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Mississippi Gulf Coast Community College
Financial Statements and
Supplementary Information
Year Ended June 30, 2013

**Mississippi Gulf Coast Community College
Financial Statements and Supplementary Information**

June 30, 2013

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**Independent Auditors' Report on the
Basic Financial Statements and Supplemental Information**

Dr. Mary Graham, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Mississippi Gulf Coast Community College's basic financial statements as listed in the table of contents. We have also audited the statement of net position of the Mississippi Gulf Coast Community College Foundation, Inc., a discretely presented component unit of Mississippi Gulf Coast Community College, as of June 30, 2013 and the related statement of revenues, expenses and changes in net position for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Mississippi Gulf Coast Community College Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit of Mississippi Gulf Coast Community College, as of June 30, 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mississippi Gulf Coast Community College's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 17, 2014, on our consideration of Mississippi Gulf Coast Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi Gulf Coast Community College's internal control over financial reporting and compliance.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
January 17, 2014

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

This section of the Mississippi Gulf Coast Community College annual financial report presents our discussion and comparative analysis of the financial performance of the College during the fiscal year ended June 30, 2013. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. GASB requires that we present comparative data.

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

The Statement of Net Position

The Statement of Net Position includes all assets and liabilities. The College's net position (the difference between assets and liabilities) are 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.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Condensed Statement of Net Position
June 30, 2013 and June 30, 2012

	<u>FY2013</u>	<u>FY2012</u>
Assets		
Current assets	\$ 53,958,863	\$ 49,178,378
Non-current assets		
Bond issuance costs, net	483,760	366,050
Capital, net	<u>155,461,581</u>	<u>150,230,931</u>
Total assets	<u>\$209,904,204</u>	<u>\$199,775,359</u>
Deferred outflows		
Loss on bond refunding	\$ 129,313	\$ -
Total deferred outflows	<u>\$ 129,313</u>	<u>\$ -</u>
Liabilities		
Current liabilities	\$ 8,334,377	\$ 7,141,068
Non-current liabilities	<u>23,182,784</u>	<u>24,733,834</u>
Total liabilities	<u>\$ 31,517,161</u>	<u>\$ 31,874,902</u>
Net position		
Net investment in capital assets	133,223,864	126,333,183
Restricted:		
Expendable	10,350,863	11,421,586
Unrestricted	<u>34,941,629</u>	<u>30,145,688</u>
Total net position	<u>\$178,516,356</u>	<u>\$167,900,457</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts, petty cash, and CDs. The total amount of cash and cash equivalents reported as current assets on the College's financial statements were \$40,887,725 at June 30, 2013 and \$37,711,218 at June 30, 2012. This represented an increase of \$3,176,507 or 8% of cash available.

Accounts Receivable

Accounts Receivable relate to several transactions including local appropriations and student tuition and fees. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$7,448,469 at June 30, 2013 and \$5,813,299 at June 30, 2012 which represents an increase of \$1,635,170 or 28%.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Inventories

The College maintains inventories of resale merchandise within the College bookstore. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,875,797 at June 30, 2013 and \$1,893,309 at June 30, 2012, a decrease of \$17,512 or .9%.

Non-current assets**Capital Assets, Net**

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2013. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$155,461,581 at June 30, 2013 and \$150,230,931 at June 30, 2012. This represents a \$5,230,650 or 3.5% increase.

Liabilities**Current Liabilities****Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at June 30, 2013 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$4,281,040 at June 30, 2013 and \$2,941,396 at June 30, 2012.

Deferred Revenues

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2013 fiscal year. The deferred revenue totaled \$1,416,830 at June 30, 2013 and \$1,525,216 at June 30, 2012.

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, 2014 fiscal year. The amount of the current portion of compensated absences totaled \$333,412 at June 30, 2013 and \$309,049 at June 30, 2012.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2014 fiscal year. The amount of the current portion of long-term debt totaled \$2,100,010 at June 30, 2013 and \$2,149,416 at June 30, 2012.

Non-current Liabilities**Deposits**

Deposits represent the deposits paid by students for reservation for and possible damage to a dorm room for the future semester. The housing deposits are payable to the student upon checkout at the end of the student's stay. The amount of deposits totaled \$250 at June 30, 2013 and \$2,200 at June 30, 2012.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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 compensation balances totaled \$3,044,827 at June 30, 2013 and \$2,983,302 at June 30, 2012.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. The total amount of the non-current portion of long-term debt was \$18,681,886 at June 30, 2013 and \$21,676,896 at June 30, 2012, a decrease of \$2,995,010 or 13.8%.

Net Position

Net position represent the difference between the College's assets and liabilities. Total net position was \$178,516,356 at June 30, 2013 and \$167,900,457 at June 30, 2012. This represents an increase of \$10,615,899 or 6.3%.

Analysis of Net Position

Restricted expendable net position consists of grants from third party agencies with expenditure restrictions, capital projects and lease agreements, and forestry escrow funds.

