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MERIDIAN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2023

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MERIDIAN COMMUNITY COLLEGE
INDEPENDENT AUDITORS' REPORT

R. Benton Moulds
O. Keith Evans
W. Douglas Coleman
Dena C. Lagendijk

Of Counsel
George R. Rea
Charles E. Rea

REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

2415 Ninth Street
P.O. Box 2090
Meridian, MS 39301
(601) 693-2841

611 Spring Street
P.O. Box 562
Waynesboro, MS 39367
(601) 735-2317

American Institute
Of Certified Public
Accountants,
Division for
CPA Firms

Mississippi Society
of Certified Public
Accountants

INDEPENDENT AUDITORS' REPORT

Thomas M. Huebner, Jr., PhD, President and Board of Trustees
Meridian Community College
Meridian, Mississippi 39307

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Meridian Community College as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Meridian Community College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Meridian Community College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Meridian Community College Foundation (the Foundation), a discretely presented component unit of Meridian Community College, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors. The financial statements of the Foundation are presented in comparative form and report the financial position of the Foundation for the June 30, 2023 and 2022 fiscal years.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Meridian Community College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Meridian Community College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Meridian Community College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Meridian Community College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 College Contributions (PERS), the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meridian Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 27, 2024 on our consideration of the Meridian Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Meridian Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meridian Community College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rea, Shaw, Giffin & Stuart".

REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

The following discussion and analysis of Meridian Community College's financial performance provides an overview of the College's financial activities for the year ended June 30, 2023. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. We have included in this discussion comparative data for 2022. The financial statements, footnotes, and this discussion are the responsibility of management.

Overview of the Statements

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

The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows. The College's net position (the difference between assets and deferred outflows less liabilities and deferred inflows) is one indicator of the College's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

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

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

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Pensions” and Governmental Accounting Standards Board Statement No. 71 (GASB 71) “Pension Transition for Payments Made Subsequent to the Measurement Date,” and Governmental Accounting Standards Board Statement No. 75 (GASB 75) “Accounting and Financial Reporting for Postemployment Benefits other than Pensions.” This includes information about the College’s proportionate share of the total pension liability, pension contributions, and net pension liability of the Mississippi Public Employees Retirement System (PERS), and the net OPEB liability, the College’s OPEB contributions, and the net OPEB liability of the State and School Employees’ Life and Health Insurance Plan established for state employees.

Effective for fiscal year 2021, the College adopted GASB Statement No. 84, *Fiduciary Activities*. GASB No. 84 intends to enhance consistency and comparability on how fiduciary activities are reported by providing additional guidance on what qualifies as a fiduciary activity. The adoption of this statement resulted in a shift of various funds previously classified as agency, which were reported as an asset and liability on the College’s Statement of Net Position, to a classification of college operating funds. The funds that were not re-categorized are reported as Custodial Funds in the fiduciary fund statements. Starting in fiscal year 2021, as restated, these re-categorized funds are reported as assets and liabilities on the Statement of Net Position. Additionally, amounts previously reported as Funds Held for Others (Agency Funds) are reported in Net Position on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position reports the current year activity for revenues and expenses.

Effective for fiscal year 2022, the College adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs to financial statement users by improving accounting and financial reporting for leases by governments and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

Effective for fiscal year 2023, the College adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Condensed Statement of Net Position

June 30, 2023 and 2022

	June 30, 2023		June 30, 2022	
	Amount	Percent	Amount	Percent
ASSETS				
Current assets	\$ 15,635,945	22.06%	\$ 17,740,272	25.28%
Non-current assets:				
Capital, net	<u>55,237,544</u>	<u>77.94%</u>	<u>52,438,088</u>	<u>74.72%</u>
Total assets	<u>\$ 70,873,489</u>	<u>100.00%</u>	<u>\$ 70,178,360</u>	<u>100.00%</u>
DEFERRED OUTFLOWS	<u>\$ 8,121,569</u>	<u>100.00%</u>	<u>\$ 6,451,920</u>	<u>100.00%</u>
LIABILITIES				
Current liabilities	\$ 2,356,312	4.09%	\$ 1,833,514	4.29%
Non-current liabilities	<u>55,227,681</u>	<u>95.91%</u>	<u>40,898,319</u>	<u>95.71%</u>
Total liabilities	<u>\$ 57,583,993</u>	<u>100.00%</u>	<u>\$ 42,731,833</u>	<u>100.00%</u>
DEFERRED INFLOWS	<u>\$ 2,285,034</u>	<u>100.00%</u>	<u>\$ 13,294,373</u>	<u>100.00%</u>
NET POSITION				
Net investment in capital assets	\$ 49,700,855	259.86%	\$ 48,402,087	234.92%
Restricted:				
Expendable	1,722,020	9.00%	2,715,505	13.18%
Unrestricted	<u>(32,296,844)</u>	<u>-168.86%</u>	<u>(30,513,518)</u>	<u>-148.10%</u>
Total net position	<u>\$ 19,126,031</u>	<u>100.00%</u>	<u>\$ 20,604,074</u>	<u>100.00%</u>

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements was \$7,788,895 on June 30, 2023, a decrease of \$4,738,565 below the balance of \$12,527,460 on June 30, 2022. The large decrease in cash is due to the opening of three certificates of deposit during the fiscal year 2023 each in the amount of \$1,500,000 each for a total of \$4,500,000.

Short-term Investments

Short-term investments consist of certificates of deposit with financial institutions. During the year ended June 30, 2023, three certificates of deposits were opened in the amount of \$1,500,000 each totaling \$4,500,000. The total amount of short-term investments reported as current assets on the College financial statements were \$4,552,169, which includes \$52,169 of interest earned on these investments, as of June 30, 2023. This is an increase of \$4,552,169 above the balance of \$0 reported as of June 30, 2022.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$2,790,184 at June 30, 2023, a decrease of \$1,981,629 below the balance of \$4,771,813 at June 30, 2022.

Inventories

The College maintains inventories of resale merchandise within the College bookstore. Books, student supplies, sportswear, gift items and institutional memorabilia make up most of the resale inventory. Inventories totaled \$156,453 at June 30, 2023, a decrease of \$5,062 below the balance of \$161,515 at June 30, 2022.

Prepaid Expenses

The College infrequently pays for expenditures prior to the expenditure being recognized. Prepaid expenses totaled \$348,244 at June 30, 2023, an increase of \$68,760 above the balance of \$279,484 at June 30, 2022.

Non-current Assets

Capital Assets, Net

Capital assets, net, consist of land, art, improvements, buildings, equipment, historical library holdings, construction in-progress, and intangible right to use assets at June 30, 2023. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$53,436,830 at June 30, 2023, an increase of \$998,742 over the balance of \$52,438,088 at June 30, 2022.

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

SBITA Assets, Net

Beginning in FY 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITA's. SBITA assets, net totaled \$1,800,714 at June 30, 2023, an increase of \$1,800,714 over the balance of \$0 at June 30, 2022.

Deferred Outflows – Pensions

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

- The first item represents the difference between the expected expenditures of past years and the actual experience of retirement benefit payments consisting of the difference in the expected and actual experience. This can have an impact on the deferred inflows/outflows of PERS. The College's share of these PERS deferred outflows for the 2023 fiscal year as of June 30, 2023 was \$522,343. This amount is amortized over a 3.73-year period. The first year of this calculation is reported as pension expense for \$140,038 for 2023. The remaining balance of \$382,305, is part of the 2023 deferred outflows and will be amortized over the remaining 2.73 years.
- Deferred outflows resulting from the net difference between projected and actual earnings on investments can have an impact on the deferred inflows/outflows. For the year ended June 30, 2023, the College's share of these PERS deferred outflows for the 2023 fiscal year was \$13,086,389. This amount is amortized over a 5-year period. The first year of this calculation is reported as pension expense in the amount of \$2,617,278 for 2023. The remaining balance of \$10,469,111, is part of the 2023 deferred outflows and will be amortized over the remaining 4 years.
- The changes in actuarial assumptions can have an impact on the deferred inflows/outflows of PERS. For the year ended June 30, 2023, there were no changes in the actuarial assumptions.
- The employer contributions made to PERS during the 2023 fiscal year that will be reported as part of the pension expense of 2023 is reported as part of deferred outflows.

The total deferred outflows for 2023 is a combination of the \$10,851,416 change in actuarial assumptions plus \$2,830,020 of college contributions paid during the 2024 fiscal year. The remaining deferred outflows contain \$1,873,798 of the unamortized outflows of the 2022 fiscal year, \$1,382,352 of the unamortized deferred outflows of the 2021 fiscal year, and \$200,791 of the unamortized deferred outflows of the 2020 fiscal year.

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

In addition, the "net difference between projected and actual earnings on pension plan adjustments," is netted between deferred outflows and deferred inflows. This results in a reduction of deferred outflows of \$9,323,617.

The deferred outflows totaled \$7,814,761 at June 30 2023, an increase of \$1,766,048 over the balance of \$6,048,713 as of June 30, 2022.

Deferred Outflows – Other Postemployment Benefits (OPEB)

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

- The deferred outflows are made up of the difference between the expected expenditures of past years and the actual experience of health and life insurance benefit payments consisting of the difference in the expected and actual experience calculations, the net difference between projected and actual investment earnings on OPEB plan investments, the changes in proportionate and differences between employer contributions and proportionate share of the contributions, and the difference due to changes in assumptions.
- The first item represents the College's proportionate share of the State Health and Life Insurance Plan's deferred outflows. For the 2023 fiscal year, this amount was \$74,648 as of June 30, 2023. This amount is amortized over the average expected service life of members, which is 6.4 years. The first year of this calculation is reported as part of the OPEB expense for \$31,092 for 2022. The remaining balance, \$43,556 is part of the 2023 deferred outflows and will be amortized over the remaining 5.4 years.
- The changes in actuarial assumptions can have an impact on the deferred inflows/outflows of OPEB. The College's proportionate share of the deferred outflows related to changes in assumptions totaled \$272,808. Of this amount \$73,411 has increased the OPEB expense for the year ended June 30, 2023. The remaining balance of \$199,397 will be amortized as an increase to the pension expense over the next 5.4 years.
- The net difference between the projected and actual investment earnings on OPEB plan investments can have an impact on the deferred inflows/outflows of OPEB. The College's net difference between the projected and actual investment earnings on OPEB plan investments totaled \$112. Of this amount, \$24 has increased the OPEB expense for the year ended June 30, 2023. The remaining balance of \$88 will be amortized as an increase to the pension expense over the next 5.4 years.

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

- The College's share of the State Health and Life Insurance Plan's deferred outflows due to the net difference in expected expenditures of past years and the actual experience of retirement benefit payments exchanges for the 2023 fiscal year as of June 30, 2023 was \$1,835. This amount is amortized over the average expected service life of members, which is 6.4. The first year of this calculation is reported as part of the OPEB expense for \$776 for 2023. The remaining balance, \$1,059 is part of the 2023 deferred inflows and will be amortized over the remaining 5.4 years.
- The employer contributions made to the Life and Health Insurance Plan during the 2024 fiscal year will be reported as part of the OPEB expense of 2023 and is reported as part of deferred outflows. The amount of \$62,708 is reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date and will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2023.

The total deferred outflows for 2023 is a combination of the \$43,556 change in proportionate share, \$1,059 of the difference in expected and actual experience, \$88 net difference between projected and actual investment earnings on OPEB plan investments, \$199,397 change of assumptions, and \$62,708 of college contributions paid during the 2023 fiscal year.

The deferred outflows totaled \$306,808 at June 30 2023, a decrease of \$96,399 below the balance of \$403,207 as of June 30, 2022.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2023 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$1,449,011 at June 30, 2023, an increase of \$165,485 above the balance of \$1,283,526 at June 30, 2022.

Unearned Revenue

Unearned revenue represents revenue that was received by the College prior to the fiscal year end; however, these revenues were not yet earned by the College and will be reported as revenue in the subsequent year in which they are earned. The unearned revenue totaled \$34,647 at June 30, 2023, a decrease of \$37,517 below the balance of \$72,164 at June 30, 2022.

Annual Leave Liabilities – Current Portion

Annual leave liabilities-current portion represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2023 fiscal year. The amount of the current portion of compensated absences at June 30, 2023 was \$99,437, an increase of \$4,156 above the balance at June 30, 2022 of \$95,281.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Net OPEB Liabilities – Current Portion

At June 30, 2023, the College reported a liability of \$60,980 for its proportionate share of the net OPEB liability-current portion. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2022, the College's proportion was 0.25948961 percent. This was a decrease of 0.00385167 percent from the proportionate share as of the measurement date of June 30, 2021. The total amount of the net OPEB liability - current was \$60,980 at June 30, 2023, a decrease of \$7,563 from the balance of \$68,543 at June 30, 2022. Additional information is disclosed in Note 10.

Long-term SBITAs - Current Portion

Long-term SBITAs-current portion represents the portion of long-term SBITA debt that will be paid during the 2024 fiscal year. The amount of the current portion of long-term debt at June 30, 2023 was \$391,237, an increase of \$391,237 over the balance of \$0 on June 30, 2022.

Long-term Liabilities - Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that will be paid during the 2024 fiscal year. The amount of the current portion of long-term debt at June 30, 2023 was \$321,000, an increase of \$7,000 over the balance of \$314,000 on June 30, 2022.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Non-current Liabilities

Deposits

Deposits represent the deposits paid by students for reservation and possible damage to a dorm room for the future semester and also the deposits held for others, such as individuals or organizations for which the College acts as custodian. The housing deposits are payable to the student upon check-out at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$31,216 at June 30, 2023, a decrease of \$300 from the balance of \$31,516 at June 30, 2022.

Accrued Leave

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid vacation. The total amount of the non-current portion of accrued compensated balances on June 30, 2023 was \$921,093, an increase of \$33,539 over the balance of \$887,554 at June 30, 2022.

Long-term SBITAs

Long-term SBITAs represent the portion of long-term SBITA debt that will be paid after the 2024 fiscal year. The amount of the long-term SBITA debt at June 30, 2023 was \$1,423,452 an increase of \$1,423,452 over the balance of \$0 at June 30, 2022.

Long-term Liabilities

This liability consists of long-term debt for outstanding bonds, notes, and leases. The total amount of the non-current portion of long-term debt was \$3,401,000 at June 30, 2023, a decrease of \$321,000 below the balance of \$3,722,000 at June 30, 2022.

