control 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
Hattiesburg, Mississippi
February 28, 2022

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

HERZOG CPA COMPANY, PLLC

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Dr. Adam Breerwood, President
And Board of Trustees
Pearl River Community College
Poplarville, MS 39470

In planning and performing our audit of the financial statements of Pearl River Community College for the year ended June 30, 2021, we considered Pearl River Community College's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pearl River Community College's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the College's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 28, 2022, on the financial statements of Pearl River Community College.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of the College, Members of the Legislature, and entities with accreditation overview and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

Hattiesburg, Mississippi

February 28, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified that is not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of Auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19-Coronavirus Relief Fund
84.007	Student Financial Aid Cluster - FSEOG
84.033	Student Financial Aid Cluster – FWS
84.063	Student Financial Aid Cluster – PELL
84.268	Student Financial Aid Cluster - Federal Direct Student Loans
84.425E	Covid-19 Education Stabilization Fund (HEERF)-Student Aid Portion
84.425F	Covid-19 Education Stabilization Fund (HEERF)-Institutional Portion

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,004,293
Auditee qualified as low-risk auditee?	No
Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)?	Yes

**PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II - Financial Statement Findings

Finding: 2021-001

Repeat Finding: Yes, 2020-001

Finding Type: Material Weakness

As reported in the prior year, the Financial Aid Office has not reconciled the amount of private loans received to the student accounts for the year ended June 30, 2021. This results in an unidentifiable payable at year-end and lack of controls over receipts for private loans.

Criteria:

The College should reconcile private loans received to student accounts in a timely manner.

Condition:

The College did not reconcile student accounts in a timely manner.

Cause:

The College did not have internal controls in place to ensure timely reconciliation of student accounts.

Effect:

As a result of ineffective monitoring of compliance with reconciling student accounts, an error in a student's account was not timely detected and corrected.

Recommendation:

In order to properly record financial statement amounts and for proper internal control over receipts, the private loan amounts received should be reconciled to student accounts in a timely manner.

View of Responsible Officials:

At the conclusion of FY 2021, the College made significant changes in the Financial Aid Office staff, including management positions. Along with the changes in staffing, the College also embarked on the restructuring of the many financial aid processes to bring about critically needed automation to such processes in an effort to become more effective and efficient in the daily operations of the Financial Aid Office. Despite these challenges, the College has now positioned the Financial Aid Office to be successful in the management and the internal controls over receipts, enabling the reconciliation of loans to student accounts in a timely manner. During FY 2022, the College has reconciled the amount of private loans received to the student accounts and has implemented monthly reconciliation procedures.

**PEARL RIVER COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section III - Federal Award Findings and Questioned Costs

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



**Summary Schedule of Prior Audit Finding
Year Ended June 30, 2021**

Financial Statement Finding: As reported in the prior year, the Financial Aid Office has not reconciled the amount of private loans received to the student accounts for the year ended June 30, 2020. This results in an unidentifiable payable at year-end and lack of controls over receipts for private loans.

Finding: 2020-001. Reconciliation of Private Loans

Criteria:

The College should reconcile private loans received to student accounts in a timely manner.

Condition:

The College did not reconcile student accounts in a timely manner.

Cause:

The College did not have internal controls in place to ensure timely reconciliation of student accounts.

Effect:

As a result of ineffective monitoring of compliance with reconciling student accounts, an error in a student's account was not timely detected and corrected.

Recommendation:

In order to properly record financial statement amounts and for proper internal control over receipts, the private loan amounts received should be reconciled to student accounts in a timely manner.

Current Status:

At the conclusion of FY 2021, the College made significant changes in the Financial Aid Office staff, including management positions. Along with the changes in staffing, the College also embarked on the restructuring of the many financial aid processes to bring about critically needed automation to such processes in an effort to become more effective and efficient in the daily operations of the Financial Aid Office. Despite these challenges, the College has now positioned the Financial Aid Office to be successful in the management and the internal controls over receipts, enabling the reconciliation of loans to student accounts in a timely manner. During FY 2022, the College has reconciled the amount of private loans received to the student accounts and has implemented monthly reconciliation procedures.



Corrective Action Plan

February 28, 2022

Pearl River Community College respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Herzog CPA Company, PLLC
P.O. Box 17986
Hattiesburg, MS 39404

Audit Period: Year ended June 30, 2021

The Finding from the June 30, 2021, Schedule of Findings and Questioned Costs is discussed below. The Finding is numbered consistently with the numbers assigned in the schedule.

Finding - 2021-001 - Financial Statement Audit

Significant Deficiency – Material Weakness

Financial Statement Finding: The Financial Aid Office has not reconciled the amount of private loans received to the student accounts for the year ended June 30, 2021. This results in an unidentifiable payable at year-end and lack of controls over receipts for private loans.

Recommendation: In order to properly record financial statement amounts and for proper internal control over receipts, the private loan amounts received should be reconciled to student accounts in a timely manner.

Action Taken: At the conclusion of FY 2021, the College made significant changes in the Financial Aid Office staff, including management positions. Along with the changes in staffing, the College also embarked on the restructuring of the many financial aid processes to bring about critically needed automation to such processes in an effort to become more effective and efficient in the daily operations of the Financial Aid Office. Despite these challenges, the College has now positioned the Financial Aid Office to be successful in the management and the internal controls over receipts, enabling the reconciliation of loans to student accounts in a timely manner. During FY 2022, the College has reconciled the amount of private loans received to the student accounts and has implemented monthly reconciliation procedures.

If there are any questions regarding this plan, please call Bettye Clark at (601) 403-1000.

Sincerely,

Bettye Clark

Bettye Clark
Chief Financial Officer
Pearl River Community College