The following is a breakdown of the restricted net position:

	<u>2013</u>	<u>2012</u>
Capital projects	\$ 7,162,473	\$ 8,587,714
Other purposes	<u>3,188,390</u>	<u>2,833,872</u>
Total restricted net position	<u>\$ 10,350,863</u>	<u>\$ 11,421,586</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 following is a breakdown of the unrestricted net position:

	<u>2013</u>	<u>2012</u>
Unrestricted general fund	\$ 33,882,818	\$ 30,152,596
Unrestricted auxiliary fund	<u>1,058,811</u>	<u>(6,908)</u>
Total unrestricted net position	<u>\$ 34,941,629</u>	<u>\$ 30,145,688</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The Statement of Revenues, Expenses, and Changes in Net Position

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.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2013 and June 30, 2012

	<u>FY2013</u>	<u>FY2012</u>
Operating revenues:		
Tuition and fees	\$ 21,852,339	\$ 21,473,177
Grants and contracts	50,101,360	47,983,227
Auxiliary enterprises	7,164,380	6,762,772
Sales & service of education	215,986	209,077
Other operating revenues	<u>464,130</u>	<u>596,801</u>
 Total operating revenues	 <u>79,798,195</u>	 <u>77,025,054</u>
 Total operating expenses	 <u>114,922,220</u>	 <u>108,758,200</u>
 Operating gain/loss	 <u>(35,124,025)</u>	 <u>(31,733,146)</u>
 Non-operating revenues (expenses):		
State appropriations	24,917,804	23,986,356
Local appropriations	8,869,426	8,856,106
Investment income, net	48,560	47,016
Other non-operating revenue (expenses)	<u>(1,181,385)</u>	<u>(1,087,767)</u>
 Net non-operating revenues	 <u>32,654,405</u>	 <u>31,801,711</u>
 Income (loss) before other revenues (expenses)	 <u>(2,469,620)</u>	 <u>68,565</u>
 Total other revenue (expenses)	 <u>13,085,519</u>	 <u>10,432,643</u>
 Change in net position	 <u>10,615,899</u>	 <u>10,501,208</u>
 Net position		
Net position at beginning of year	167,900,457	157,399,249
 Net position, end of year	 <u>\$ 178,516,356</u>	 <u>\$ 167,900,457</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Total operating loss for the fiscal year 2013 was \$35,124,025 and for fiscal year 2012 \$31,733,146. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, 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 2013 were \$79,798,195 and for fiscal year 2012 \$77,025,054; an increase of \$2,773,141 or 3.6%. Tuition and fees, net, were \$21,852,339 for fiscal year 2013 and \$21,473,177 for fiscal year 2012. The tuition discount was \$5,617,213 for fiscal year 2013 and \$5,988,293 for fiscal year 2012. Operating expenses for 2013, including depreciation of \$6,068,655, totaled \$114,922,220. Operating expenses for 2012, including depreciation of \$5,739,655 totaled \$108,758,200.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$21,852,339 for fiscal year 2013 and \$21,473,177 for fiscal year 2012. Tuition discounts were \$5,617,213 for 2013 and \$5,988,293 for 2012.

Operating 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 operating grant and contract awards for the fiscal years ended June 30, 2013 and June 30, 2012.

	<u>2013</u>	<u>2012</u>
Federal sources	\$ 42,374,474	\$ 40,266,306
State sources	6,002,901	5,749,202
Other	<u>1,723,985</u>	<u>1,967,719</u>
Total grants and contracts	<u>\$ 50,101,360</u>	<u>\$ 47,983,227</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled \$215,986 for fiscal year ended June 30, 2013 and \$209,077 for fiscal year ended June 30, 2012.

Sales and Services, Net

Auxiliary enterprises include the college bookstore, food services, and housing totaling \$7,164,380 in FY13 and \$6,762,772 in FY12. This is net of discount.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2013 total \$114,922,220 and include salaries and benefits of \$48,679,464, utilities of \$2,837,589, supplies of \$7,954,947, services of \$10,350,819, scholarships of \$38,344,607, travel of \$686,139 and depreciation of \$6,068,655. Operating expenses for fiscal year ended June 30, 2012 total \$108,758,200 and include salaries and benefits of \$47,666,812, utilities of \$2,698,099, supplies of \$7,247,931, services of \$10,540,826, scholarships of \$34,263,084, travel of \$601,793 and depreciation of \$5,739,655.

	<u>2013</u>	<u>2012</u>
Expenses by function:		
Instruction	\$ 33,102,974	\$ 32,515,279
Instructional support	2,956,749	2,773,005
Student services	6,691,211	6,662,928
Institutional support	11,065,507	10,840,138
Operation of Plant	11,531,152	11,227,137
Student Aid	36,699,040	32,626,304
Auxiliary enterprises	6,177,336	5,925,778
Plant and Endowment Operations	<u>6,698,251</u>	<u>6,187,631</u>
Total operating expenses by function	<u>\$114,922,220</u>	<u>\$108,758,200</u>

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenues is the State of Mississippi appropriation. The College received \$27,309,955 for fiscal year 2013, of which \$24,917,804 was for operations and \$2,392,151 was spent on behalf of the College for capital projects. The College received \$24,102,964 for fiscal year 2012, of which \$23,986,356 was for operations and \$116,608 was spent on behalf of the College for capital projects.

Local Appropriations

The College also receives revenue from the four county districts in which the school resides. These counties include Harrison, Jackson, George, and Stone County. The College receives the appropriation in monthly payments beginning in July of each year. The College received \$18,007,743 in fiscal year 2013 of which \$8,869,426 was for operating purposes and \$9,138,317 which was used for capital purposes. The College received \$17,951,219 in fiscal year 2012 of which \$8,856,106 was for operating purposes and \$9,095,113 which was used for capital purposes.

**Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2013 was \$48,560 and at June 30, 2012 was \$47,016, which represents an increase of \$1,544 or 3.3%. Due to a lagging economy, interest rates are very low.

Other Non-operating Revenues & Expenses

Included in this category is the net amortization of bond issue costs and bond premiums totaling \$20,840 and the interest on long term indebtedness for fiscal year 2013 totaling \$1,150,640. Bond issue costs and bond premium totaling \$34,130, and the interest on long term indebtedness for fiscal year 2012 totaled \$1,039,265.

Other Revenues**State Appropriations for Capital Purposes**

This is revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the fiscal year. Fiscal year 2013 capital appropriations were \$2,392,151 for prepaid projects and fiscal year 2012 capital appropriations were \$116,608.

Local Appropriations for Capital Purposes

This is revenue received from the four county districts of Harrison, Jackson, George, and Stone Counties wherein the College resides. Fiscal year 2013 local appropriations were \$9,138,317 and fiscal year 2012 local appropriations were \$9,095,113.

Statement of Cash Flows

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

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.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Condensed Statement of Cash Flows (Direct Method)
For the fiscal years ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents provided (used) by:		
Operating activities	\$(29,271,083)	\$(24,842,280)
Non-capital financing activities	33,697,943	32,553,528
Capital and related financing activities	(1,288,611)	(6,655,974)
Investing activities	<u>38,258</u>	<u>2,990,225</u>
Net increase in cash and cash equivalents	3,176,507	4,045,499
Cash and cash equivalents, beginning of year	<u>37,711,218</u>	<u>33,665,719</u>
Cash and cash equivalents, end of year	<u>\$ 40,887,725</u>	<u>\$ 37,711,218</u>
Major sources of funds included in operating activities:		
Tuition and fees	\$ 21,748,552	\$ 21,201,319
Auxiliary enterprises	7,092,346	6,767,199
Grants and contracts	48,604,350	47,818,890
Major uses of funds were payments to:		
Employees	(48,593,576)	(47,714,211)
Suppliers	(6,597,791)	(7,270,704)
Services	(10,336,745)	(8,995,574)
Scholarships and fellowships	(38,344,607)	(34,263,084)
Utilities	(2,837,589)	(2,698,099)

The largest inflow of cash in the non-capital financing activities group for FY2013 is the State appropriation of \$24,809,617 and for FY2012 is \$23,694,549. In addition, local appropriations from the four county districts are \$8,888,326 for FY2013 and \$8,858,979 for FY2012.

**Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Significant Capital Asset Transactions

The College incurred the following transactions regarding capital construction projects during the 2013 fiscal year:

District Office Total Construction expenses were \$594,781.

Projects include Repair/Renovation to the Alumni House \$26,136; Repair/Renovations to Liaison \$31,742; and Cooling and power upgrades totaling \$536,903.

Perkinston Campus Total Construction expenses were \$2,882,263.

Expenditures include Learning Resource Center \$216,002; Metal Building-Driving Range \$10,994; Marching Field Storage Building \$49,007; Gating and Shower Pan Replacement Residence Halls \$151,107; Landscape \$200,400; HVAC Replacement \$116,300; Dees Hall Renovations \$1,738,837; and Lagoon Closure/Baseball Field Renovation/Tennis Courts \$399,616.

Jefferson Davis Campus Total Construction expenses were \$4,490,966.

Expenditures include Hospitality & Resort Management (District Bonds) \$50,448, (EDA) \$745,336, and (State Bonds) \$2,962,388; Door & Window Replacement/HVAC and Floor Replacement \$372,704; Landscaping Interior Courtyard CT Complex \$114,284; and Renovation of Learning Lab \$245,806.

Jackson County Campus Total Construction expenses were \$1,675,440.

FY12 projects include Renovations – Restrooms/Hallway I&C Academy \$71,373; Replace Gym Floor \$86,276; HVAC Unit Replacement \$250,367; Campus Roofing \$419,394; Repairs in Admissions and CC Building \$38,898; Auditorium lighting \$15,647; New Storage Facility/Demo Old Storage \$210,707; Fine Arts/Gym/Allied Health Roof \$569,781; and Island Access \$12,997.

George County Center Total Construction expenses were \$25,534.

Heat Pump Replacement-Multipurpose Center totaled \$25,534.

Funding sources for these projects included \$50,448 in District Bonds, \$5,324,546 in State Bonds, \$773,980 from federal funds, and \$3,520,010 from other and local sources.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Factors Impacting Future Periods

There are a number of issues that are directly impacting the community college system as a whole. The continuing decline of state revenues and; therefore, state funding, is the main issue which will continue to have an impact on our financial position. State funding makes up approximately 24% of our total current funds budgets in FY13; this makes the level of state support a key factor in the financial health of the institution. Our national economy has declined and the State of Mississippi is seeing tax collections that are falling short of expectations. We have been fortunate to have strong support from our local district as they are increasingly bearing more and more of the burden to provide support for the College during the last several years.

One of the internal considerations with each year's budget is the desire to refrain from tuition increases as this is a major barrier to college education for our local residents. The College was able to avoid a tuition increase in FY2013; however, future increases will depend on the economic climate and level of state support that the institution receives. A decline in education will result in further decline of future state revenues and quality of life for state citizens if we can't meet the education and technology demands of businesses and industries.