Net Pension Liabilities

The College's proportionate share of the Net Pension Liability (NPL) of PERS was \$48,233,436 for the statement of net position of June 30, 2023. The NPL is equal to the Total Pension Liability (TPL) minus the System Fiduciary Net Position (FNP) (basically the market values of assets.) The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportionate share of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The College's proportion was 0.234329%. The total amount of the net pension liability was \$48,233,436 at June 30, 2023, an increase of \$13,602,724 above the balance of \$34,630,712 at June 30, 2022. Additional information is disclosed in Note 9.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Net OPEB Liabilities – noncurrent portion

At June 30, 2023, the College reported a liability of \$1,217,484 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2022, the College's proportion was 0.25948961%. This was a decrease of 0.00385167% from the proportionate share as of the measurement date of June 30, 2021. The total amount of the OPEB liability was \$1,217,484 at June 30, 2023, a decrease of \$409,053 from the balance of \$1,626,537 at June 30, 2022. Additional information is disclosed in Note 10.

Deferred Inflows – Pensions

Deferred inflows consist of inflows that will be reported in future periods that will decrease the pension expense. Deferred inflows are a proportionate share of the deferred inflows reported by PERS for the year ended June 30, 2023 and the remaining unamortized deferred inflows reported by PERS for the years ended June 30, 2022 and 2021. This consists of the following:

- The changes in proportionate share of the deferred inflows of PERS which was \$26,761 for the year ended June 30, 2023. This amount is amortized over 3.73 years. Of this amount, \$7,175 has been expensed in the 2023 fiscal year. The remaining amount of \$19,586 will be amortized over the next 2.73 years.
- Deferred inflows resulting from the net difference between projected and actual earnings on investments can have an impact on the deferred inflows/outflows. For the year ended June 30, 2023, there were no net changes in the net difference between projected and actual earnings on investments.

The total deferred inflows for 2023 is the \$19,586 change in proportionate. The remaining deferred inflows contain \$10,810,023 of the unamortized deferred inflows of the 2022 fiscal year, \$17,548 of the unamortized deferred inflows of the 2021 fiscal year.

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

In addition, the "net difference between projected and actual earnings on pension plan adjustments," is netted between deferred outflows and deferred inflows. This results in a reduction of deferred inflows of \$9,323,617.

These changes combined with the prior year unamortized deferred inflows represent the detail of the balance of deferred inflows of \$1,523,542 as of June 30, 2023, a decrease of \$11,102,454 below the deferred inflow balance of \$12,625,996 as of June 30, 2022.

Deferred Inflows – OPEB

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

- The College's share of the State Health and Life Insurance Plan's deferred inflows due to the net difference in expected expenditures of past years and the actual experience of retirement benefit payment exchanges for the 2023 fiscal year as of June 30, 2023 was \$703,738. This amount is amortized over the average expected service life of members, which is 6.4 years. The first year of this calculation is reported as part of the OPEB expense for \$149,855 for 2023. The remaining balance, \$553,883 is part of the 2023 deferred inflows and will be amortized over the remaining 5.4 years.
- The changes in actuarial assumptions can have an impact on the deferred inflows/outflows of OPEB. The college's proportionate share of the deferred inflows related to changes in assumptions totaled \$165,158. Of this amount \$46,789 has increased the OPEB expense for the year ended June 30, 2023. The remaining balance of \$118,369 will be amortized as an increase to the pension expense over the next 5.4 years.
- The College's proportionate share of the State Health and Life Insurance Plan also affects the deferred inflows. For the 2023 fiscal year, this amount was \$110,359 as of June 30, 2023. This amount is amortized over the average expected service life of members, which is 6.4 years. The first year of this calculation is reported as part of the OPEB expense for \$21,119 for 2023. The remaining balance, \$89,240 is part of the 2023 deferred outflows and will be amortized over the remaining 5.4 years.

The total deferred inflows for 2023 is a combination of the \$553,883 of the difference in expected and actual experience, \$118,369 change of assumptions, and \$89,240 change in proportionate share.

The deferred inflows totaled \$761,492 at June 30 2023, an increase of \$93,115 over the balance of \$668,377 as of June 30, 2022.

Net Position

Net position represents the difference between the College's assets and deferred outflows less liabilities and deferred inflows. Total net position at June 30, 2023 was \$19,126,031, a decrease of \$1,478,043 below the balance of \$20,604,074 on June 30, 2022 as reflected on the statement of revenues, expenses, and changes in net position for fiscal year 2022.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Analysis of Net Position

The net investment in capital assets at June 30, 2023 totaled \$49,700,855, an increase of \$1,298,768 over the balance of \$48,402,087 on June 30, 2022. This is a result of the following increases and decreases:

Increases to construction in-progress	\$ 2,347,800
Increases to equipment	926,461
Debt retired	314,000
SBITA retired	370,691
Deletions to equipment & improvements, net	(314,194)
Depreciation/amortization expense	<u>(2,345,990)</u>
Total change in net investment in capital assets	<u>\$ 1,298,768</u>

Restricted expendable net position consists of unemployment funds, grants from third party agencies with expenditure restrictions, local appropriations restricted for capital projects or debt retirement and loan funds.

The following is a breakdown of the restricted net position:

	June 30, 2023 Amount	June 30, 2022 Amount
Unemployment funds	\$ 181,058	\$ 180,877
Capital projects	1,164,641	2,051,910
Grants and contracts	<u>376,321</u>	<u>482,718</u>
Total restricted net position	<u>\$ 1,722,020</u>	<u>\$ 2,715,505</u>

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College, such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. The unrestricted net position at June 30, 2023 was \$(32,296,844), a change of \$1,783,326, as compared to the unrestricted net position at June 30, 2022 of \$(30,513,518).

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

The following is a breakdown of the unrestricted net position:

	June 30, 2023 Amount	June 30, 2022 Amount
Unrestricted undesignated fund	\$ (34,812,650)	\$ (33,035,210)
Unrestricted designated fund	2,502,078	2,514,747
Unrestricted auxiliary fund	<u>13,728</u>	<u>6,945</u>
Total unrestricted net position	<u>\$ (32,296,844)</u>	<u>\$ (30,513,518)</u>

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

	June 30, 2023 Amount	June 30, 2022 Amount
Total unrestricted net position (deficit)	\$ (32,296,844)	\$ (30,513,518)
Less unrestricted deficit in net position resulting from recognition of the net pension and OPEB liabilities, including the deferred outflows and deferred inflows related to pension and OPEB	<u>43,675,365</u>	<u>43,168,245</u>
Unrestricted net position, exclusive of the net pension and OPEB liability effect	<u>\$ 11,378,521</u>	<u>\$ 12,654,727</u>

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

GASB 68 and 75 impact on Net Position:

	<u>2023</u>	<u>2022</u>
Total net position	\$ 19,126,031	\$ 20,604,074
Deferred outflows of resources- pension	\$ (7,814,761)	\$ (6,048,713)
Deferred inflows of resources- pension	1,523,542	12,625,996
Net pension liability	<u>48,233,436</u>	<u>34,630,712</u>
Total impact on GASB 68	\$ 41,942,217	\$ 41,207,995
Net position net of GASB 68 impact	<u>\$ 61,068,248</u>	<u>\$ 61,812,069</u>
Deferred outflows of resources - OPEB	\$ (306,808)	\$ (403,207)
Deferred inflows of resources- OPEB	761,492	668,377
Net OPEB liability	<u>1,278,464</u>	<u>1,695,080</u>
Total impact on GASB 75	\$ 1,733,148	\$ 1,960,250
Net position net of GASB 68 and 75 impact	<u>\$ 62,801,396</u>	<u>\$ 63,772,319</u>
Less investment in capital assets	\$ (49,700,855)	\$ (48,402,087)
Less restricted net position	<u>(1,722,020)</u>	<u>(2,715,505)</u>
Unrestricted	<u>\$ 11,378,521</u>	<u>\$ 12,654,727</u>

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

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

For the years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
	<u>Amount</u>	<u>Amount</u>
Operating revenues		
Tuition and fees, net	\$ 4,786,959	\$ 6,525,820
Grants and contracts	14,238,322	18,796,604
Auxiliary enterprises, net	2,896,477	3,108,927
Other operating revenues	<u>290,227</u>	<u>461,577</u>
Total operating revenues	<u>\$ 22,211,985</u>	<u>\$ 28,892,928</u>
Operating expenses	<u>\$ 41,613,355</u>	<u>\$ 42,894,595</u>
Operating loss	<u>\$(19,401,370)</u>	<u>\$(14,001,667)</u>
Non-operating revenues		
State appropriations	\$ 13,262,073	\$ 12,618,669
Local appropriations	2,580,966	2,427,870
Investment income, net	<u>82,654</u>	<u>8,457</u>
Net non-operating revenues	<u>\$ 15,925,693</u>	<u>\$ 15,054,996</u>
Gain (loss) before other revenues, expenses, gains and losses	<u>\$ (3,475,677)</u>	<u>\$ 1,053,329</u>
State appropriations restricted for capital purposes	\$ 1,042,756	\$ 824,846
Local appropriations restricted for capital purposes	1,228,988	1,227,576
Private grant for capital purposes	116,500	30,000
Other deletions, net	<u>(390,610)</u>	<u>(3,629)</u>
Total other revenues, net	<u>\$ 1,997,634</u>	<u>\$ 2,078,793</u>
Total increase (decrease) in net position	<u>\$ (1,478,043)</u>	<u>\$ 3,132,122</u>
Net position		
Net position at beginning of year, as previously reported	\$ 20,604,074	\$ 17,120,280
Prior period adjustment	<u>-</u>	<u>351,672</u>
Net position at end of year	<u>\$ 19,126,031</u>	<u>\$ 20,604,074</u>

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

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

	2023	2022
Change in net position	\$ (1,478,043)	\$ 3,132,122
Prior period adjustment	-	351,672
GASB 68 impact	734,222	(1,901,860)
GASB 75 impact	(227,102)	(135,147)
Change in total net position, net of GASB 68 and GASB 75 expenses	\$ (970,923)	\$ 1,446,787
Less investment in capital assets changes	(1,298,768)	(1,120,319)
Less restricted and plant fund changes	993,485	29,404
Change in unrestricted net position, net of GASB 68 and GASB 75 expenses	<u>\$ (1,276,206)</u>	<u>\$ 355,872</u>
Other non-cash transactions:		
Depreciation and amortization	\$ 2,345,990	\$ 2,156,360
Compensated absences	\$ 37,695	\$ 70,775

Total operating loss for the fiscal year 2023 was \$19,401,370, an increase of \$5,399,703 over the loss for fiscal year 2022 of \$14,001,667. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and forward, the College will show a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors, including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2023 were \$22,211,985. Tuition and fees were \$4,786,959. The tuition discount was \$5,585,737. Operating expenses, including depreciation and amortization of \$2,345,990, totaled \$41,613,355.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$4,786,959. The tuition discount for the 2023 fiscal year was \$5,585,737.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
	Amount	Amount
Federal	\$ 9,676,499	\$ 15,431,048
State	3,577,217	2,465,158
Local	25,581	24,452
Private	959,025	875,946
Total all sources	<u>\$ 14,238,322</u>	<u>\$ 18,796,604</u>

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$97,028 for the 2023 fiscal year, a decrease of \$126,880 from the balance of \$223,908 for the 2022 fiscal year.

Sales and Services, Net

Auxiliary enterprises include the College bookstore, food services, housing and other auxiliary revenues. The following table details the College's sales and services revenue for the fiscal years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
	Amount	Amount
Housing (net of scholarship allowance of \$22,622)	\$ 581,900	\$ 704,514
Food services (net of scholarship allowance of \$33,934)	572,988	608,093
Bookstore	1,617,695	1,707,508
Other auxiliary revenues	123,894	88,812
Total all sources	<u>\$ 2,896,477</u>	<u>\$ 3,108,927</u>

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Operating Expenses

Operating expenses totaling \$41,613,355 include salaries and benefits of \$22,829,104, utilities of \$1,010,224, supplies of \$2,849,773, services of \$5,776,542, and depreciation and amortization of \$2,345,990.

	June 30, 2023 Amount	June 30, 2022 Amount
Expenses by functions:		
Instruction	\$ 13,151,894	\$ 12,998,782
Academic support	3,132,629	3,542,966
Student services	4,575,928	4,352,420
Institutional support	6,506,366	3,616,846
Operations and maintenance of plant	6,054,271	4,934,935
Student financial aid	3,111,344	8,317,317
Auxiliary enterprises	2,734,933	2,974,969
Depreciation and amortization	<u>2,345,990</u>	<u>2,156,360</u>
Total operating expenses by function	<u>\$ 41,613,355</u>	<u>\$ 42,894,595</u>

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

	June 30, 2023 Amount	June 30, 2022 Amount	Increase (Decrease)
Expenses by functions			
Instruction	\$ 13,151,894	\$ 12,998,782	\$ 153,112
Academic support	3,132,629	3,542,966	(410,337)
Student services	4,575,928	4,352,420	223,508
Institutional support	6,506,366	3,616,846	2,889,520
Operations and maintenance of plant	6,054,271	4,934,935	1,119,336
Student financial aid	3,111,344	8,317,317	(5,205,973)
Auxiliary enterprises	2,734,933	2,974,969	(240,036)
Depreciation and amortization	<u>2,345,990</u>	<u>2,156,360</u>	<u>189,630</u>
Total operating expenses by function	<u>\$ 41,613,355</u>	<u>\$ 42,894,595</u>	<u>\$ (1,281,240)</u>
Effect of GASB 68	\$ (734,222)	\$ 1,901,860	\$ (2,636,082)
Effect of GASB 75	227,102	135,147	91,955
Less depreciation and amortization	(2,345,990)	(2,156,360)	(189,630)
Less change in compensated absences	<u>(37,695)</u>	<u>(70,775)</u>	<u>33,080</u>
Total operating expenses after adjustments	<u>\$ 38,722,550</u>	<u>\$ 42,704,467</u>	<u>\$ (3,981,917)</u>

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

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

	June 30, 2023 Amount	June 30, 2022 Amount	Increase (Decrease)
Expenses by objects			
Salaries and wages	\$ 16,613,044	\$ 16,546,595	\$ 66,449
Fringe benefits	6,216,060	3,592,596	2,623,464
Travel	589,062	504,633	84,429
Contractual services	5,776,542	5,076,734	699,808
Commodities	2,849,773	3,030,419	(180,646)
Utilities	1,010,224	1,045,394	(35,170)
Scholarships and fellowships	3,162,063	8,359,444	(5,197,381)
Depreciation and amortization	2,345,990	2,156,360	189,630
Other	3,050,597	2,582,420	468,177
Total operating expenses by function	<u>\$ 41,613,355</u>	<u>\$ 42,894,595</u>	<u>\$ (1,281,240)</u>
Effect of GASB 68	\$ (734,222)	\$ 1,901,860	\$ (2,636,082)
Effect of GASB 75	227,102	135,147	91,955
Less depreciation and amortization	(2,345,990)	(2,156,360)	(189,630)
Less change in compensated absences	<u>(37,695)</u>	<u>(70,775)</u>	<u>33,080</u>
Total operating expenses after adjustments	<u>\$ 38,722,550</u>	<u>\$ 42,704,467</u>	<u>\$ (3,981,917)</u>

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenue is the State of Mississippi appropriation. The College received \$14,304,829 for the 2022-2023 fiscal year, of which \$13,262,073 was for operations. This represents an increase of \$643,404 from the amount received for operations in the previous year. State appropriations for capital projects of \$1,042,756 were paid on behalf of the College during the 2023 fiscal year.

