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**MISSISSIPPI GULF COAST COMMUNITY  
COLLEGE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2015**

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

June 30, 2015

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## **INDEPENDENT AUDITORS' REPORT ON 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 (the "College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mississippi Gulf Coast Community College Foundation, Inc., the College's 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 Mississippi Gulf Coast Community College Foundation, Inc., are based solely on the report of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mississippi Gulf Coast Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2015, 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.

### **Emphasis of a Matter**

As discussed in Note 9 to the financial statements, during the year ended June 30, 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* (collectively “GASB No. 68”). Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary information in the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 15, 2016, on our consideration of the 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 the College's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
January 15, 2016

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

This section of the Mississippi Gulf Coast Community College (the "College") annual financial report presents our discussion and comparative analysis of the financial performance of the College during the fiscal year ended June 30, 2015. 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 the management discussion and analysis section be presented with 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.

During the current fiscal year, the College adopted Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* (collectively "GASB No. 68"). As part of the implementation of GASB No. 68, the College recognized its proportionate share of the net pension liability relating to the Public Employees' Retirement System of Mississippi (PERS) and reported this liability and the related deferred outflows and deferred inflows in its financial statements. Prior year amounts in the accompanying condensed Statements of Net Position have been restated to reflect this change in accounting standards.

### **The Statement of Net Position**

The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows. The College's net position (the sum of assets and deferred outflows less liabilities and deferred inflows) 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, 2015**

**Condensed Statements of Net Position  
June 30, 2015 and June 30, 2014**

	<u>FY2015</u>	<u>FY2014</u>
<b>Assets</b>		
Current assets	\$ 58,662,261	\$ 56,925,517
Non-current assets		
Refundable deposits	501	-
Capital, net	<u>159,870,405</u>	<u>157,204,105</u>
Total assets	<u>\$218,533,167</u>	<u>\$214,129,622</u>
<b>Deferred outflows</b>	<u>\$ 7,461,033</u>	<u>\$ 5,722,352</u>
<b>Liabilities</b>		
Current liabilities	\$ 8,280,644	\$ 7,897,177
Non-current liabilities	<u>88,290,045</u>	<u>99,656,776</u>
Total liabilities	<u>\$ 96,570,689</u>	<u>\$107,553,953</u>
<b>Deferred inflows</b>	<u>\$ 11,298,048</u>	<u>\$ 1,247,064</u>
<b>Net position</b>		
Net investment in capital assets	142,428,197	137,385,995
Restricted:		
Expendable	19,502,200	19,430,626
Unrestricted	<u>( 43,804,934)</u>	<u>(45,765,664)</u>
Total net position	<u>\$118,125,463</u>	<u>\$111,050,957</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the College's bank accounts, petty cash, and certificates of deposit. The total amount of cash and cash equivalents reported as current assets on the College's financial statements were \$39,144,007 at June 30, 2015 and \$43,440,769 at June 30, 2014. This represented a decrease of \$4,296,762 or 9.9% 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 \$6,774,049 at June 30, 2015 and \$6,190,233 at June 30, 2014, which represents an increase of \$583,816 or 9.4%.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 \$1,833,560 at June 30, 2015 and \$1,767,621 at June 30, 2014, an increase of \$65,939 or 4%.

**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, 2015. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$159,870,405 at June 30, 2015 and \$157,204,105 at June 30, 2014. This represents a \$2,666,300 or 1.7% increase.

**Deferred Outflows of Resources**

The College has deferred outflows related to (i) a loss on bond refunding, which is amortized over the remaining life of the bonds, and (ii) pension related deferrals as further described in Note 8 to the financial statements.

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

Accounts payable and accrued liabilities represent amounts due at June 30, 2015 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$4,264,890 at June 30, 2015 and \$3,931,787 at June 30, 2014.

**Unearned Revenues**

Unearned 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, 2015 fiscal year. The unearned revenue totaled \$1,269,188 at June 30, 2015 and \$1,248,328 at June 30, 2014.

**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, 2015 fiscal year. The amount of the current portion of compensated absences totaled \$302,409 at June 30, 2015 and \$341,852 at June 30, 2014.

**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, 2015 fiscal year. The amount of the current portion of long-term debt totaled \$2,272,067 at June 30, 2015 and \$2,185,616 at June 30, 2014.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 \$200 at June 30, 2015 and \$250 at June 30, 2014.

**Deferred Inflows of Resources**

The College has deferred inflows related to (i) bond premiums of \$1,038,306, which are being amortized over the remaining life of the issued bonds, and (ii) the College's proportionate share of deferrals related to the net difference between projected and actual earnings on pension plan investments of \$10,259,742, which are being amortized over five years.