In addition to operating challenges, our need for deferred maintenance funds and new construction continue to challenge our ability to maintain reserve funds. These expenditures will continue to increase as our buildings age. The College will explore retro-fitting buildings as opposed to new construction to meet the educational needs of students and the community. New technological advances will demand that we constantly update our training and College-wide database needs.

The community college is the most accessible higher-education option available for the majority of Mississippians and we are obligated to make certain that our College is prepared to meet the demand for quality programs and facilities that are close to home and at a reasonable cost. This is even more important with the nation in an economic decline and recession as we are currently providing for higher numbers of students using fewer dollars.

Contact Information

Questions concerning any of the Mississippi Gulf Coast Community College Foundation, Inc. information provided in this report or requests for additional financial information should be addressed to the Associate Vice President for Development, Jenifer Doby-Freridge, Mississippi Gulf Coast Community College Foundation, Inc., P.O. Box 99, Perkinston, MS 39573.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Shelly Ford, Mississippi Gulf Coast Community College, P.O. Box 609, Perkinston, MS 39573.

Mississippi Gulf Coast Community College
Statement of Net Position
June 30, 2013

	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 40,887,725	\$ 1,624,943
Short-term investments	3,042,100	-
Investments	-	1,354,783
Interest receivable	2,791	23,224
Accounts receivable, net	7,448,469	-
Inventories	1,875,797	-
Prepaid expenses	701,981	-
Total current assets	<u>53,958,863</u>	<u>3,002,950</u>
Non-current assets:		
Utility deposit	-	25
Endowment investments	-	4,101,196
Bond issuance costs, net of amortization	483,760	-
Capital assets, net of accumulated depreciation	155,461,581	705,279
Total non-current assets	<u>155,945,341</u>	<u>4,806,500</u>
Total assets	<u>209,904,204</u>	<u>7,809,450</u>
Deferred outflows		
Loss on refunding	129,313	-
Total deferred outflows	<u>129,313</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	4,281,040	421,143
Due to MSGCCC Alumni Association, Inc.	-	1,430
Accrued interest payable	203,085	-
Deferred revenues	1,416,830	-
Accrued leave liabilities, current portion	333,412	-
Long-term liabilities, current portion	2,100,010	-
Total current liabilities	<u>8,334,377</u>	<u>422,573</u>
Non-current liabilities:		
Deposits refundable	250	-
Accrued leave liabilities	3,044,827	-
Bond premium	1,455,821	-
Long-term liabilities	18,681,886	-
Total non-current liabilities	<u>23,182,784</u>	<u>-</u>
Total liabilities	<u>31,517,161</u>	<u>422,573</u>
Net position		
Net investment in capital assets	133,223,864	-
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	4,101,196
Expendable:		
Invested in capital assets	-	213,501
Capital projects	7,162,473	-
Other purposes	3,188,390	-
Temporarily restricted	-	2,213,081
Unrestricted:		
Available for operations	34,941,629	367,321
Invested in capital assets	-	491,778
Total net position	<u>\$ 178,516,356</u>	<u>\$ 7,386,877</u>

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

Mississippi Gulf Coast Community College
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2013

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Operating revenues		
Tuition and fees (net of scholarship discount \$5,617,213 and provision for uncollectible accounts \$482,461)	\$ 21,852,339	\$ -
Gifts and contributions	-	841,529
Federal grants and contracts	42,374,474	-
State grants and contracts	6,002,901	-
Local grants and contracts	87,999	-
Private grants and contracts	1,635,986	-
Sale and services of educational activities	215,986	-
Auxiliary services (net of discount \$200,956)	7,164,380	-
In-kind support	-	246,938
Other operating revenues	464,130	-
Total operating revenues	<u>79,798,195</u>	<u>1,088,467</u>
Operating expenses		
Salary and wage	37,593,676	-
Fringe benefits	11,085,788	-
Travel	686,139	-
Contractuals	10,350,819	13,170
Commodities	7,954,947	-
Utilities	2,837,589	-
Financial aid	38,344,607	-
Scholarships	-	381,637
Program services general program support	-	469,639
Other	-	32,437
In-kind services	-	246,938
Depreciation	6,068,655	14,445
Total operating expenses	<u>114,922,220</u>	<u>1,158,266</u>
Operating gain/loss	(35,124,025)	(69,799)
Non-operating revenues (expenses)		
State appropriations (current funds)	24,917,804	-
Local appropriations (current funds)	8,869,426	-
Investment income	48,560	150,340
Amortization of bond issue costs	(45,128)	-
Amortization of bond premium	24,288	-
Interest on indebtedness	(1,150,640)	-
Unrealized investment gain (loss)	-	208,426
Realized investment gain (loss)	-	45,336
Arbitrage/cash management	(9,905)	-
Net non-operating revenues	<u>32,654,405</u>	<u>404,102</u>
Income (loss) before other revenues, expenses, gains and losses	(2,469,620)	<u>334,303</u>
State appropriations for capital purposes	2,392,151	-
Local appropriations for capital purposes	9,138,317	-
Federal appropriations for capital purposes	861,324	-
Grants and contract for capital purposes	37,997	-
Plant assets sold/retired	44,619	-
Miscellaneous revenue	50,002	-
Donations for capital purposes	561,109	-
Additions to permanent endowments	-	346,367
Total other revenue (expenses)	<u>13,085,519</u>	<u>346,367</u>
Change in net position	<u>10,615,899</u>	<u>680,670</u>
Net position:		
Net position, beginning of year	167,900,457	6,706,207
Net position, end of year	<u>\$ 178,516,356</u>	<u>\$ 7,386,877</u>