Local Appropriations

The College also receives revenue from the City of Meridian and Lauderdale County. The College received \$3,809,954 for the 2023 fiscal year from the local government of which \$2,580,966 was for operating purposes. This represents an increase of \$153,096 of local operating revenue received from the local government for operating purposes in the previous year. The remaining \$1,228,988 was received in fiscal year 2023 for capital projects or retirement of debt.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Investment Income, Net

This includes the interest income from the cash in the bank accounts. A total of \$82,654 was earned during the 2023 fiscal year.

Other Revenues

State Appropriations for Capital Purposes

The College received \$1,042,756 in revenue from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2023 fiscal year. This represents funds appropriated as bond revenues by the state legislature. This revenue represents payment on behalf of the college for the following projects:

\$111,213 was used on costs incurred for the new Softball/Tennis Complex,
\$261,000 was used in the Eagle Hall demolition,
\$508,852 was used on upgrade projects for CTE programs,
\$72,830 was used on the renovations made to the Reed Hall restrooms,
\$57,620 was used to repair HVAC units in College Crossing Apartments, and
\$31,241 was used on renovations for the SOAR Success Center.

Local Appropriations for Capital Purposes

This includes revenue received from the City of Meridian and Lauderdale County for capital projects during the fiscal year. The amount of this revenue totaled \$1,228,988 for the 2023 fiscal year. These funds were used to support professional fees associated with the new Tommy Dulaney Transportation Center, the renovations of restrooms in Reed Hall, HVAC repairs in the College Crossing Apartments, pool repairs and renovations, other general repairs and upgrades throughout campus, and pay principal and interest on construction note.

Other Additions (Deletions), net

The other additions and deletions, net represent the interest on debt and asset deletions net of non-procurement asset additions for the 2023 fiscal year. Other additions (deletions), net were (\$390,610) for the 2023 fiscal year. This is a combination of interest on indebtedness of \$76,417, and deletion of library books of \$314,194. This is a change of \$386,981 from the total of (\$3,629) for the 2022 fiscal year.

MERIDIAN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Capital Grants and Gifts

This includes revenue and gifts received from the Meridian Community College Foundation as well as from private grants to be used in the operations of the College to further the education of the students. The College received \$116,500 as of June 30, 2023. This is an increase of \$86,500 over the balance of \$30,000 at June 30, 2022.

Statement of Cash Flows

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

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

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Years Ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
	<u>Amount</u>	<u>Amount</u>
Cash and cash equivalents provided by (used in):		
Operating activities	\$ (15,237,460)	\$ (13,062,900)
Non-capital financing activities	16,385,778	14,344,399
Capital and related financing activities	(1,417,368)	(1,411,614)
Investing activities	<u>(4,469,515)</u>	<u>8,457</u>
Net increase (decrease) in cash and cash equivalents	\$ (4,738,565)	\$ (121,658)
Cash and cash equivalents - beginning of year	<u>12,527,460</u>	<u>12,649,118</u>
Cash and cash equivalents - end of year	<u>\$ 7,788,895</u>	<u>\$ 12,527,460</u>

The major sources of funds included in operating activities include student tuition and fees, \$4,429,753, auxiliary enterprises, \$2,896,177, and grants and contracts, \$15,757,988. The major uses of funds were payments made to and for employees, \$22,265,984, to scholarships and fellowships, \$3,243,292, to service providers, \$5,259,623 and to suppliers, \$2,841,563.

The largest inflow of cash in the non-capital financing activities group is the State appropriation for operating purposes of \$13,804,812.

The decrease of \$4,469,515 due to investing activities is mostly attributable to opening certificate of deposits in the amount of \$4,500,000 during the 2023 fiscal year.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Condensed Statement of Fiduciary Net Position

GASB 84 was implemented in fiscal year 2021. For the Fiscal Years Ended June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
	Amount	Percent	Amount	Percent
ASSETS				
Cash	\$ 56,258	100.00%	\$ 43,693	100.00%
Total assets	<u>\$ 56,258</u>	<u>100.00%</u>	<u>\$ 43,693</u>	<u>100.00%</u>
LIABILITIES				
Accounts payable	\$ 54,197	100.00%	\$ 49,589	100.00%
Total liabilities	<u>\$ 54,197</u>	<u>100.00%</u>	<u>\$ 49,589</u>	<u>100.00%</u>
NET POSITION				
Restricted:				
Expendable	\$ 2,061	100.00%	\$ (5,896)	100.00%
Total net position	<u>\$ 2,061</u>	<u>100.00%</u>	<u>\$ (5,896)</u>	<u>100.00%</u>

Condensed Statement of Changes in Fiduciary Net Position

For the years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
	Amount	Amount
Additions:		
Tax collections	\$ 304,996	\$ 308,705
Payments held for employees	226,132	234,568
Miscellaneous	63,974	60,102
Total additions	<u>\$ 595,102</u>	<u>\$ 603,375</u>
Deductions:		
Tax collections applied	\$ 302,022	\$ 316,791
Payments held for employees distributed	226,132	234,568
Miscellaneous	58,991	58,024
Total deductions	<u>\$ 587,145</u>	<u>\$ 609,383</u>
Net increase (decrease) in fiduciary net position	<u>\$ 7,957</u>	<u>\$ (6,008)</u>
NET POSITION		
Net position, beginning of year	\$ (5,896)	\$ 112
Net position, end of year	<u>\$ 2,061</u>	<u>\$ (5,896)</u>

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Significant Capital Asset Transactions

SOAR Project (Todd Library Renovation)

During the 2021 fiscal year, the College began the process of renovating the L.O. Todd Library to add a SOAR center within the building. The SOAR center will consist of student support services including advising and tutoring. For the 2023 fiscal year, the College spent \$812,306 on the project. Construction was completed during the 2023 fiscal year. The total cost of the project was \$1,968,217.

PTK Courtyard Improvements

During the 2022 fiscal year, the College began construction on PTK Courtyard Improvements. During the 2023 fiscal year, the College spent \$94,719 on the project. The total cost of this project was \$99,954. Construction was completed during the 2023 fiscal year.

Softball/Tennis Complex

During the 2021 fiscal year, the College began the process of constructing a new Softball/Tennis Complex. For the 2023 fiscal year, the College spent \$111,213 on the project. The total expected cost of the project is \$5,500,000. The expected completion date for this project is fiscal year 2025. This project is being funded by the Mississippi Department of Finance and Administration – Bureau of Buildings.

Hardin Hall Renovation

During the 2022 fiscal year, the College began construction on renovations in Hardin Hall. The College spent \$796,280 during the 2023 fiscal year. The estimated total cost of this project is \$1,164,766, and construction is expected to be completed during the fall of the 2024 fiscal year.

Reed Hall Restroom Renovation

During the 2022 fiscal year, the College began renovations on Reed Hall Restrooms in order to make them ADA accessible. The College spent \$228,258 on this project during the 2023 fiscal year. The total estimated cost of this project is \$310,117, and construction is expected to be completed during the fall of the 2024 fiscal year.

Tommy Dulaney Transportation Center

During the 2022 fiscal year, the College began the process of constructing a new facility for three new career and technical programs including automotive technician, diesel technician, and aviation technician. The College spent \$46,700 during the 2023 fiscal year. The total expected cost of this project is \$6,000,000, and it's expected to be completed in the 2025 fiscal year. This project is being funded by the Mississippi Department of Finance and Administration – Bureau of Buildings.

Theater Renovations – Ivy Hall

During the 2023 fiscal year, the College began renovations on the McCain Theater located in Ivy Hall. During the 2023 fiscal year, the College spent \$3,200. The total estimated cost of this project is \$378,000. Renovations are expected to be completed during the 2024 or 2025 fiscal year.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

Parking Lot Improvements

During the 2023 fiscal year, the College began making improvements to the existing parking lots on Campus. The College spent \$20,283 on the project. The total cost of this project is estimated to be \$408,618. These improvements are expected to be completed during the 2024 fiscal year.

Baseball Scoreboard

During the 2023 fiscal year, the College began upgrading the Baseball Scoreboard to a digital videoboard. In fiscal year 2023, the College spent \$234,841 on the project. The total cost of this project is estimated to be \$250,000. These improvements are expected to be completed during the 2024 fiscal year.

Subsequent Events

There are a number of issues that are directly affecting the Mississippi community college system as a whole. The continuing decline or level state funding is an issue which will continue to have an impact on our financial position. State funding made up approximately 30% of our total revenue available for operations in fiscal year 2023. This makes the level of state support a key factor in the financial health of the College.

Additionally, the Covid-19 pandemic has impacted the College's enrollment as well as the economy at the local, state, and national levels, which in turn affects the College. Since the Covid-19 pandemic, the College's enrollment has decreased by about 25%. If enrollment does not return to pre-pandemic levels, the College may be forced to make budget cuts. In addition, the College continues to see a high number of dual enrollment/dual credit students which impacts the College as those courses are offered at a substantial discount rate. This creates a negative impact on the College from a financial perspective if these courses continue to be offered at a discounted rate and there is little support from the state.

One of the internal considerations with each year's budget is the desire to refrain from impactful tuition rate increases, as this is a major barrier to college education for our local residents. Future increases will depend on the economic climate, student enrollment, and level of state support that the College receives. If the College needs to raise tuition in order to increase revenue, this will price out some potential students. A decline in education will result in further decline of future state revenues and quality of life for state citizens if we cannot meet the education and technology demands of businesses and industries.

In addition to operating challenges, our need for deferred maintenance funds and new construction continues to be a challenge. These expenditures will continue to increase as our buildings age. New technological advances will demand that we constantly update our training and college-wide database needs.

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

In addition, management of Meridian Community College evaluated the activity of the College through February 27, 2024 (the date the financial statements were available to be issued), and determined that the Employee Retention Tax Credit is the only subsequent event that requires disclosure in the notes to the financial statements.

In March 2020, the Employee Retention Credit ("ERC") was introduced as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act to incentivize employers to retain employees during the pandemic by offering a refundable tax credit against employment taxes. In December 2020 and March 2021, the ERC was further expanded and extended.

ERCs are similar to the Payroll Protection Program ("PPP") loans as they are another form of government assistance. However, whereas PPP loans provided funds requiring recipients to qualify for forgiveness by incurring qualifying expenditures in subsequent periods, ERCs are an employment tax credit if certain expenses are incurred by eligible employers.

Under the rules laid out by the CARES Act, the College was eligible for the ERC for Quarters 1, 2, and 3 of the 2021 Calendar Year. The College filed an amended form 941-X for each eligible quarter to request the ERC.

Summary of ERC amounts claimed

Quarter 1, 2021 Calendar Year:	\$2,182,366
Quarter 2, 2021 Calendar Year:	\$2,157,329
<u>Quarter 3, 2021 Calendar Year:</u>	<u>\$2,098,465</u>
Total ERC:	\$6,438,160

Based on recent communication from the Internal Revenue Service (IRS), the College believes that "more likely than not" it will receive the amounts above applied on the amended form 941-X's for Quarters 1, 2, and 3 of the 2021 Calendar Year during either Fiscal Year 2024 or 2025. When the ERC is received, the College will record a Prior Period Adjustment to the Unrestricted Fund Balance for the amount of the ERC received.

As part of the ERC process, the College engaged in an attorney to assist with filing for the ERC. For the attorney's services, the College will pay 20% of the ERC received from the IRS to the attorney. As part of the agreement with the attorney, the attorney will only receive payment if the College receives the credit. The attorney fee is expected to be \$1,287,632.