**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 \$3,287,979 at June 30, 2015 and \$3,114,508 at June 30, 2014.

**Net Pension Liability**

The net pension liability consist of the College's proportionate share of the collective PERS net pension liability and was \$70,777,664 at June 30, 2015 and \$80,045,748, as restated, as of June 30, 2014.

**Long-Term Liabilities**

This liability consists of long-term debt for outstanding bonds, and notes. The total amount of the non-current portion of long-term debt was \$14,224,202 at June 30, 2015 and \$16,496,270 at June 30, 2014, a decrease of \$2,272,068 or 14%.

**Net Position**

Net position represents the College's sum of assets and deferred outflows less the sum of liabilities and deferred inflows and is one indicator of whether the College's overall financial position has improved or worsened during the year. Total net position was \$118,125,463 at June 30, 2015 and was \$111,050,957, as restated for GASB No. 68, at June 30, 2014. This represents an increase of \$7,074,506 or 6.4%.

**Analysis of Net Position**

The College's net position related to its net investment in capital assets was \$142,428,197 at June 30, 2015 and \$137,385,995 at June 30, 2014. This net position represents the College's capital assets, net of accumulated depreciation and any outstanding indebtedness incurred in the acquisition of capital assets. The increase in 2015 of \$5,042,202 was the result of additional purchased assets, an increase from the retirement of indebtedness paid during the year and net of current year depreciation expense and capital asset disposals.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
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FOR THE YEAR ENDED JUNE 30, 2015**

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>2015</u>	<u>2014</u>
Capital projects	\$ 15,180,441	\$ 15,608,601
Other purposes	<u>4,321,759</u>	<u>3,822,025</u>
Total restricted net position	<u>\$ 19,502,200</u>	<u>\$ 19,430,626</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>2015</u>	<u>2014</u>
Unrestricted - available for operations:		
General fund	\$ 28,007,569	\$ 26,695,377
Auxiliary fund	1,856,237	1,973,195
Deficit from recognition of net pension liability and related deferred inflows and outflows	<u>(73,668,740)</u>	<u>(74,434,236)</u>
Total unrestricted net position	<u>(\$43,804,934)</u>	<u>(\$45,765,664)</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015 and June 30, 2014**

	<u>FY2015</u>	<u>FY2014</u>
<b>Operating revenues:</b>		
Tuition and fees, net	\$ 21,759,206	\$ 21,757,656
Grants and contracts	55,415,333	51,976,531
Auxiliary sales and services, net	7,560,727	7,195,291
Sales & service of education	418,470	247,708
Other operating revenues	<u>458,465</u>	<u>506,720</u>
 Total operating revenues	 <u>85,612,201</u>	 <u>81,683,906</u>
 Total operating expenses	 <u>125,932,374</u>	 <u>120,123,769</u>
 Operating gain/loss	 <u>( 40,320,173)</u>	 <u>( 38,439,863)</u>
<b>Non-operating revenues (expenses):</b>		
State appropriations	29,024,666	26,580,488
Local appropriations	9,078,363	8,886,531
Investment income, net	133,256	97,272
Other non-operating revenue (expenses)	<u>( 605,375)</u>	<u>( 677,608)</u>
 Net non-operating revenues	 <u>37,630,910</u>	 <u>34,886,683</u>
 Income (loss) before other revenues (expenses)	 <u>( 2,689,263)</u>	 <u>( 3,553,180)</u>
 Total other revenue (expenses)	 <u>9,763,769</u>	 <u>11,024,249</u>
 Change in net position	 <u>7,074,506</u>	 <u>7,471,069</u>
<b>Net position</b>		
Net position at beginning of year	185,485,193	178,014,124
Prior period adjustment	<u>( 74,434,236)</u>	<u>-</u>
Net position, beginning of year as restated	<u>111,050,957</u>	<u>178,014,124</u>
 Net position, end of year	 <u>\$ 118,125,463</u>	 <u>\$ 185,485,193</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

Total operating loss for the fiscal year 2015 was \$40,320,173 and for fiscal year 2014 was \$38,439,863. 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 2015 were \$85,612,201 and for fiscal year 2014 \$81,683,906; an increase of \$3,928,295 or 4.8%. Tuition and fees, net, were \$21,759,206 for fiscal year 2015 and \$21,757,656 for fiscal year 2014. Tuition and auxiliary services discounts were \$5,147,202 for fiscal year 2015 and \$5,155,976 for fiscal year 2014. Additionally, the provision for uncollectible accounts, netted against tuition and fee revenue was \$1,046,654 for fiscal year 2015 and \$993,729 for fiscal year 2014. Operating expenses for 2015, including depreciation of \$5,834,600, totaled \$125,932,374. Operating expenses for 2014, including depreciation of \$5,886,420, totaled \$120,123,769.