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

Mississippi Gulf Coast Community College
Statement of Cash Flows
For the Year Ended June 30, 2013

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Cash flows from operating activities:		
Tuition and fees	\$ 21,748,552	\$ -
Contributions received	-	869,471
Grants and contracts	48,604,350	-
Sales and services of educational departments	215,986	-
Payments to suppliers and students	(6,597,791)	(925,368)
Payments to employees for salaries and benefits	(48,593,576)	-
Payments to contractual services	(10,336,745)	-
Payments to travel	(686,139)	-
Payments for utilities	(2,837,589)	-
Payments for scholarships	(38,344,607)	-
Auxiliary enterprise charges	7,092,346	-
Other receipts (payments)	<u>464,130</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(29,271,083)</u>	<u>(55,897)</u>
Cash flows from non-capital financing activities:		
State appropriations	24,809,617	-
Local appropriations	8,888,326	-
Federal loan program receipts	15,560,689	-
Federal loan program disbursements	<u>(15,560,689)</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>33,697,943</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash received for additions to permanent endowments	-	346,367
Proceeds from refinancing of debt	11,403,672	-
Proceeds from disposal of capital assets	34,834	-
Proceeds from insurance	25,002	-
Cash paid for capital assets	(10,728,412)	-
Cash paid for bond issuance costs	(292,150)	-
Capital appropriations received	12,408,406	-
Other receipts	62,999	-
Principal paid on capital debt and leases	(13,039,416)	-
Interest paid on capital debt and leases	<u>(1,163,546)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,288,611)</u>	<u>346,367</u>

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

Mississippi Gulf Coast Community College
Statement of Cash Flows
For the Year Ended June 30, 2013
(Continued)

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	\$ 4,000,000	\$ 2,331,802
Interest and dividends received on investments	48,163	145,129
Cash paid for investment fees	(9,905)	-
Purchases of investments	<u>(4,000,000)</u>	<u>(2,739,406)</u>
Net cash provided (used) by investing activities	<u>38,258</u>	<u>(262,475)</u>
Net increase (decrease) in cash and cash equivalents	<u>3,176,507</u>	<u>27,995</u>
Cash and cash equivalents – beginning of the year	<u>37,711,218</u>	<u>1,596,948</u>
Cash and cash equivalents – end of the year	<u>\$ 40,887,725</u>	<u>\$ 1,624,943</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$(35,124,025)</u>	<u>\$(69,799)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	6,068,655	14,445
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	(1,562,495)	-
Inventories	17,512	-
Prepaid expenses	14,074	-
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities	1,339,644	(993)
Due to Mississippi Gulf Coast Community College Alumni Association, Inc.	-	450
Deferred revenues	(108,386)	-
Deposits refundable	(1,950)	-
Accrued leave liability	<u>85,888</u>	<u>-</u>
Total adjustments	<u>5,852,942</u>	<u>13,902</u>
Net cash provided (used) by operating activities	<u>\$(29,271,083)</u>	<u>\$(55,897)</u>

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

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

- (a) Reporting Entity – Mississippi Gulf Coast Community College is governed by a 23-member board composed of trustees from George, Harrison, Jackson and Stone Counties. The members of the board of trustees from each county are elected by the Board of Supervisors of the county. This institution has a district office, three campuses and four centers which provide academic, career-technical training, and non-credit education.

Governmental Accounting Standards Board Statement No. 14 requires that the financial reporting entity consist of the primary government and its component units.

Discretely Presented Component Unit

For the year ended June 30, 2005, the College implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, and Amendment of GASB Statement No. 14*.

The Mississippi Gulf Coast Community College Foundation, Inc. is being included as a discretely presented component unit of the College in the College's basic financial statements, in accordance with the criteria outlined by GASB. The Foundation has been organized to promote, encourage and assist in all forms of education and research in the College's districts, campuses and activities.

With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the College's financial report for differences between GASB and the Financial Accounting Standards Board (FASB).

The Foundation is a legally separate, tax-exempt organization supporting the College. The Foundation is included in the College's financial statements because it met GASB's criteria for inclusion.

Also, the Mississippi Gulf Coast Community College Foundation pays tuition on behalf of students of the College. For the year ended June 30, 2013, total scholarships expensed were \$381,637 of which \$375,587 was payable at year-end.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

- (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 Colleges and Universities*, issued in June and November, 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.
- (c) Basis of Accounting - The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- (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 – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- (f) Investments – The College accounts for its investments at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported on the Statement of Revenues, Expenses and Changes in Net Position.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

- (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.
- (h) Inventories - Inventories consist of bookstore supplies, textbooks, and merchandise for resale. Merchandise for resale and bookstore supplies are valued at cost, on the first-in, first-out ("FIFO") basis. Textbooks are valued on a method assuming a three year usage. It is also assumed that all sales are from books purchased in the current year.
- (i) 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 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to the construction is capitalized net of interest income earned on resources set aside for this purpose.
- (j) Deferred Revenues - Deferred 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- (k) Compensated Absences - Twelve-month employees earn annual personal leave at a rate of 6.67 hours per month for one month to three years of service; 9 hours per month for three to eight years of service; 12 hours per month for eight to fifteen years of service; and from fifteen years of service and over, 13 hours per month are earned. Nine and ten month employees earn annual leave at a rate of 7.11 hours per month of service. Hourly employees earn annual personal leave at a rate of 6.67 hours per month for one month to eight years of service; 9 hours per month for eight to fifteen years of service; and from fifteen years and over, 9 hours per month. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave. The liability for accrued leave at June 30, 2013 as reported in the Statement of Net Assets is \$3,378,239 with \$333,412 of this amount estimated as current.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

- (l) Classification of Revenues - The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

Non-operating revenues: Non-operating revenues include activities that have the characteristics of 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.