Contact Information

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

MERIDIAN COMMUNITY COLLEGE
BASIC FINANCIAL STATEMENTS

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION

June 30, 2023

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 7,788,895
Short-term investments	4,552,169
Accounts receivables, net	2,790,184
Inventories	156,453
Prepaid expenses	<u>348,244</u>

Total current assets \$ 15,635,945

Non-current Assets

Capital assets, net of accumulated depreciation	\$ 53,436,830
SBITA assets, net of accumulated amortization	<u>1,800,714</u>

Total non-current assets \$ 55,237,544

Total assets \$ 70,873,489

Deferred Outflows

Deferred outflows - pensions	\$ 7,814,761
Deferred outflows - OPEB	<u>306,808</u>

Total deferred outflows \$ 8,121,569

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,449,011
Accrued leave liabilities - current portion	99,437
Unearned revenues	34,647
Net OPEB liabilities - current portion	60,980
SBITA liabilities - current portion	391,237
Long-term liabilities - current portion	<u>321,000</u>

Total current liabilities	<u>\$ 2,356,312</u>
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Non-current Liabilities

Deposits refundable	\$ 31,216
Accrued leave liabilities	921,093
Long-term liabilities	3,401,000
Net pension liabilities	48,233,436
Net OPEB liabilities	1,217,484
SBITA liabilities	<u>1,423,452</u>

Total non-current liabilities	<u>\$ 55,227,681</u>
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Total liabilities	<u>\$ 57,583,993</u>
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Deferred Inflows

Deferred inflows - pensions	\$ 1,523,542
Deferred inflows - OPEB	<u>761,492</u>

Total deferred inflows	<u>\$ 2,285,034</u>
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NET POSITION

Net investment in capital assets	\$ 49,700,855
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Restricted for:

Expendable:

Unemployment compensation	181,058
Capital projects	1,164,641
Grants and contracts	376,321

Unrestricted	<u>(32,296,844)</u>
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Total net position	<u>\$ 19,126,031</u>
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See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	2023	2022
Assets		
Cash and cash equivalents	\$ 281,757	\$ 503
Restricted cash	112,073	81,625
Pledge receivables, net	2,055,984	635,605
Accounts receivable	9,119	11,228
Grants receivable	22,000	312,250
Prepays	190,622	120,064
Investments	21,633,316	19,288,016
Beneficial interest in trust	125,498	130,037
Property and equipment, net	644,772	667,352
Land held for sale	9,470	9,470
Other assets	<u>234,043</u>	<u>234,043</u>
Total assets	<u><u>\$ 25,318,654</u></u>	<u><u>\$ 21,490,193</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 45,656	\$ 63,666
Deferred revenue	191,540	160,842
Annuity liability	<u>24,981</u>	<u>26,440</u>
Total liabilities	<u><u>\$ 262,177</u></u>	<u><u>\$ 250,948</u></u>
Net Assets		
Without donor restrictions	\$ 1,479,225	\$ 1,266,465
With donor restrictions	<u>23,577,252</u>	<u>19,972,780</u>
Total net assets	<u><u>\$ 25,056,477</u></u>	<u><u>\$ 21,239,245</u></u>
Total liabilities and net assets	<u><u>\$ 25,318,654</u></u>	<u><u>\$ 21,490,193</u></u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

Operating Revenues

Tuition and fees (net of scholarship allowances of \$5,585,737)	\$ 4,786,959
Federal grants and contracts	9,676,499
State grants and contracts	3,577,217
Local grants and contracts	25,581
Nongovernmental grants and contracts	959,025
Sales and services of educational departments	97,028
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$22,622)	581,900
Food services (net of scholarship allowances of \$33,934)	572,988
Bookstore	1,617,695
Other auxiliary revenues	123,894
Other operating revenues	<u>193,199</u>
Total operating revenues	<u>\$ 22,211,985</u>

Operating Expenses

Salaries and wages	\$ 16,613,044
Fringe benefits	6,216,060
Travel	589,062
Contractual services	5,776,542
Utilities	1,010,224
Scholarships and fellowships	3,162,063
Commodities	2,849,773
Depreciation expense	1,961,325
Amortization expense	384,665
Other operating expenses	<u>3,050,597</u>
Total operating expenses	<u>\$ 41,613,355</u>
Operating loss	<u>\$ (19,401,370)</u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)
For the Year Ended June 30, 2023

Non-operating Revenues

State appropriations	\$ 13,262,073
Local appropriations	2,580,966
Investment income	<u>82,654</u>
Total net non-operating revenues	<u>\$ 15,925,693</u>
Loss before other revenues, expenses, gains and losses	\$ (3,475,677)
State appropriations restricted for capital purposes	1,042,756
Local appropriations restricted for capital purposes	1,228,988
Private grant for capital purposes	116,500
Other deletions, net	<u>(390,610)</u>
Change in net position	\$ (1,478,043)

Net Position

Net position - beginning of year	<u>\$ 20,604,074</u>
Net position - end of year	<u><u>\$ 19,126,031</u></u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	Without donor Restrictions	With donor Restrictions	Total
Public support, revenues, and reclassifications			
Contributions of cash and other financial assets	\$ 365,955	\$ 2,248,094	\$ 2,614,049
Contributed nonfinancial assets	7,033	40,764	47,797
Investment return, net	145,780	2,210,724	2,356,504
Other program revenues	-	318,739	318,739
Grant revenues	-	209,995	209,995
Net assets released from restrictions:			
Appropriation from donor endowment	35,882	(35,882)	-
Satisfaction of purpose restrictions	<u>1,387,962</u>	<u>(1,387,962)</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>\$ 1,942,612</u>	<u>\$ 3,604,472</u>	<u>\$ 5,547,084</u>
Expenses			
Scholarships	\$ 675,863	\$ -	\$ 675,863
Awards	1,600	-	1,600
Faculty/staff programs	62,726	-	62,726
Annuity interest expense	8,078	-	8,078
Other program expense	717,165	-	717,165
Management and general	220,204	-	220,204
Donations to Meridian Community College	<u>44,216</u>	<u>-</u>	<u>44,216</u>
Total expenses	<u>\$ 1,729,852</u>	<u>\$ -</u>	<u>\$ 1,729,852</u>
Change in net assets	\$ 212,760	\$ 3,604,472	\$ 3,817,232
Net assets, beginning of year	<u>1,266,465</u>	<u>19,972,780</u>	<u>21,239,245</u>
Net assets, end of year	<u>\$ 1,479,225</u>	<u>\$ 23,577,252</u>	<u>\$ 25,056,477</u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES For the Year Ended June 30, 2022

	Without donor Restrictions	With donor Restrictions	Total
Public support, revenues, and reclassifications			
Contributions of cash and other financial assets	\$ 338,728	\$ 452,903	\$ 791,631
Contributed nonfinancial assets	31,565	50,333	81,898
Investment return, net	(161,283)	(2,653,553)	(2,814,836)
Other program revenues	-	145,712	145,712
Grant revenues	-	408,104	408,104
Net assets released from restrictions:			
Appropriation from donor endowment	38,842	(38,842)	-
Satisfaction of purpose restrictions	<u>961,337</u>	<u>(961,337)</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>\$ 1,209,189</u>	<u>\$ (2,596,680)</u>	<u>\$ (1,387,491)</u>
Expenses			
Scholarships	\$ 563,750	\$ -	\$ 563,750
Awards	1,450	-	1,450
Faculty/staff programs	66,333	-	66,333
Annuity interest expense	8,078	-	8,078
Other program expense	382,563	-	382,563
Management and general	210,732	-	210,732
Donations to Meridian Community College	<u>70,615</u>	<u>-</u>	<u>70,615</u>
Total expenses	<u>\$ 1,303,521</u>	<u>\$ -</u>	<u>\$ 1,303,521</u>
Change in net assets	\$ (94,332)	\$ (2,596,680)	\$ (2,691,012)
Net assets, beginning of year	<u>1,360,797</u>	<u>22,569,460</u>	<u>23,930,257</u>
Net assets, end of year	<u>\$ 1,266,465</u>	<u>\$ 19,972,780</u>	<u>\$ 21,239,245</u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

Cash Flows from Operating Activities

Tuition and fees	\$ 4,429,753
Grants and contracts	15,757,988
Sales and services of educational departments	97,028
Payments to suppliers	(2,841,563)
Payments to employees for salaries and benefits	(22,265,984)
Payments for contractual services	(5,259,623)
Payments for travel	(583,195)
Payments for other expenses	(3,372,863)
Payments for utilities	(1,048,137)
Payments for scholarships and fellowships	(3,243,292)
Auxiliary enterprise revenues:	
Residence halls	581,600
Bookstore	1,617,695
Food services	572,988
Other	123,894
Other payments	<u>196,251</u>

Net cash used in operating activities	<u>\$ (15,237,460)</u>
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Cash Flows from Noncapital Financing Activities

State appropriations	\$ 13,804,812
Local appropriations	2,580,966
Federal loan receipts	1,700,274
Federal loan disbursements	<u>(1,700,274)</u>

Net cash provided by noncapital financing activities	<u>\$ 16,385,778</u>
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See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2023

Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	\$ (3,274,261)
Capital appropriations received	2,271,744
Private grants received for capital purposes	116,500
Principal paid on capital debt	(100,274)
Principal paid on leases and SBITAs	(370,690)
Capital debt interest paid	<u>(60,387)</u>
Net cash used in capital and related financing activities	<u>\$ (1,417,368)</u>
Cash Flows from Investing Activities	
Interest received on investments	\$ 82,654
Purchases of short-term investments	(4,500,000)
Interest on short-term investments	<u>(52,169)</u>
Net cash used in investing activities	<u>\$ (4,469,515)</u>
Net decrease in cash and cash equivalents	\$ (4,738,565)
Cash and cash equivalents - beginning of year	<u>12,527,460</u>
Cash and cash equivalents - end of year	<u><u>\$ 7,788,895</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (19,401,370)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation expense	1,961,325
Amortization expense	384,665
Change in pension expense - GASB 68	734,222
Change in OPEB expense - GASB 75	(227,102)
Changes in assets and liabilities:	
Receivables, net (excluding the state appropriations)	1,438,889
Inventories	5,062
Prepaid expenses	(282,486)
Accounts payables	149,457
Unearned revenues	(37,517)
Accrued leave liability	37,695
Deposits refundable	<u>(300)</u>
Net cash used in operating activities	<u><u>\$ (15,237,460)</u></u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 3,817,232	\$ (2,691,012)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	22,580	22,579
Change in assets/liabilities:		
(Increase) decrease in pledge receivables	(1,420,379)	42,715
(Increase) decrease in accounts receivables	2,109	(11,228)
(Increase) decrease in grants receivables	290,250	(282,250)
(Increase) decrease in prepaids	(70,558)	(120,064)
Increase (decrease) in accounts payables	(19,468)	(40,312)
Increase (decrease) in deferred revenue	30,698	160,842
Change in present value from externally managed trusts	4,539	36,293
Unrealized holding gains (losses) on securities	(2,054,179)	2,960,966
Cash contributions restricted for endowments	(171,816)	(136,447)
Fair value of donated investments	(7,216)	(12,651)
Non-cash contributions	(47,797)	(81,898)
Non-cash expenses	47,797	81,898
Net cash provided by (used in) operating activities	<u>\$ 423,792</u>	<u>\$ (70,569)</u>
Cash Flows from Investing Activities		
Proceeds from sale of assets	\$ 4,110	\$ 7,352
Proceeds from sales and maturities of investments	3,404	5,302
Purchases of investments	<u>(291,420)</u>	<u>(166,168)</u>
Net cash used in investing activities	<u>\$ (283,906)</u>	<u>\$ (153,514)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowments	<u>\$ 171,816</u>	<u>\$ 136,447</u>
Net cash provided by financing activities	<u>\$ 171,816</u>	<u>\$ 136,447</u>
Net increase (decrease) in cash and cash equivalents	\$ 311,702	\$ (87,636)
Cash and cash equivalents - beginning of year	<u>82,128</u>	<u>169,764</u>
Cash and cash equivalents - end of year	<u><u>\$ 393,830</u></u>	<u><u>\$ 82,128</u></u>
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 281,757	\$ 503
Restricted cash	<u>112,073</u>	<u>81,625</u>
	<u><u>\$ 393,830</u></u>	<u><u>\$ 82,128</u></u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 56,258
Total assets	<u>\$ 56,258</u>
LIABILITIES	
Accounts payable	\$ 54,197
Total liabilities	<u>\$ 54,197</u>
NET POSITION	
Restricted expendable - individuals, organizations, and other governments	\$ 2,061
Total net position	<u>\$ 2,061</u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2023

	Custodial Funds
Additions:	
Tax collections	\$ 304,996
Payments held for employees	226,132
Miscellaneous	<u>63,974</u>
Total additions	<u>\$ 595,102</u>
Deductions:	
Tax collections applied	\$ 302,022
Payments held for employees distributed	226,132
Miscellaneous	<u>58,991</u>
Total deductions	<u>\$ 587,145</u>
Net increase in fiduciary net position	<u>\$ 7,957</u>
NET POSITION	
Net position, beginning of year	<u>\$ (5,896)</u>
Net position, end of year	<u><u>\$ 2,061</u></u>

See Accompanying Notes to Financial Statements.

MERIDIAN COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

MERIDIAN COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Meridian Community College was founded in 1937 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Meridian Community College is found in Section 37-29-31, Miss. Code, Ann. (1972).

Meridian Community College is locally governed by a five-member board of trustees, appointed by the Mayor of the City of Meridian. Each board member is appointed for a 5-year term. In addition, Meridian Community College works jointly with the Mississippi Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the state of Mississippi.

Meridian Community College reports the following discretely presented component unit:

Meridian Community College Foundation (Foundation) – The Foundation is a legally separate, tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising organization to supplement the resources available to Meridian Community College (College) in support of its programs.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors.

During the year ended June 30, 2023, the Foundation distributed \$1,118,743 to the College.

B. Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public College and Universities*, issued in June and November, 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned, and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

D. Cash Equivalents

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

E. Short-term Investments

The College considers all highly liquid investments with an original maturity of more than three months but less than twelve months to be short-term investments.

F. Investments

The College accounts for their investments at fair value in accordance with GASB. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

GASB requires entities to group assets and liabilities that are carried at fair value in their financial statements in a three level hierarchy based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. The following describes the hierarchy of inputs used to measure fair value:

Level 1 -Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 -Valuation is based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.

Level 3 -Valuation is based on significant valuation assumptions that are not readily observable in the market.

G. Accounts Receivables, net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.

Note 1. Summary of Significant Accounting Policies (continued)

H. Notes Receivable, Students

Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the Statement of Net Position as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as non-current assets on the Statement of Net Position.

I. Inventories

Inventories consist of items in the bookstore. This inventory is generally valued at cost, on the first-in, first-out ("FIFO") basis.

J. Capital Assets Net of Accumulated Depreciation

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance 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. As per GASB 89, interest costs incurred before the end of a construction period are recognized as an expenditure on a basis consistent with governmental fund accounting principles and not capitalized.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has deferred outflows which are presented as a deferred outflow for pension and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has deferred inflows which are presented as a deferred inflow for pension and OPEB.

See Note 9 and 10 for further details.

Note 1. Summary of Significant Accounting Policies (continued)

L. 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.

M. Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 10 days per year for 0 to 10 years of service, 12 days per year for 10 to 14 years of service, 14 days per year for 15 to 19 years of service, and 16 days per year for over 20 years of service. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 30 days of accrued leave. The liability for accrued leave at June 30, 2023, as reported in the statement of net position is \$1,020,530 with \$99,437 of this amount estimated as current.

N. 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. See Note 9 for further details.

O. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Mississippi State and School Employees Life and Health Insurance Plan and additions to/deductions from OPEB's fiduciary net position have been determined on the same basis as they are reported by Mississippi State and School Employees Life and Health Insurance Plan. For this purpose, benefit payments are recorded when the OPEB benefits become due. Investments are reported at fair value as determined by the state. See Note 10 for further details.

Note 1. Summary of Significant Accounting Policies (continued)

P. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The College uses its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known. Management has determined that this new accounting pronouncement has no effect on the College's financial activities.

Q. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs. GASB 96 was implemented during fiscal year 2023. See Note 11 for further details.