## Revenues

### Operating Revenues

#### Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$21,759,206 for fiscal year 2015 and \$21,757,656 for fiscal year 2014. Tuition discounts, including discounts for auxiliary services, were \$5,147,202 for 2015 and \$5,155,976 for 2014.

#### 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, 2015 and June 30, 2014.

	<u>2015</u>	<u>2014</u>
Federal sources	\$ 45,212,558	\$ 43,398,155
State sources	8,233,975	6,677,572
Other	<u>1,968,800</u>	<u>1,900,804</u>
Total grants and contracts	<u>\$ 55,415,333</u>	<u>\$ 51,976,531</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities and other income that totaled \$418,470 for fiscal year ended June 30, 2015 and \$247,708 for fiscal year ended June 30, 2014.

**Auxiliary Sales and Services**

Auxiliary enterprise sales and services include the college bookstore, food services, and housing totaling \$7,560,727 in FY15 and \$7,195,291 in FY14. This is net of discounts of \$192,850 in 2015 and \$200,956 in 2014.

**Operating Expenses**

Operating expenses for fiscal year ended June 30, 2015 total \$125,932,374 and include salaries and benefits of \$49,784,275, utilities of \$3,302,052, commodity supplies of \$10,249,684, contractual services of \$12,839,813, scholarships of \$43,345,279, travel of \$576,671 and depreciation of \$5,834,600. Operating expenses for fiscal year ended June 30, 2014 total \$120,123,769 and include salaries and benefits of \$49,416,151, utilities of \$3,135,109, commodity supplies of \$9,469,138, contractual services of \$10,698,289, scholarships of \$40,978,705, travel of \$539,957 and depreciation of \$5,886,420.

	<u>2015</u>	<u>2014</u>
Expenses by function:		
Instruction	\$ 34,906,096	\$ 34,193,820
Instructional support	2,960,998	3,109,418
Student services	7,645,040	7,018,413
Institutional support	13,265,718	12,600,034
Operation of Plant	12,559,731	11,898,833
Student Aid	40,931,341	38,911,367
Auxiliary enterprises	6,743,089	6,265,350
Plant and Endowment Operations	<u>6,920,361</u>	<u>6,126,534</u>
Total operating expenses by function	<u>\$125,932,374</u>	<u>\$120,123,769</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 \$29,151,531 for fiscal year 2015, of which \$29,024,666 was for operations and \$126,865 was spent on behalf of the College for capital projects. The College received \$28,517,843 for fiscal year 2014, of which \$26,580,488 was for operations and \$1,937,355 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 college 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 \$18,353,148 in fiscal year 2015 of which \$9,078,363 was for operating purposes and \$9,274,785

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

which was used for capital purposes. The College received \$17,876,333 in fiscal year 2014 of which \$8,886,531 was for operating purposes and \$8,989,802 which was used for capital purposes.

**Investment Income, Net**

Investment income includes the interest income earned on the College's bank accounts as well as interest earned on certificates of deposit. The investment income for the year ended June 30, 2015 was \$133,256 and for fiscal year ended June 30, 2014 was \$97,272, which represents an increase of \$35,984 or 37%. The increase is due to increase funds invested in short-term investments and from increasing investment rates.

**Other Non-operating Revenues & Expenses**

Included in this category is the amortization of bond premiums and deferred refunding losses totaling \$190,285 and the interest on long term indebtedness for fiscal year 2015 totaling \$789,850. For fiscal year 2014 the amortization of bond premiums and deferred refunding losses totaled \$208,756 and interest on long term indebtedness totaled \$879,169.

**Other Revenues**

**State Appropriations for Capital Purposes**

This category includes revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets. Fiscal year 2015 capital appropriations were \$126,865 for prepaid projects and fiscal year 2014 capital appropriations were \$1,937,355.

**Local Appropriations for Capital Purposes**

This category includes revenue received from the four counties within the college's districts of Harrison, Jackson, George, and Stone Counties. Fiscal year 2015 local appropriations were \$9,274,785, and fiscal year 2014 local appropriations were \$8,989,802, an increase of \$284,983 or 3.2%.