- (m) State Appropriations - Mississippi Gulf Coast Community College receives funds from the State of Mississippi based on the total credit hours generated by all students actually enrolled and in attendance on the last day of the sixth week (or its equivalent) of the each semester for the previous year, counting only those students who reside within the State of Mississippi.
- (n) Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- (o) Unamortized Bond Issue Costs, Bond Discounts, and Bond Premiums – Bond issue costs, bond discounts, and bond premiums are being amortized over the remaining life of the issued bonds using the straight –line method.
- (p) Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has deferred outflows related to loss on bond refunding and is amortized over the remaining life of the bonds.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

The unrestricted net position balance of \$34,941,629 at June 30, 2013, includes \$1,875,797 reserved for inventories and a remaining amount of \$33,065,832.

Restricted resources are used first to fund appropriation.

Note 2 - Cash and Investments

Policies

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

The collateral for public entities' deposits in financial institutions are now 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, Miss. Code Ann. (1972). Under this program, the College's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial risk is the risk that in the event of a depository failure, the college deposits may not be returned to it. The College does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the College. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the College.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 2 - Cash and Investments (continued)

Investments.

The College had the following investments at year end:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of Deposit	AAA	Less than 1	\$ 3,042,100

Investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

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

Note 3 - Accounts Receivable

Accounts receivable consisted of the following at June 30, 2013:

Student tuition	\$ 7,063,131
Federal and state grants	4,413,463
Local appropriations	347,959
State appropriations	752,473
Other	<u>3,303,302</u>
Total accounts receivable	15,880,328
Less allowance for doubtful accounts	<u>(8,431,859)</u>
Net accounts receivable	<u>\$ 7,448,469</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013, is presented as follows:

	Beginning Balance 7/01/12	Additions	Deletions	Ending Balance 6/30/13
Non-depreciable Capital Assets:				
Land	\$ 2,849,884	-	-	\$ 2,849,884
Construction in Progress	<u>13,251,246</u>	<u>9,668,984</u>	<u>(9,605,854)</u>	<u>13,314,376</u>
Total Non-depreciable Capital Assets	16,101,130	9,668,984	(9,605,854)	16,164,260
Depreciable Capital Assets:				
Other Structures & Improvements	42,660,794	1,317,936	-	43,978,730
Buildings	134,202,693	8,850,210	-	143,052,903
Equipment	14,458,048	978,937	(374,746)	15,062,239
Library Books	<u>1,386,324</u>	<u>114,628</u>	<u>(166,481)</u>	<u>1,334,471</u>
Total Depreciable Capital Assets	192,707,859	11,261,711	(541,227)	203,428,343
Less Accumulated Depreciation for:				
Other Structures & Improvements	10,501,029	1,705,159	-	12,206,188
Buildings	38,248,369	2,535,382	-	40,783,751
Equipment	9,006,200	1,694,667	(350,745)	10,350,122
Library Books	<u>822,460</u>	<u>133,447</u>	<u>(164,946)</u>	<u>790,961</u>
Total Accumulated Depreciation	58,578,058	6,068,655	(515,691)	64,131,022
Total Depreciable Capital Assets, net	<u>134,129,801</u>	<u>5,193,056</u>	<u>(25,536)</u>	<u>139,297,321</u>
Capital Assets, net	<u>\$150,230,931</u>	<u>\$ 14,862,040</u>	<u>\$(9,631,390)</u>	<u>\$155,461,581</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 4 - Capital Assets (continued)

Repair and renovation projects as well as equipment purchases that are associated with debt in which the College has incurred debt will be capitalized and depreciated no matter the individual cost of such items.

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

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>	<u>Capitalization Threshold</u>
Buildings	40 years	20%	\$ 50,000
Improvements	20 years	20%	50,000
Equipment	3-15 years	1-10%	5,000
Library Books	10 years	0%	0

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 5 - Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2013, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Bonded Debt								
MGCCC Limited Tax Obligation Bonds	\$ 21,700,000	4.00%	2020	\$ 13,270,000	\$ -	\$ 12,315,000	\$ 955,000	\$ 955,000
MS Development Bank Special Obligation Bonds	12,300,000	4.00-5.00%	2024	9,950,000	-	645,000	9,305,000	675,000
MGCCC Limited Tax Obligation Refinancing Bonds	9,995,000		2020	-	9,995,000	-	9,995,000	390,000
Total Bonded Debt				<u>23,220,000</u>	<u>9,995,000</u>	<u>12,960,000</u>	<u>20,255,000</u>	<u>2,020,000</u>
Notes Payable								
Perkinson Infrastructure Upgrade	613,001	2.00%	2026	435,479	-	29,416	406,063	30,010
Economic Development Loan # 2	450,000	0.00%	2016	170,833	-	50,000	120,833	50,000
Total Notes Payable				<u>606,312</u>	<u>-</u>	<u>79,416</u>	<u>526,896</u>	<u>80,010</u>
Other Long-term Liabilities								
Accrued Leave Liabilities				3,292,351	85,888	-	3,378,239	333,412
Deposits Refundable				2,200	-	1,950	250	-
Total Other Long-term Liabilities				<u>3,294,551</u>	<u>85,888</u>	<u>1,950</u>	<u>3,378,489</u>	<u>333,412</u>
Total				<u>\$ 27,120,863</u>	<u>\$ 10,080,888</u>	<u>\$ 13,041,366</u>	<u>24,160,385</u>	<u>\$ 2,433,422</u>
Due within one year							(2,433,422)	
Total Long-term Liabilities								<u>\$ 21,726,963</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 5 - Long-term Liabilities (continued)