R. Classification of Revenues

Meridian Community College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

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

Note 1. Summary of Significant Accounting Policies (continued)

S. State Appropriations

Meridian Community College receives funds from the State of Mississippi based on the number credit hours generated by all students actually enrolled and in attendance on the last day of the sixth week of the fall, spring and summer semesters of the previous year, counting only those students who reside within the State of Mississippi. This formula is based entirely on full-time equivalent calculations.

T. Scholarship Discounts and Allowances

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

U. Net Position

GASB Statement No. 63 reports equity as "net position" rather than "net assets." Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net position represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net position balance of \$(32,296,844) at June 30, 2023, includes \$2,502,078 reserved for designations, \$13,728 reserved for auxiliaries, and a remaining amount of \$(34,812,650).

V. Accounting Standards Update

GASB 96, Subscription-Based Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purpose of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

Note 1. Summary of Significant Accounting Policies (continued)

W. Subsequent Events

Management has evaluated subsequent events through February 27, 2024, the date on which the financial statements were available to be issued. The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief and Economic Security (CARES) Act to help Employers retain workforces during the coronavirus pandemic. The College filed the necessary documents and is expected to receive credits for qualified wages during the next fiscal year. See Note 17 for further information.

Note 2. Cash and Investments

A. Cash, Cash Equivalents, and Short-term Investments

Investment policies as set forth by policy and state statute authorize the College to invest in demand deposits and interest-bearing time deposits, such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

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

B. Investments

Investment policies as set forth by policy and state statute also authorizes the College to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

As of June 30, 2023, the carrying value of the College's investments reported on the Statement of Net Position was \$4,552,169. The following table summarizes the categorization of investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Fair Value Measurement Level 2</u>
Certificates of deposit	N/A	Less than 1 year	<u>\$4,552,169</u>	<u>\$ 4,552,169</u>

Note 2. Cash and Investments (continued)

Interest Rate Risk – The College does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. However, the College's investment management policy states that "investment of current funds needed immediately for operating purposes, and other funds earmarked for use or needed for debt repayment, construction, or capital improvements, are made for relatively short period for maximum current return and safety of principal, combined with sufficient liquidity to permit cash withdrawals for expenditures. The President and Associate Vice-President for Finance are authorized to invest any and all excess funds of the College to meet the goal stated above."

Credit Risk – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The College does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk. However, the College's investment management policy states that "excess funds expected to be available for more than ninety days or special funds known to be available for investment for a specific period of time are invested in either bank certificates of deposit or treasury notes insured by the federal treasury system. Written quotes are obtained prior to investment from those financial institutions maintaining offices in the community college district. Under no circumstances are these funds invested in mutual funds or other such high-risk investments. Investments under this category are brought to the board for information and ratification."

Custodial Credit Risk Investments – Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, the College will not be able to recover the value of its investment. The College does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk. However, the College's investment management policy states that "...funds are invested in bank certificates of deposit in multiples not to exceed the amount of insurance provided by the FDIC. Care is taken, however, to ensure that the total deposits (checking and investments) do not exceed the additional collateral provided as required by law."

Concentration of Credit Risk – Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2023, the College did not have any investments to which this would apply.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023:

Student tuition and fees	\$ 7,318,303
Federal, state and private grants and contracts	758,785
State appropriations	523,865
Other	<u>147,189</u>
Total accounts receivable	\$ 8,748,142
Less allowance for doubtful accounts	<u>(5,957,958)</u>
Net accounts receivable	<u>\$ 2,790,184</u>

Note 4. Notes Receivable from Students

In June 2013, the College purchased all outstanding Perkins loans for the purpose of liquidating the program. These represent all outstanding notes receivable from students.

These notes receivable from students are payments in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the College. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the College at June 30, 2023:

	Interest Rates	June 30, 2023	Current Portion	Non-current Portion
MCC student loans	3% to 9%	<u>\$ 61,537</u>	<u>\$ -</u>	<u>\$ 61,537</u>
Total notes receivable		<u>\$ 61,537</u>	<u>\$ -</u>	<u>\$ 61,537</u>
Less allowance for doubtful accounts		<u>61,537</u>	<u>-</u>	<u>61,537</u>
Net notes receivable		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023, is presented as follows:

Changes in Capital Assets For the Fiscal Year Ended June 30, 2023	07/01/22 Beginning Balance	Increases	Decreases	06/30/23 Year-end Balance
Capital assets, non-depreciable:				
Land	\$ 2,946,868	\$ -	\$ -	\$ 2,946,868
Art collection	15,525	-	-	15,525
Construction in-progress	<u>1,324,971</u>	<u>2,347,800</u>	<u>2,068,171</u>	<u>1,604,600</u>
Total capital assets, non-depreciable	<u>\$ 4,287,364</u>	<u>\$ 2,347,800</u>	<u>\$2,068,171</u>	<u>\$ 4,566,993</u>
Capital assets, depreciable:				
Improvements other than buildings	\$ 7,502,657	\$ 2,068,171	\$ -	\$ 9,570,828
Buildings	61,093,094	-	-	61,093,094
Equipment	8,231,963	926,461	-	9,158,424
Library books	<u>789,279</u>	<u>-</u>	<u>314,194</u>	<u>475,085</u>
Total capital assets, depreciable	<u>\$77,616,993</u>	<u>\$ 2,994,632</u>	<u>\$ 314,194</u>	<u>\$80,297,431</u>
Less accumulated depreciation for:				
Improvements other than buildings	\$ 3,982,597	\$ 234,651	\$ -	\$ 4,217,248
Buildings	19,161,239	1,123,796	-	20,285,035
Equipment	5,624,533	899,982	-	6,524,515
Library books	<u>697,900</u>	<u>-</u>	<u>297,104</u>	<u>400,796</u>
Total accumulated depreciation	<u>\$29,466,269</u>	<u>\$ 2,258,429</u>	<u>\$ 297,104</u>	<u>\$31,427,594</u>
Total depreciable capital assets, net	<u>\$48,150,724</u>	<u>\$ 736,203</u>	<u>\$ 17,090</u>	<u>\$48,869,837</u>
Capital assets, net of depreciation	<u>\$52,438,088</u>	<u>\$ 3,084,003</u>	<u>\$2,085,261</u>	<u>\$53,436,830</u>

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

	Estimated Useful Lives	Salvage Value	Capitalization Thresholds
Improvements other than buildings	20 years	20%	\$ 25,000
Buildings	40 years	20%	50,000
Equipment	3-15 years	1-10%	5,000
Library books	10 years	0%	-

Note 6. Long-term Liabilities

Long-term liabilities of the College consist of note and bond payables, lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2023.

Information regarding original issue amounts, interest rates and maturity dates for bond, note, and SBITAs included in the long-term liabilities balance at June 30, 2023, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

See Note 9 for information regarding pension liabilities and Note 10 for information regarding OPEB liabilities.

Note 6. Long-term Liabilities (continued)

Description and Purpose	Original Issue	Annual Interest/ Discount Rate	Maturity	Beginning Balances 7/1/2022	Additions	Reductions	Ending Balances 6/30/2023	Due Within One Year
Bond Payable								
MS Development Bank	<u>\$ 3,000,000</u>	1.99%	12/2045	<u>\$2,900,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$2,800,000</u>	<u>\$ 100,000</u>
Total bond payable	<u>\$ 3,000,000</u>			<u>\$2,900,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$2,800,000</u>	<u>\$ 100,000</u>
Note Payable								
Citizens loan for Advanced Manufacturing Lab	<u>\$ 1,344,008</u>	1.70%	07/2026	<u>\$1,136,000</u>	<u>\$ -</u>	<u>\$ 214,000</u>	<u>\$ 922,000</u>	<u>\$ 221,000</u>
Total note payable	<u>\$ 1,344,008</u>			<u>\$1,136,000</u>	<u>\$ -</u>	<u>\$ 214,000</u>	<u>\$ 922,000</u>	<u>\$ 221,000</u>
SBITA	<u>\$ -</u>	3.00%	09/2027	<u>\$ -</u>	<u>\$ 2,185,380</u>	<u>\$ 370,691</u>	<u>\$1,814,689</u>	<u>\$ 391,237</u>
	<u>\$ -</u>			<u>\$ -</u>	<u>\$ 2,185,380</u>	<u>\$ 370,691</u>	<u>\$1,814,689</u>	<u>\$ 391,237</u>
Other Long-term Liabilities								
Accrued leave liabilities				<u>\$ 982,835</u>	<u>\$ 37,695</u>	<u>\$ -</u>	<u>\$1,020,530</u>	<u>\$ 99,437</u>
Deposits refundable				<u>31,516</u>	<u>600</u>	<u>900</u>	<u>31,216</u>	<u>-</u>
Total other long-term liabilities				<u>\$1,014,351</u>	<u>\$ 38,295</u>	<u>\$ 900</u>	<u>\$1,051,746</u>	<u>\$ 99,437</u>
Total				<u>\$5,050,351</u>	<u>\$ 2,223,675</u>	<u>\$ 685,591</u>	<u>\$6,588,435</u>	<u>\$ 811,674</u>
Due within one year							<u>\$ 811,674</u>	
Total long-term liabilities (excluding net pension liabilities and OPEB liabilities)							<u>\$5,776,761</u>	

Note 6. Long-term Liabilities (continued)

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

Fiscal Year	Principal	Interest	Total
2024	321,000	75,062	396,062
2025	327,000	70,304	397,304
2026	334,000	65,446	399,446
2027	340,000	60,342	400,342
2028	105,000	54,981	159,981
2029	105,000	53,275	158,275
2030	105,000	51,175	156,175
2031	110,000	49,025	159,025
2032	110,000	46,688	156,688
2033	115,000	44,156	159,156
2034	115,000	41,569	156,569
2035	120,000	38,925	158,925
2036	120,000	36,225	156,225
2037	125,000	33,313	158,313
2038	130,000	30,125	160,125
2039	130,000	26,875	156,875
2040	135,000	23,562	158,562
2041	135,000	20,187	155,187
2042	140,000	16,750	156,750
2043	145,000	13,187	158,187
2044	150,000	9,500	159,500
2045	150,000	5,750	155,750
2046	<u>155,000</u>	<u>1,938</u>	<u>156,938</u>
	<u>\$ 3,722,000</u>	<u>\$ 868,360</u>	<u>\$ 4,590,360</u>

Note 7. Construction Commitments and Financing

The College is in the process of constructing a new Softball/Tennis Complex, the Tommy Dulaney Transportation Center, renovating Hardin Hall, renovating Reed Hall, improving parking lots, and upgrading the lighting in the Theatre. Funding for these construction projects will be assisted by the State of Mississippi and the City of Meridian (Institutional funds). The estimated costs to complete is presented below:

Project Title	Total Costs to Complete	Funded by	
		State Sources	Institutional Funds
Reed Hall renovation	\$ 70,373	\$ -	\$ 70,373
Hardin Hall renovation	300,103	-	300,103
Parking lot improvements	388,335	-	388,335
Theatre renovation	374,800	-	374,800
Tommy Dulaney Transportation Center	5,922,450	5,922,450	-
Softball/Tennis Complex	<u>5,335,681</u>	<u>5,335,681</u>	<u>-</u>
Total	<u>\$ 12,391,742</u>	<u>\$11,258,131</u>	<u>\$1,133,611</u>

Note 8. Natural Classification with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2023:

Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships and Fellowships	Depreciation Expense	Other	Total
Instruction	\$ 8,671,901	\$2,709,863	\$ 66,931	\$1,168,770	\$ 497,895	\$ 23,135	\$ 22,369	\$ -	\$ (8,970)	\$13,151,894
Academic support	1,450,281	561,070	24,284	872,094	28,566	-	-	-	196,334	3,132,629
Student services	2,561,178	895,158	434,374	328,249	312,659	-	27,319	-	16,991	4,575,928
Institutional support	2,599,489	1,484,909	60,311	1,614,882	327,683	-	1,031	-	418,061	6,506,366
Operation of plant	1,061,536	441,621	1,159	912,867	430,171	799,515	-	-	2,407,402	6,054,271
Student aid	-	-	-	-	-	-	3,111,344	-	-	3,111,344
Auxiliary enterprises	268,659	123,439	2,003	879,680	1,252,799	187,574	-	-	20,779	2,734,933
Depreciation	-	-	-	-	-	-	-	2,345,990	-	2,345,990
Total operating expenses	<u>\$ 16,613,044</u>	<u>\$6,216,060</u>	<u>\$589,062</u>	<u>\$5,776,542</u>	<u>\$2,849,773</u>	<u>\$ 1,010,224</u>	<u>\$ 3,162,063</u>	<u>\$ 2,345,990</u>	<u>\$3,050,597</u>	<u>\$41,613,355</u>

Note 9. Pension Plan

General Information about the Pension Plan

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

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

Contributions – PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2023 was 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's

Note 9. Pension Plan (continued)

contributions to PERS for the fiscal years ending June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 were \$2,830,020, \$2,806,834, \$2,712,024, \$2,832,199, \$2,547,438, \$2,500,065, \$2,501,323, \$2,485,067, and \$2,441,302, respectively, which equaled the required contributions for each year.

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

At June 30, 2023, the College reported a liability of \$48,233,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2023 net pension liability was .234329 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.000028 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the College recognized pension expense of \$3,564,243. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 689,271	\$ -
Changes in proportion and differences between college contributions and proportionate share of contributions	-	1,523,542
Net difference between projected and actual earnings on pension plan investments	2,627,462	-
Changes in assumptions	1,668,008	-
College contributions subsequent to the measurement date	<u>2,830,020</u>	<u>-</u>
Total	<u>\$ 7,814,761</u>	<u>\$ 1,523,542</u>

Note 9. Pension Plan (continued)

\$2,830,020 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2024. 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:

2024	\$	773,335
2025		464,189
2026		(393,603)
2027		<u>2,617,278</u>
Total	\$	<u>3,461,199</u>

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65-17.90 %, including inflation
Investment rate of return	7.55%, 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

Note 9. Pension Plan (continued)

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	25.00%	4.60%
International equity	20.00%	4.50%
Global equity	12.00%	4.85%
Fixed income	18.00%	1.40%
Real estate	10.00%	3.65%
Private equity	10.00%	6.00%
Private infrastructure	2.00%	4.00%
Private credit	2.00%	4.00%
Cash equivalents	<u>1.00%</u>	-0.10%
Total	<u>100.00%</u>	

Discount rate – the discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate – the following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% decrease</u>	<u>Current discount rate</u>	<u>1% increase</u>
	<u>6.55%</u>	<u>7.55%</u>	<u>8.55%</u>
College's proportionate share of the net pension liability	<u>\$ 62,949,559</u>	<u>\$ 48,233,436</u>	<u>\$ 36,100,740</u>

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

Note 10. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan description - State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov>.