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending June 30	<u>Bonded Debt</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,020,000	\$ 80,010	\$ 892,660	\$ 2,992,670
2015	2,105,000	80,616	807,354	2,992,970
2016	2,220,000	52,067	701,486	2,973,553
2017-2021	10,925,000	165,883	1,936,415	13,027,298
2022-2026	<u>2,985,000</u>	<u>148,320</u>	<u>263,601</u>	<u>3,396,921</u>
Totals	<u>\$20,255,000</u>	<u>\$ 526,896</u>	<u>\$ 4,601,516</u>	<u>\$ 25,383,412</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 6 - Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2013:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 22,383,810	\$ 6,328,465	\$ 322,781	\$ 1,961,309	\$ 6,575	\$ 975,800	\$ 1,124,234	\$ -	\$ 33,102,974
Instructional Support	2,039,084	603,614	22,313	83,457	-	-	208,281	-	2,956,749
Student Services	3,854,059	1,117,623	132,491	566,851	-	589,568	430,619	-	6,691,211
Institutional Support	5,691,054	1,698,115	200,382	2,708,816	71,379	80,199	615,562	-	11,065,507
Operation of Plant	2,953,179	1,088,798	146	4,464,483	2,259,743	-	764,803	-	11,531,152
Student Aid	-	-	-	-	-	36,699,040	-	-	36,699,040
Auxiliary Enterprises	672,490	249,173	8,026	565,903	499,892	-	4,181,852	-	6,177,336
Plant and Endowment Ops.	-	-	-	-	-	-	629,596	6,068,655	6,698,251
	<u>\$ 37,593,676</u>	<u>\$ 11,085,788</u>	<u>\$ 686,139</u>	<u>\$ 10,350,819</u>	<u>\$ 2,837,589</u>	<u>\$ 38,344,607</u>	<u>\$ 7,954,947</u>	<u>\$ 6,068,655</u>	<u>\$ 114,922,220</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 7 - Construction Commitments and Financing

The institution has contracted for the construction of the following projects. At June 30, 2013, estimated costs to complete the projects are \$7,507,862. The remaining costs are to be funded as follows:

	Total Costs to Complete	Funded By		
		Federal Sources	State Sources	Institutional Funds
Local funds:				
District Office				
Cooling/Power Upgrades	\$ 40,968	\$	\$	\$ 40,968
Harrison Hall Renovations	1,000,000			1,000,000
Perkinston Campus				
Driving Range Development	2,818			2,818
Metal Building Driving Range	119,006			119,006
Hayden Hall Gating	78,369			78,369
Community Arts Center	269,034		226,000	43,034
Walkway Improv. Band Practice Field	15,057			15,057
Lagoon Closure	509,123			509,123
Tennis Courts	1,309,137			1,309,137
Dees Hall Phase 2 Renovations	487,925			487,925
Jefferson Davis Campus				
Hospitality/Resort Mgmt. (EDA)	159,524	159,524		
Replace HVAC Units	8,390			8,390
Jackson County Campus				
Island Access	197,003		197,003	
Demolition of Old Maintenance Bldg	402,390			402,390
New Storage Facility	259,131			259,131
Renov Restrms/Hallway-I&C Academy	43,766			43,766
State Bond Funds:				
Perkinston Campus				
Dees Hall Renovation	2,550,414		2,550,414	
Jefferson Davis Campus				
Hospitality & Tourism CX Mgt	55,807		55,807	
Total	\$ 7,507,862	\$ 159,524	\$ 3,029,224	\$ 4,319,114

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 8 - 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirements System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 OR 1-800-444-PERS.

Funding Policy:

PERS members are required to contribute 9% of their annual covered salary. The institution is required to contribute at an actuarially determined rate. The rate at June 30, 2013 was 14.26% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 2013, 2012, and 2011 were \$5,034,585, \$4,403,605, and \$4,248,500, respectively, equal to the required contributions for each year.

Note 9 – MGCCC Limited Tax Obligation Refinancing Bonds

On December 20, 2012 the college issued \$9,995,000 in Limited Tax Obligation Refunding Bonds, Series 2012, with an average interest rate of 4.25%. The net proceeds of \$11,111,522 after payments of \$192,200 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on a portion of the Limited Tax Obligation Bonds, Series 2005-A.

As a result, the Limited Tax Obligation Bonds, Series 2005-A issuance with maturities of June 1, 2014 through June 1, 2020 are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The college advance refunded the Limited Tax Obligation Refunding Bonds, Series 2012, to reduce its total debt service payments over the remaining seven years of debt by approximately \$935,157 and to realize an economic gain of \$884,400.

Note 10 – Evaluation of Subsequent Events

The College has evaluated subsequent events through January 17, 2014, the date which the financial statements were available to be issued.