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

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

Contributions - The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$62,708 for the year ended June 30, 2023.

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

At June 30, 2023, the College reported a liability of \$1,278,464 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2022, the College's proportion was 0.25948961%. This was a decrease of 0.00385167% from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the College recognized OPEB expense of \$(164,392). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,059	\$ 553,883
Changes in proportion and differences between college contributions and proportionate share of contributions	43,556	89,240
Net difference between projected and actual earnings on OPEB investments	88	-
Changes in assumptions	199,397	118,369
College contributions subsequent to the measurement date	62,708	-
Total	<u>\$ 306,808</u>	<u>\$ 761,492</u>

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

\$62,708 reported as deferred outflows of resources related to OPEB resulting from the College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2024. 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:

2024	\$	(109,715)
2025		(107,801)
2026		(126,014)
2027		(104,527)
2028 & after		<u>(69,335)</u>
Total	\$	<u>(517,392)</u>

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other input:

Inflation	2.40%
Salary increases	2.65-17.90%, including wage inflation
Municipal Bond Index Rate	
Measurement date	3.37%
Prior Measurement date	2.13%
Year FNP is projected to be depleted	
Measurement date	2022
Prior Measurement date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement date	3.37%
Prior Measurement date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an
Pre-Medicare	ultimate rate of 4.5% by 2029

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

Mortality rates for services retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation. The long-term expected rate of return on OPEB investments is 4.5%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37%. Since the prior measurement date, the discount rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. 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, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 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 (2.37%) or 1-percentage-point higher (4.37%) than the current discount rate:

	1% decrease <u>2.37%</u>	discount rate <u>3.37%</u>	1% increase <u>4.37%</u>
Net OPEB liability	<u>\$ 1,408,385</u>	<u>\$ 1,278,464</u>	<u>\$ 1,166,863</u>

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

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

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

	Healthcare cost trend rates		
	<u>1% decrease</u>	<u>current</u>	<u>1% increase</u>
Net OPEB liability	<u>\$ 1,189,519</u>	<u>\$ 1,278,464</u>	<u>\$ 1,378,559</u>

OPEB plan fiduciary net position- Detailed information about the OPEB plan's fiduciary net position is available in separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 11. Subscription-Based Information Technology Assets (SBITA)

The College has contracts for multiple subscription-based IT arrangements for items such as software and various site licenses.

At commencement, the College initially measures the liability at the present value of payments expected to be made during the subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized in amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset.

The College generally uses its estimated incremental borrowing rate as the discount rate unless the rate that the vendor charges is known. The estimated incremental borrowing rate is the rate the College would be charged for borrowing the subscription payment amounts during the subscription term.

The subscription term includes the noncancelable period of the contract plus any additional periods covered by either a College or vendor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the College and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

Note 11. Subscription-Based Information Technology Assets (SBITA) (continued)

A summary of subscription IT asset activity during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurements	Deductions	Balance 6/30/2023
Subscription IT assets	\$ -	\$ 2,185,380			\$ 2,185,380
Less: accumulated amortization	-	384,666	-	-	384,666
	<u>\$ -</u>	<u>\$ 1,800,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800,714</u>

A summary of subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Remeasurements	Deductions	Balance 6/30/2023
Subscription IT liabilities	\$ -	\$ 2,185,380		\$ (370,691)	\$ 1,814,689

Exemptions**Short-term SBITAs: Exempt from capitalization**

GASB 96 provides an exemption for short-term SBITAs, defined as a subscription with a maximum possible noncancelable term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Like the treatment of short-term leases under GASB 87, GASB 96 only requires subscription payments for short-term SBITAs to be recognized as outflows of resources when incurred.

Immaterial SBITAs: Exempt from capitalization and disclosure

At the end of Statement no. 96 is a comment which reads "The provisions of this Statement need not be applied to immaterial items." As with GASB 87, GASB 96 does not provide an explicit materiality threshold for governmental entities to apply to their SBITA portfolio, but it does allow for the exemption of immaterial SBITAs. Governments making policy elections for GASB 96 can adopt methodology and thresholds similar to their determinations for lease or asset capitalization.

The College has adopted the following methodology for SBITA capitalization:

1. Due to the State of Mississippi's contract laws, contracts cannot be entered into a term longer than 4 years. For the College, all SBITAs are capitalized for a period not to exceed 4 years from the current calendar year of 2023. This means that a SBITA is projected to extend to a maximum of calendar year 2027.
2. The College currently has a capitalization threshold policy for capital assets of \$5,000 or more for equipment (see "Note 5. Capital Assets"). The College is taking a similar approach with SBITAs in that if a contract qualifies as a SBITA for all criteria except that the annual expense (cash outflow) of the contract is less than \$5,000, then the contract is not considered a SBITA and not capitalized.

Note 11. Subscription-Based Information Technology Assets (SBITA) (continued)

For purposes of this note disclosure, subscription-based IT liabilities by individual SBITA are listing below:

Description	Discount rate	Issue Date	Maturity Date	Amount
Bankmobile	3%	7/1/2022	12/31/2026	\$ 27,878
Banner	3%	7/1/2022	7/31/2025	786,583
Campus Logic	3%	7/1/2022	9/30/2023	403,520
Drieam	3%	2/1/2023	1/31/2027	73,399
Harmonize	3%	7/1/2022	6/30/2027	51,873
PeopleAdmin	3%	7/1/2022	9/30/2027	191,034
Prism	3%	7/1/2022	6/30/2027	67,294
Touchnet	3%	7/1/2022	9/30/2027	146,502
Unifyed	3%	7/1/2022	11/13/2024	34,315
Xlerant	3%	7/1/2022	1/31/2025	32,291
Total				<u>\$ 1,814,689</u>

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 391,237	\$ 20,669	\$ 411,906
2025	381,576	33,181	414,757
2026	357,380	43,548	400,928
2027	362,894	56,699	419,593
2028	<u>321,602</u>	<u>63,600</u>	<u>385,202</u>
	<u>\$ 1,814,689</u>	<u>\$ 217,697</u>	<u>\$ 2,032,386</u>

Future SBITA commitments

As required by GASB 96, governments must also disclose commitments under SBITAs not yet commenced. This quantitative disclosure presents future cash commitments for SBITAs not yet commenced as of June 30, 2023 that the government is contractually obliged (i.e. a contract has been executed but commences after June 30, 2023). At the time of this report, the College is aware of the following future SBITA commitments that commence after June 30, 2023:

Description	Discount rate	Issue Date	Maturity Date	Amount
TimelyMD	3%	9/1/2023	8/31/2027	\$ 402,897

Note 12. Fiduciary Activities

Effective for fiscal year 2021, the College adopted GASB Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 intends to enhance consistency and comparability on how fiduciary activities are reported by providing additional guidance on what qualifies as a fiduciary activity.

Note 12. Fiduciary Activities (continued)

The funds that are classified as Custodial as a result of implementing GASB Statement No. 84 are reported on the College's Statement of Fiduciary Net Position. The Fiduciary Net Position was \$(5,896) as of June 30, 2022. For 2023, the ending Fiduciary Net Position is \$2,061. These custodial funds were evaluated according to GASB Statement No. 84 and include:

- Tax offsets received from the MS State Department of Revenue of student tax refunds confiscated to pay balances owed to the College. When the College first receives these funds, the College must hold these funds temporarily in order to give the student time to appeal the confiscation of tax refund.
- Employee voluntary payroll deductions for future expenses related to the College employee benefit cafeteria plan. As employee reimbursement funds come to the College from the cafeteria plan administrator for expenses, the College temporarily holds these funds until paid to the employee.
- Various third party payments the College receives that must be sent back to the third party.

Note 13. Deficit Net Position

The unrestricted net position has a deficit fund balance in the amount of \$32,296,844. This deficit net position is a direct result of recording the requirements the following three standards of the Governmental Accounting Standards Board:

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

As explained in Note 9, the college participation in the Mississippi Public Employees Retirement System requires the reporting of our proportionate share of the deferred outflows, deferred inflows and the net pension liabilities that resulted in a deficit net position. In addition, as explained in Note 10, the college participation in the State and School Employees' Life and Health Insurance Plan requires the reporting of our proportionate share of the deferred outflows, deferred inflows and the net other postemployment benefit plan liabilities that further increased the deficit net position.

Note 14. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, 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 15. Contingencies

Federal Grants – The College has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these 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.

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

Note 16. Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,296,844) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,830,020 resulting from the College contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$4,984,741 balance of deferred outflow of resources related to pensions, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$32,296,844) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,523,542 balance of deferred inflow of resources related to pensions, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$32,296,844) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$62,708 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$244,100 balance of deferred outflow of resources related to OPEB, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

Note 16. Effect of Deferred Amounts on Net Position (continued)

The unrestricted net position amount of (32,296,844) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$761,492 balance of deferred inflow of resources related to OPEB, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 17. 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 Meridian Community College evaluated the activity of the College through February 27, 2024 (the date the financial statements were available to be issued) and determined that the Employee Retention Tax Credit is the only subsequent event that requires disclosure in the notes to the financial statements.

In March 2020, the Employee Retention Credit ("ERC") was introduced as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act to incentivize employers to retain employees during the pandemic by offering a refundable tax credit against employment taxes. In December 2020 and March 2021, the ERC was further expanded and extended.

ERCs are similar to the Payroll Protection Program ("PPP") loans as they are another form of government assistance. However, whereas PPP loans provided funds requiring recipients to qualify for forgiveness by incurring qualifying expenditures in subsequent periods, ERCs are an employment tax credit if certain expenses are incurred by eligible employers.

Under the rules laid out by the CARES Act, the College was eligible for the ERC for Quarters 1, 2, and 3 of the 2021 Calendar Year. The College filed an amended form 941-X for each eligible quarter to request the ERC.

Summary of ERC amounts claimed

Quarter 1, 2021 Calendar Year:	\$2,182,366
Quarter 2, 2021 Calendar Year:	\$2,157,329
<u>Quarter 3, 2021 Calendar Year:</u>	<u>\$2,098,465</u>
Total ERC:	\$6,438,160

Based on recent communication from the Internal Revenue Service (IRS), the College believes that "more likely than not" it will receive the amounts above applied on the amended form 941-X's for Quarters 1, 2, and 3 of the 2021 Calendar Year during either Fiscal Year 2024 or 2025. When the ERC is received, the College will record a Prior Period Adjustment to the Unrestricted Fund Balance for the amount of the ERC received.

Note 17. Subsequent Events (continued)

As part of the ERC process, the College engaged in an attorney to assist with filing for the ERC. For the attorney's services, the College will pay 20% of the ERC received from the IRS to the attorney. As part of the agreement with the attorney, the attorney will only receive payment if the College receives the credit. The attorney fee is expected to be \$1,287,632.

MERIDIAN COMMUNITY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

MERIDIAN COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

Note 1. Summary of Significant Accounting Policies

Organization

The Meridian Community College Foundation is a nonprofit organization formed for the purpose of assisting individuals in pursuing their collegiate education and training by providing scholarships and awards to individuals on the basis of academic achievement and need. Meridian Community College Foundation provides leadership in attracting private investment to Meridian Community College.

Reporting Entity

For financial reporting purposes, the Foundation is considered to be a component unit of Meridian Community College.

Basis of Accounting

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Foundation has no conditional promises to give. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of net assets with donor restrictions are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the gift or the Foundation's interpretation of the relevant state law require that they be added to the principal of a permanent endowment fund, or if the terms of the gift impose restrictions on their use;
- As increases (decreases) net assets without donor restrictions in all other cases.

Use of Estimates

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

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

Revenue Recognition

The Foundation's revenue is derived from several different sources subject to varying applications of revenue recognition. Each are discussed below including the applicable method of revenue recognition.

Contribution and Grant Revenue: The Foundation recognizes revenue from contributions and grant programs using guidance provided by FASB ASU 2018-08 which governs revenue determined to be a contribution in nature. Revenue from grant

Note 1. Summary of Significant Accounting Policies (continued)

programs is generally determined to be a contribution if the activity specified by the grant is to be planned and carried out by the recipient who has the rights to the benefit of carrying out the activity. Contributions are further evaluated for any donor or other conditions. Revenue from unconditional contributions is recognized immediately, whereas revenue from conditional contributions is recognized once all conditions have been met. Contributions received are recorded as with or without donor restrictions depending on whether any donor restrictions exist.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

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

Other Program Revenue: For the year ended June 30, 2023 and 2022, other program revenue primarily consisted of revenue from the Lifetime Quest and Foundation Travel Programs. The revenue from each of these trips is recognized when the related trip occurs, prior to travel these funds are recorded as prepaid assets.

The Foundation earns a management fee of 0.5% on endowment funds held with a balance of \$100,000 and above unless disallowed by the endowment agreement. For the fiscal years ended June 30, 2023 and 2022, such fees totaled approximately \$36,000 and \$33,250 respectively.

Cash and Cash Equivalents and Liquidity

The Foundation recognizes all unrestricted demand deposit accounts as cash and cash equivalents. It is the policy of the Foundation to consider money market accounts with brokers as other short-term investments. The Foundation received marketable securities by gift, which were immediately converted to cash. For the fiscal years ended June 30, 2023 and 2022, such gifts totaled approximately \$7,216 and \$12,652 respectively.

Note 1. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents and other financial assets available within one year at June 30, 2023 and 2022 are as follows:

Financial assets at year end	2023	2022
Cash and cash equivalents	\$ 393,830	\$ 503
Pledges receivable, net	2,055,984	635,605
Accounts receivable	9,119	11,228
Grants receivable	22,000	312,250
Investments	<u>21,633,316</u>	<u>19,288,016</u>
Total financial assets at year end	\$ 24,114,249	\$ 20,247,602
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions	(9,358,154)	(7,602,827)
Subject to appropriation and satisfaction of donor restrictions	<u>(12,483,793)</u>	<u>(10,064,626)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,272,302</u>	<u>\$ 2,580,149</u>

The Foundation is supported primarily through outside contributions, grants and investment return. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as is general expenditures, liabilities, and other obligations come due.

Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which includes pooled investment funds) are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets or inputs corroborated by observable market data.

As of June 30, 2023 and 2022, the Foundation had no plans or intentions to sell investments at amounts different from NAV. The Foundation's real estate investments are initially recognized at fair value based on appraised values at the date of receipt and are subsequently carried at fair value. Both realized and unrealized gains and losses are classified in the accompanying statements of activities based on restrictions put in place by the donor.

Note 1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, these financial statements include no provision or liability for income taxes. The Foundation files its Form 990 annually with the Internal Revenue Service. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's Form 990's are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Fair Value of Financial Instruments

The carrying amounts at June 30, 2023 and 2022 for cash and cash equivalents, pledges receivable, beneficial interest in trust, annuity liability under remainder trust and other liabilities approximate their fair values. See Note 8 for fair value measurement.

Concentration of Credit Risk

The Foundation maintains its cash balances at a local financial institution. From time to time, The Foundation has balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. As of June 30, 2023, the Foundation's uninsured cash balances totaled \$155,973. There were no balances in excess of the limit on June 30, 2022.

Advertising

Advertising expenses are incurred in support of the Foundation. All advertising is expensed as incurred.

Reclassification of Prior Year Presentation

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

Subsequent Events

The Foundation has evaluated subsequent events through December 19, 2023, the date the financial statements were available to be issued and determined no subsequent events occurred requiring disclosure in the financial statements.

Note 2. Pledge Receivables

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Pledges receivable, net, are summarized as follows at June 30, 2023 and 2022:

	2023	2022
Unconditional promises expected to be collected in:		
Less than one year	\$ 369,678	\$ 186,416
One year to five years	1,445,000	250,000
Over five years	<u>1,075,000</u>	<u>300,000</u>
	\$ 2,889,678	\$ 736,416
Less unamortized discount (2.95% to 8.50%)	<u>(833,694)</u>	<u>(100,811)</u>
	<u>\$ 2,055,984</u>	<u>\$ 635,605</u>

The pledge receivable from the Phil Hardin Foundation dated December 12, 2014 has a balance of \$550,000 and \$600,000 as of June 30, 2023 and 2022, respectively. This \$1,000,000 pledge is to fund an endowment of which the earnings will be used for operating costs of the Honors College. The first installment of \$50,000 was received December 18, 2014. Subsequent annual installments have been received each November. Additional \$50,000 installments will be made over the next 11 years.

On December 1, 2022, the Phil Hardin Foundation awarded the Foundation a \$2,000,000 pledge to help fund the Tuition Guarantee Endowment. This pledge receivable will be payable over 11 years. An initial payment of \$50,000 was made in December 2022. A payment of \$100,000 will be received in the next fiscal year of June 30, 2024.

The pledge receivable from The Paul & Sherry Broadhead Foundation dated March 23, 2023 has a balance of \$200,000 as of June 30, 2023. The \$250,000 pledge is to fund an endowment of which the earnings will be used to help fund tuition guarantee. The first installment of \$50,000 was received April 5, 2023. An additional \$50,000 will be made over the next 4 years.

Based on the Foundation's historical collection rate and evaluation of pledges receivable at June 30, 2023 and 2022, no allowance for uncollectible pledges has been recorded.

Note 3. Private Foundation Grants and Grants Receivables

As of June 30, 2023 and 2022, grants receivables were composed of:

	2023	2022
Phil Hardin Foundation - Honors College	\$ -	\$ 250,000
Phil Hardin Foundation - BEEP	-	42,250
Phil Hardin Foundation - HHEP	22,000	-
Women's Foundation of Mississippi - HHEP	-	20,000
	<u>\$ 22,000</u>	<u>\$ 312,250</u>

During the year ended June 30, 2023, The Bower Foundation awarded the Foundation a grant for Helping Healthy Eagles Program (HHEP) in the amount of \$22,000. This amount will be received in 2024.

Note 4. Lifetime Quest and Foundation Travel Program

During the years ended June 30, 2023 and 2022, the Foundation sponsored trips to various locations through the Lifetime Quest and Foundation Travel Programs. These programs are developed as additional educational opportunities to serve the Foundation's patrons. Each of the trips are designed to be self-funded and no Foundation funds are used to supplement the budget of these trips. Revenue of \$296,292 was earned and \$294,482 was expensed related to ten trips taken during 2023. Additionally, \$191,540 in deferred revenue and \$190,622 in prepaid expenses were recognized for one trip which were planned but not yet taken as of June 30, 2023. Approximately \$125,000 was earned and \$121,000 was expensed related to five trips taken during 2022. Additionally, \$160,842 in deferred revenue and \$120,064 in prepaid expenses were recognized for four trips which were planned but not yet taken as of June 30, 2022.

Note 5. Investments

The Foundation's investments, aggregated by investment strategy, consist of the following at June 30, 2023 and 2022:

	2023	2022
Investment strategy:		
Fixed income:		
Certificates of deposit	<u>\$ 25,675</u>	<u>\$ 25,523</u>
Equities		
Common stocks	<u>\$ 126,325</u>	<u>\$ 130,468</u>
Pooled investment funds, at NAV:		
Commonfund investments		
Multi-strategy equity fund	\$ 15,609,402	\$ 13,188,873
Multi-strategy bond fund	5,863,894	5,935,181
Multi-strategy term fund	<u>8,020</u>	<u>7,971</u>
Total pooled investment funds at NAV	<u>\$ 21,481,316</u>	<u>\$ 19,132,025</u>
Total investments	<u>\$ 21,633,316</u>	<u>\$ 19,288,016</u>

Note 6. Beneficial Interest in Trust

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

The Foundation's interest in this trust totaled approximately \$125,498 and \$130,037 at June 30, 2023 and 2022, respectively.

Note 7. Annuity Liability

The Foundation is obligated pursuant to the terms of a charitable remainder annuity trust agreement established by a donor-program of the Foundation to pay the donors an annual sum of \$8,078 per trust agreement (paid monthly) for the lives of the donors. Pursuant to this agreement a \$115,400 gift was made in February 2000. The donors' charitable deduction for federal income tax purposes was \$35,838 in 2000.

The annuity liability is to be revalued annually with Internal Revenue Service rate tables based on the donors' attained ages and the payout rates. At June 30, 2023 and 2022, the annuity liability amounted to \$24,981 and \$26,440, respectively.

The Foundation's promise to make the payments to the donor pursuant to the agreement is unsecured and in no way contingent upon future earnings with respect to the property transferred to the Foundation. As of June 30, 2023 and 2022, the joint annuity received in February 2000 is the only outstanding liability.

Note 8. Fair Value Measurement

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also established a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in FASB ASC 820 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs - are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs - are unobservable inputs for the asset or liability.

Note 8. Fair Value Measurement (continued)

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

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income				
Certificates of deposit	\$ -	\$ 25,675	\$ -	\$ 25,675
Equities				
Common stocks	126,325	-	-	126,325
	<u>\$ 126,325</u>	<u>\$ 25,675</u>	<u>\$ -</u>	<u>\$ 152,000</u>
Pooled investment funds, at NAV- Commonfund				<u>21,481,316</u>
Total investments				<u>\$21,633,316</u>
Beneficial interest in trust	<u>\$ 49,491</u>	<u>\$ 76,007</u>	<u>\$ -</u>	<u>\$ 125,498</u>

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income				
Certificates of deposit	\$ -	\$ 25,523	\$ -	\$ 25,523
Equities				
Common stocks	130,468	-	-	130,468
	<u>\$ 130,468</u>	<u>\$ 25,523</u>	<u>\$ -</u>	<u>\$ 155,991</u>
Pooled investment funds, at NAV- Commonfund				<u>19,132,025</u>
Total investments				<u>\$19,288,016</u>
Beneficial interest in trust	<u>\$ 46,888</u>	<u>\$ 83,149</u>	<u>\$ -</u>	<u>\$ 130,037</u>

Note 8. Fair Value Measurement (continued)

As of June 30, 2023 and 2022, the estimated fair value of the Foundation's alternative investments was determined by applying net asset value (NAV) as a practical expedient. Investments in funds that invest in common and collective trusts include corporate equities and domestic mid-cap equities. Management of the common and collective trusts has the ability to shift investments between categories and value strategies. The fair values of these investments have been estimated using net asset value per share. The entire value of investments in this class has no redemption restrictions and can be redeemed at the beginning of each month with seven days' notice.

The table below represents a summary of the fair value, unfunded commitments, eligible redemption frequency and expected life of the respective investments as of June 30, 2023:

Investment	Fair Value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period	Expected life span of investment
Intermediate Term Fund	\$ 8,020	-	Monthly	Last 7 business days of the month	Indefinite
Multi-Strategy Equity Fund	15,609,402	-	Monthly	Last 7 business days of the month	Indefinite
Multi-Strategy Bond Fund	<u>5,863,894</u>	-	Monthly	Last 7 business days of the month	Indefinite
	<u>\$ 21,481,316</u>				

Note 9. Endowment Funds

The Foundation's endowment consists of 144 donor-restricted funds established for a variety of purposes to benefit Meridian Community College. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Mississippi adopted UPMIFA effective July 1, 2012. The Foundation's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined that its donor agreements for permanent endowments provide for the preservation of the original gift of the donor-restricted endowment funds. As a result, the Foundation classifies as net assets with donor restrictions the original gift donated to the endowment and the original value of subsequent gifts, as both are corpus. The remaining portion of the donor-restricted endowment fund that is not classified as corpus is restricted until the amounts are expended in accordance with the donor agreements.

Note 9. Endowment Funds (continued)

The Foundation has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income, greater than the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The Board and Finance Committee on Investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The primary performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, in excess of the inflation and spending rate.

The Foundation's spending policy is designed to instill confidence that positive growth in the market value of the endowment is sufficient to offset reasonable spending over an extended period of time. The spending policy is approved by the Foundation's Board of Directors. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund was established. The target spending rate was approximately 5% of endowment balance as long as earnings retained are above corpus. The objective is to provide relatively stable spending allocations. No portion of the original gift value of the endowed assets will be allocated for spending.

As a result of market declines for certain recently established endowments, the fair value of certain donor-restricted endowments was less than historical cost value (original gift/book value) of such funds (underwater) by \$6,169 as of June 30, 2022. Based on Foundation policy, the corpus of these funds were replenished by Foundation funds. After replenishment, there were no underwater funds as of June 30, 2023 or 2022.

Endowment net assets composition by type of fund for the year ended June 30, 2023 and 2022 were:

	2023	2022
Donor-restricted Endowment funds:		
Original donor- restricted gift amount and amounts required to be retained by donor	\$ 7,487,117	\$ 7,102,612
Portion subject to appropriation	<u>9,803,787</u>	<u>8,485,628</u>
Total endowment funds	<u>\$ 17,290,904</u>	<u>\$ 15,588,240</u>

Note 9. Endowment Funds (continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

Endowment net assets, June 30, 2021	\$ 18,275,696
Contributions to endowment	136,447
Transfer in from unrestricted to replenish corpus	6,169
Transfer in from temporary fund	18,915
Appropriation of expenditures	(548,887)
Investment return:	
Investment income	147,003
Net appreciation	<u>(2,447,103)</u>
Endowment net assets, June 30, 2022	\$ 15,588,240
Contributions to endowment	114,421
Transfer in from temporary fund	57,395
Appropriation of expenditures	(581,285)
Investment return:	
Investment income	244,742
Net appreciation	<u>1,867,391</u>
Endowment net assets, June 30, 2023	<u>\$ 17,290,904</u>

Note 10. Property and Equipment

Property and equipment are recorded at cost or approximate market value at date acquired, if acquired by gift. Property and equipment consisted of the following at June 30:

	2023	2022
Land	\$ 59,040	\$ 59,040
Land improvements	14,500	14,500
Buildings and improvements	874,163	874,163
Equipment	<u>15,849</u>	<u>15,849</u>
	\$ 963,552	\$ 963,552
Less: accumulated depreciation	<u>(318,780)</u>	<u>(296,200)</u>
	<u>\$ 644,772</u>	<u>\$ 667,352</u>

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Asset	Years
Land improvements	20
Buildings and improvements	40
Equipment	5-7

Depreciation expense amounted to \$22,580 for years ended June 30, 2023 and 2022.

Note 11. Other Assets

Other assets at June 30, 2023 and 2022 consist of the following:

	2023	2022
Steel sculpture	\$ 5,000	\$ 5,000
Cartmell oil portraits	20,959	20,959
Donations of artwork	<u>208,084</u>	<u>208,084</u>
	<u>\$ 234,043</u>	<u>\$ 234,043</u>

The Foundation includes its donated artwork on the balance sheet at cost or valuation at the time of acquisition. Valuations are performed during the year of acquisition with reference to sale of similar objects. The cost or valuation is not subject to revaluation because such information cannot be obtained at a cost commensurate with the benefits to the users of the financial statements. Additionally, no depreciation is recorded as the assets have value worth preserving perpetually and the Foundation has the technological and financial ability to protect and preserve each asset.

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 were restricted for the following purposes:

	2023	2022
Subject to expenditure for specified purpose:		
Scholarships	\$ 8,248,302	\$ 5,874,697
Awards	41,372	37,437
Faculty/staff expense	1,591,121	1,409,685
Facilities	378,753	331,502
Other program expense	<u>5,830,587</u>	<u>5,216,847</u>
	<u>\$ 16,090,135</u>	<u>\$ 12,870,168</u>
Subject to endowment spending policy and appropriation:		
Scholarships	\$ 5,178,191	\$ 4,925,098
Awards	10,000	10,000
Faculty/staff expense	702,202	700,790
Other program expense	<u>1,596,724</u>	<u>1,466,724</u>
	<u>\$ 7,487,117</u>	<u>\$ 7,102,612</u>
Total net assets with donor restrictions	<u>\$ 23,577,252</u>	<u>\$ 19,972,780</u>

Note 13. Tuition Guarantee Program

The Foundation sponsors a Tuition Guarantee Program to encourage area-wide attendance based on academic eligibility. This program cost the Foundation approximately \$123,838 and \$116,254 for the years ended June 30, 2023 and 2022, respectively. The Tuition Guarantee covers tuition only.