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid-Cluster:			
U.S. Department of Education:			
Federal Pell Grant Program	84.063		\$ 24,194,964
Federal Supplemental Educational Opportunity Grants	84.007		182,394
Federal Direct Student Loans	84.268		15,560,689
Federal Work-Study Program	84.033		201,107
Total Student Financial Aid Cluster			<u>40,139,154</u>
Other Programs:			
U.S. Department of Education:			
ARRA – Mississippi Community College Board Statewide Longitude Data System	ARRA 84.384		15,995
Pass-through Programs From:			
State Board of Community and Junior Colleges Adult Education – Basic Grants to States	84.002		619,443
State Department of Education – Career and Technical Education – Basic Grants to States	84.048	E-V048A020024	614,860
Tech-Prep Education	84.243	E-V243A010024	12,000
Total U.S. Department of Education			<u>1,262,298</u>
National Science Foundation:			
Education and Human Resources	47.076		61,768
Total National Science Foundation			<u>61,768</u>
Institute of Museum and Library Services:			
National Leadership Grants	45.312		18,932
Total Institute of Museum and Library Services			<u>18,932</u>
National Aeronautics and Space Administration:			
Pass-through Program From:			
University of Mississippi – Science	43.001		4,000
Total National Aeronautics and Space Administration			<u>4,000</u>
U.S Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		47,692
Total U.S. Department of Agriculture			<u>47,692</u>
U.S. Department of Energy:			
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	ARRA 81.122		266,192
Total U.S. Department of Energy			<u>266,192</u>

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Labor:			
WIA Cluster			
Pass-through Program From:			
Mississippi Department of Employment Services			
WIA Dislocated Worker Formula Grants	17.278		237,362
Adult Ready Program	17.258,259,278		46,297
South Mississippi Planning & Development District			
WIA Dislocated Worker Formula Grants	17.278		<u>142,386</u>
Total Department of Labor			<u>426,045</u>
U.S. Department of the Interior:			
Coastal Impact Assistance Program (CIAP)	15.668		<u>37,190</u>
Total Department of the Interior			<u>37,190</u>
U.S. Department of Commerce:			
Pass-through Program From:			
Mississippi Technology Alliance – Manufacturing			
Extension Partnership	11.611		95,025
Economic Development Administration Grant-			
Investments for Public Works and Economic Development			
Facilities	11.300		<u>832,161</u>
Total Department of Commerce			<u>927,186</u>
U.S. Department of Justice:			
Pass-through Program From:			
Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738		<u>13,816</u>
Total U.S. Department of Justice			<u>13,816</u>
U.S. Department of Homeland Security:			
Pass-through Program From:			
MS Emergency Management Agency – Pre-Disaster Mitigation	97.047		<u>22,375</u>
Total U.S. Department of Homeland Security			<u>22,375</u>
Corporation for National and Community Service:			
Learn and Serve America Higher Education	94.005		<u>9,150</u>
Total Corporation for National and Community Service			<u>9,150</u>
Total Other Programs			<u>3,096,644</u>
Total Expenditures of Federal Awards			<u>\$ 43,235,798</u>

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Notes to Schedule of Expenditures of Federal Awards

This schedule was prepared using the same basis of accounting and the same significant policies, as applicable, used for the general purpose financial statements, with the following exceptions:

(1) For purposes of this schedule, loans made to students under the Federal Direct Student Loans Program (CFDA #84.268) are presented as federal expenditures. The outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

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

Dr. Mary Graham, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, 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 the business-type activities of Mississippi Gulf Coast Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Mississippi Gulf Coast Community College's basic financial statements, and have issued our report thereon dated January 17, 2014. The financial statements of the Mississippi Gulf Coast Community College, Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Columbo, Harvey & associates P.A.

Gulfport, MS
January 17, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Dr. Mary Graham, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Mississippi Gulf Coast Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mississippi Gulf Coast Community College's major federal programs for the year ended June 30, 2013. Mississippi Gulf Coast Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mississippi Gulf Coast Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mississippi Gulf Coast Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Opinion on Each Major Federal Program

In our opinion, Mississippi Gulf Coast Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Mississippi Gulf Coast Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mississippi Gulf Coast Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi Gulf Coast Community College's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Delumbo, Harvey & Associates, P.A.

Gulfport, MS
January 17, 2014

**Independent Auditors' Report on Compliance with
State Laws and Regulations**

Dr. Mary Graham, President and
Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the financial statements of the business-type activities of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2013, which collectively comprise Mississippi Gulf Coast Community College's basic financial statements and have issued our report thereon dated January 17, 2014. 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 the Mississippi Gulf Coast Community College Foundation, Inc. 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 procedures performed to test compliance with certain other state laws and regulations 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 management, entities with accreditation overview, and 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.

Culumber, Harvey & Associates, P.A.

Culumber, Harvey & Associates, P.A.
January 17, 2014

Mississippi Gulf Coast Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es) | None Reported |

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Student Financial Aid Cluster: | |
| CFDA#: 84.063 | |
| CFDA#: 84.007 | |
| CFDA#: 84.268 | |
| CFDA#: 84.033 | |
| b. WIA Cluster: | |
| CFDA#: 17.258 | |
| CFDA#: 17.259 | |
| CFDA#: 17.278 | |

Mississippi Gulf Coast Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

- | | |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

None

Section 3: Federal Award Findings and Questioned Costs

None