Note 14. Contributed Nonfinancial Assets

The following table summarizes the Foundation's contributed nonfinancial assets received by major category for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Usage in programs</u> <u>activities</u>	<u>Donor-imposed</u> <u>retrictions</u>	<u>Fair value techniques</u> <u>and inputs</u>
Rental space	\$ 1,200	\$ 21,600	Contributions and support for the College	To support MCC technical programs	Estimates based on analysis of historical rental market
Advertising	-	22,600	Contributions and support for the College	None	Estimates based on the wholesale prices of identical or similar products
Equipment	11,315	26,233	Contributions and support for the College	To support MCC lineman programs	Estimates based on the wholesale prices of identical or similar products
Materials	28,249	2,500	Contributions and support for the College	To support various MCC programs	Estimates based on the wholesale prices of identical or similar products
Miscellaneous	<u>7,033</u>	<u>8,965</u>	Contributions and support for the College	None	Estimates based on the wholesale prices of identical or similar products
	<u>\$ 47,797</u>	<u>\$ 81,898</u>			

Note 15. Contingencies

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

Note 16. Net Assets Released From Donor Restrictions

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

	2023	2022
Purpose restriction accomplished:		
Scholarship programs	\$ 546,694	\$ 441,496
Awards	700	700
Faculty/staff programs	62,726	66,333
Annuity interest expense	8,078	8,078
Other program services	717,165	360,962
Management and general	11,835	11,835
Donations to Meridian Community College	40,764	71,933
	<u>\$ 1,387,962</u>	<u>\$ 961,337</u>

Note 17. Functional Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the Foundation, which is to provide scholarships and awards to students of the College. Program services are categorized in the primary areas of student financial aid, faculty and staff support, facilities and general support. The operations of the Foundation are categorized as either fundraising or general and administrative according to the department in which the expense is incurred and allocated with techniques such as time and effort.

Expenses by function and natural classification for the year ended June 30, 2023 is as follows:

	Scholarship	Programmatic	General and Administrative	Fundraising	Total Expenses
Scholarships	\$ 675,863	\$ -	\$ -	\$ -	\$ 675,863
Awards	1,600	-	-	-	1,600
Faculty and support staff	-	62,726	-	-	62,726
Annuity interest expense	-	-	-	8,078	8,078
Other programs	-	717,165	-	-	717,165
Management and general	-	-	220,204	-	220,204
Donations to MCC	-	3,452	40,764	-	44,216
	<u>\$ 677,463</u>	<u>\$ 783,343</u>	<u>\$ 260,968</u>	<u>\$ 8,078</u>	<u>\$ 1,729,852</u>

Note 17. Functional Expenses (continued)

Expenses by function and natural classification for the year ended June 30, 2022 is as follows:

	Scholarship	Programmatic	General and Administrative	Fundraising	Total Expenses
Scholarships	\$ 563,750	\$ -	\$ -	\$ -	\$ 563,750
Awards	1,450	-	-	-	1,450
Faculty and support staff	-	66,333	-	-	66,333
Annuity interest expense	-	-	-	8,078	8,078
Other programs	-	382,563	-	-	382,563
Management and general	-	-	210,732	-	210,732
Donations to MCC	-	4,282	66,333	-	70,615
	<u>\$ 565,200</u>	<u>\$ 453,178</u>	<u>\$ 277,065</u>	<u>\$ 8,078</u>	<u>\$ 1,303,521</u>

MERIDIAN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY

For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the total net pension liability	0.23%	0.23%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
College's proportion of the plan net position	<u>\$72,152,512</u>	<u>\$82,512,839</u>	<u>\$69,568,484</u>	<u>\$70,516,505</u>	<u>\$69,407,975</u>	<u>\$66,357,743</u>	<u>\$60,337,540</u>	<u>\$62,266,390</u>	<u>\$62,192,797</u>
College's proportionate share of the net pension liability	<u>\$48,233,436</u>	<u>\$34,630,712</u>	<u>\$48,397,095</u>	<u>\$43,979,932</u>	<u>\$41,582,427</u>	<u>\$41,558,484</u>	<u>\$44,656,242</u>	<u>\$38,645,070</u>	<u>\$30,345,423</u>
College's covered payroll	<u>\$16,131,227</u>	<u>\$15,586,340</u>	<u>\$16,277,002</u>	<u>\$16,174,207</u>	<u>\$15,873,443</u>	<u>\$15,881,416</u>	<u>\$15,778,182</u>	<u>\$15,500,332</u>	<u>\$15,511,079</u>
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	299.01%	222.00%	297.33%	271.91%	262.00%	262.00%	283.00%	249.00%	196.00%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S CONTRIBUTIONS

For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,830,020	\$ 2,806,834	\$ 2,712,024	\$ 2,832,199	\$ 2,547,438	\$ 2,500,065	\$ 2,501,323	\$ 2,485,067	\$ 2,441,302
Contributions in relation to the contractually required contribution	<u>2,830,020</u>	<u>2,806,834</u>	<u>2,712,024</u>	<u>2,832,199</u>	<u>2,547,438</u>	<u>2,500,065</u>	<u>2,501,323</u>	<u>2,485,067</u>	<u>2,441,302</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	<u>\$ 16,264,483</u>	<u>\$ 16,131,227</u>	<u>\$ 15,586,340</u>	<u>\$ 16,277,002</u>	<u>\$ 16,174,207</u>	<u>\$ 15,873,443</u>	<u>\$ 15,881,416</u>	<u>\$ 15,778,182</u>	<u>\$ 15,500,332</u>
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%
Proportionate share percentage	0.23%	0.23%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%

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

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

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF THE NET OPEB LIABILITY

For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
College's proportion of the total net OPEB liability	0.25948961%	0.26334128%	0.27517036%	0.27271941%	0.27164112%	0.25886155%
College's proportionate share of the net OPEB liability	<u>\$ 1,278,464</u>	<u>\$ 1,695,080</u>	<u>\$ 2,141,398</u>	<u>\$ 2,314,136</u>	<u>\$ 2,101,280</u>	<u>\$ 2,031,051</u>
College's covered-employee payroll	<u>\$ 12,751,205</u>	<u>\$ 12,519,763</u>	<u>\$ 13,261,438</u>	<u>\$ 12,488,984</u>	<u>\$ 12,286,143</u>	<u>\$ 11,629,938</u>
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	10.03%	13.54%	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year end June 30, 2018, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

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

MERIDIAN COMMUNITY COLLEGE
SCHEDULE OF COLLEGE'S OPEB CONTRIBUTIONS
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 62,708	\$ 52,100	\$ 68,131	\$ 85,399	\$ 92,758	\$ 86,587
Contributions in relation to the actuarially determined contribution	<u>62,708</u>	<u>52,100</u>	<u>68,131</u>	<u>85,399</u>	<u>92,758</u>	<u>86,587</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	<u>\$ 14,407,675</u>	<u>\$ 14,015,334</u>	<u>\$ 13,787,768</u>	<u>\$ 14,471,058</u>	<u>\$ 14,316,034</u>	<u>\$ 14,117,602</u>
Contributions as a percentage of covered-employee payroll	0.44%	0.37%	0.49%	0.59%	0.65%	0.61%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in fiscal year end June 30, 2018, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year report(s).

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

MERIDIAN COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

Pension Schedules

(1) Changes in assumptions

2015

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement 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%.

2019

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

MERIDIAN COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)

For the Year Ended June 30, 2023

2021

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy. The price inflation was changed from 2.75% to 2.40%. The wage inflation assumption was reduced from 3.00% to 2.65%. The investment rate of return assumption was changed from 7.75% to 7.55%. The assumed load for administrative expenses was increased from .25% to .28% of payroll. The withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely. The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%. The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

(2) Changes in benefit provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1% and a maximum rate of 5%.

(3) Methods and assumptions used in calculations

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75%
Salary increase	3.00% to 18.25% including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

MERIDIAN COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)

For the Year Ended June 30, 2023

OPEB Schedules

(1) Changes in assumptions

2017

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

2018

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

2019

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

2020

The discount rate was changed from 3.50% for the prior measurement date to 2.19% for the current measurement date.

2021

The discount rate was changed from 2.19% for the prior measurement date to 2.13% for the current measurement date.

2022

The discount rate was changed from 2.13% for the prior measurement date to 3.37% for the current measurement date.

(2) Changes in benefit provisions

2017

None

2018

None

MERIDIAN COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)

For the Year Ended June 30, 2023

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.

2021

The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the select coverage beginning January 1, 2022.

2022

The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the select coverage beginning January 1, 2023.

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

The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer Contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

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	6.50%
Ultimate health care cost trend rates:	
Medicare supplement claims	
Pre-Medicare	4.75%
Year of ultimate trend rates, medicare supplement claims, pre-medicare	2030
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

MERIDIAN COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid - Cluster			
<u>U.S. Department of Education</u>			
Federal Supplemental Education			
Opportunity Grant Program (FSEOG)	84.007		\$ 346,308
Federal Direct Loans	84.268		1,700,274
Federal Work-Study Program (FWS)	84.033		34,172
Federal PELL Grant Program	84.063		5,613,849
Total U.S. Department of Education			\$ 7,694,603
Total Student Financial Aid - Cluster			\$ 7,694,603
Other Programs			
<u>U.S. Department of Labor</u>			
Pass-through Programs From:			
MS Department of Employment Security :			
WIOA Dislocated Workers	17.278	23-3521-19-570	\$ 336,573
Supportive Services	17.278	23-3523-19-120	7,063
WIOA Internships	17.278	23-3523-19-110	37,203
Healthcare Stability Grant	17.278	23-3521-19-301	106,231
Gov Discretionary Grant - Lineman	17.278	23-S90-57-1	33,641
National Career Readiness Certificate	17.278	23-3523-19-601	1,337
WIOA Out of School Youth	17.259	23-3569-19-119	179,452
Career Step	17.258		36,643
Total WIOA Funds Cluster			\$ 738,143
Total U.S. Department of Labor			\$ 738,143
<u>National Aeronautics and Space Administration</u>			
Pass-through Program From:			
University of Mississippi			
Aerospace Education Services Program	43.001	23-04-32	\$ 22,971
Total National Aeronautics and Space Administration			\$ 22,971
<u>U.S. Department of Veteran's Affairs</u>			
VA Support Funds	64.027		\$ 1,488
Total Veteran's Affairs Support Funds			\$ 1,488

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued) For the Year Ended June 30, 2023

U.S. Department of Education

Direct Grant

COVID-19 Higher Education Emergency Relief Funds

Institution Emergency Grants	84.425F		\$	1,123,725
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Pass-through Programs From:

Institution of Higher Learning

Gear Up MS	84.334S	192500.361293.08	\$	220,077
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MS Office of Workforce Development

Coronavirus State & Local Fiscal Recovery Funds	21.027	0003-DT010		1,095,646
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MS Department of Education:

Adult Education - State Grant Program	84.002	EV048A700248		227,148
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Vocational Education - Basic Grants to States	84.048	E-V243A60095		191,567
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Total U.S. Department of Education			\$	2,858,163
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U.S. Department of Health and Human Services

Pass-through Programs From:

MS Department of Human Services:

Child Care & Development Block Grant- Early Childhood Academy	93.575		\$	61,405
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Total U.S. Department of Health and Human Services			\$	61,405
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Total other programs			\$	3,682,170
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Total expenditures of federal awards			\$	11,376,773
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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Notes to Schedule:

- (1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- (2) The College allocates indirect costs related to grant programs in accordance with, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The College has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.
- (3) For purposes of this schedule, loans made to students under the Federal Direct Student Loan (ALN #84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by federal lending institutions.

Federal grants per this schedule	\$ 11,376,773
Direct loans	<u>1,700,274</u>
Federal grants and contracts	<u>\$ 9,676,499</u>

MERIDIAN COMMUNITY COLLEGE

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

R. Benton Moulds
O. Keith Evans
W. Douglas Coleman
Dena C. Legendijk

Of Counsel
George R. Rea
Charles E. Rea

REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

2415 Ninth Street
P.O. Box 2090
Meridian, MS 39301
(601) 693-2841

611 Spring Street
P.O. Box 562
Waynesboro, MS 39367
(601) 735-2317

American Institute
Of Certified Public
Accountants,
Division for
CPA Firms

Mississippi Society
of Certified Public
Accountants

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

To Thomas M. Huebner, Jr., PhD, President
and Board of Trustees
Meridian Community College
Meridian, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meridian Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Meridian Community College's basic financial statements, and have issued our report thereon dated February 27, 2024. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meridian Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian Community College's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN COMMUNITY COLLEGE

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

R. Benton Moulds
O. Keith Evans
W. Douglas Coleman
Dena C. Lagendijk

Of Counsel
George R. Rea
Charles E. Rea

REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

2415 Ninth Street
P.O. Box 2090
Meridian, MS 39301
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P.O. Box 562
Waynesboro, MS 39367
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

To Thomas M. Huebner, Jr., PhD, President
and Board of Trustees
Meridian Community College
Meridian, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Meridian Community College's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Meridian Community College's major federal programs for the year ended June 30, 2023. Meridian Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Meridian 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Meridian Community College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Meridian Community College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Meridian Community College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Meridian Community College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Meridian Community College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Meridian Community College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Meridian Community College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Meridian Community College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rea, Shaw, Giffin & Stuart".

REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN COMMUNITY COLLEGE
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

R. Benton Moulds
O. Keith Evans
W. Douglas Coleman
Dena C. Lagendijk

Of Counsel
George R. Rea
Charles E. Rea

REA, SHAW, GIFFIN & STUART, LLP
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2415 Ninth Street
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

To Thomas M. Huebner, Jr., PhD, President
and Board of Trustees
Meridian Community College
Meridian, Mississippi

We have audited the financial statements of Meridian Community College as of and for the year ended June 30, 2023, and have issued our report thereon dated February 27, 2024. We did not audit the financial statements of the discretely presented component unit, Meridian Community College Foundation, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Meridian Community College Foundation, audited by other auditors, were not audited in accordance with *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of the College, members of the legislature, and entities with accreditation overview, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
February 27, 2024

MERIDIAN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

Section I. Summary of Auditors' Results

Financial Statements – GAS Audit

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

Federal Awards – Single Audit

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 5. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |

Assistance <u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.063	Student Financial Aid Cluster
84.033	Federal Pell Grant Program
84.007	Federal Work-study Program (FWS)
	Federal Supplemental Education Opportunity Grant program (FSEOG)
84.268	Federal Direct Loans
84.425F	Covid-19 Higher Education Emergency Relief Funds
	Institution Emergency Grants
21.027	Coronavirus State & Local Fiscal Recovery Funds

MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023 (continued)

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

Section II. Financial Statement Findings

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

Section III. Reporting on Federal Awards

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