**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. 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  
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FOR THE YEAR ENDED JUNE 30, 2015**

**Condensed Statement of Cash Flows (Direct Method)  
For the fiscal years ended June 30, 2015 and June 30, 2014**

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents provided (used) by:		
Operating activities	\$(35,037,777)	\$(32,781,349)
Non-capital financing activities	38,066,408	35,792,600
Capital and related financing activities	( 1,947,779)	409,704
Investing activities	<u>( 5,377,614)</u>	<u>( 867,911)</u>
Net increase (decrease) in cash and cash equivalents	( 4,296,762)	2,553,044
Cash and cash equivalents, beginning of year	<u>43,440,769</u>	<u>40,887,725</u>
Cash and cash equivalents, end of year	<u>\$ 39,144,007</u>	<u>\$ 43,440,769</u>
Major sources of funds included in operating activities:		
Tuition and fees	\$ 22,129,573	\$ 21,693,992
Auxiliary enterprises	7,561,626	7,118,679
Grants and contracts	54,735,359	52,873,891
Major uses of funds were payments:		
To employees	(50,415,743)	(49,338,030)
To suppliers and students	( 9,982,520)	( 9,710,215)
To contractual services	(12,718,504)	(11,520,323)
For scholarships	(43,345,279)	(40,978,705)
For utilities	( 3,302,052)	( 3,135,109)

The largest inflow of cash in the non-capital financing activities group for fiscal year 2015 is the State appropriation of \$28,995,245 and for fiscal year 2014 is \$26,900,192. In addition, local appropriations from the four county districts are \$9,071,163 for fiscal year 2015 and \$8,892,408 for fiscal year 2014.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Significant Capital Asset Transactions**

The College incurred the following transactions regarding capital construction projects during the 2015 fiscal year:

*District Office Total Construction* expenses were \$334,058.

Projects include Harrison Hall Renovations \$126,865; Repair/Renovations to Liaison \$204,337; and Cooling and power upgrades totaling \$2,856.

*Perkinson Campus Total Construction* expenses were \$3,144,433.

Expenditures include Metal Building-Driving Range \$6,308; Community Arts Center \$85,482; Lagoon Closure \$155,559; Roof Replacement Dees Hall \$43,006; Dees Hall Renovations \$1,216,829; Football Stadium Renovations \$1,537,613; Tennis Courts \$72,844; Baseball/Softball/Soccer Complex \$12,465; Halo for ball field \$10,042; Repair/Renovations to Stone Hall \$4,285.

*Jefferson Davis Campus Total Construction* expenses were \$1,471,841.

Expenditures include Handicap Ramps at the HRM Building \$2,800; Chemistry Vents \$118,970; Resurface Parking Lots \$205,298; Cybercafé Renovations \$317,433; Exterior Soffit/Fascia \$373,193; Language Arts Office Renovations \$128,119; Pool Improvements \$27,095; Job Placement/VA Office Renovations \$27,456; Fire Suppression System \$144,283; Medical Clinic Renovations \$25,500; Student Services Renovations \$85,977; and DMR Tidelands Project \$15,717.

*Jackson County Campus Total Construction* expenses were \$1,552,333.

Projects include HVAC Unit Replacements \$1,319,440; Exterior Renovations of LRC \$100,115; Student Services Building Renovations \$120,830; and Sound Dampening Devices at the Estuarine Education Center \$11,948.

*George County Center Total Construction* expenses were \$53,694.

Projects include Welding Shop Electrical Renovations \$53,694.

*Community Campus Total Construction* expenses were \$2,236.

Projects included Block Wall installation \$2,236.

Funding sources for these projects included \$116,129 in State Bonds, \$123,694 in State Capital Expense Funds, \$6,318,772 from other and local sources.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 23% of our total current funds budget in fiscal year 2015. 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 fiscal year 2015. 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 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 Vice President of Advancement, Caroline Ramagos, Mississippi Gulf Coast Community College Foundation, Inc., P.O. Box 99, Perkinston, MS 39573.

Questions concerning any of the Mississippi Gulf Coast Community College 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, 2015**

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 39,144,007	\$ 2,540,186
Short-term investments	9,500,000	-
Investments	-	1,542,879
Interest receivable	7,939	25,689
Accounts receivable, net	6,774,049	-
Inventories	1,833,560	-
Prepaid expenses	<u>1,402,706</u>	<u>-</u>
Total current assets	<u>58,662,261</u>	<u>4,108,754</u>
<b>Non-current assets:</b>		
Refundable deposits	501	25
Endowment investments	-	4,400,846
Capital assets, net of accumulated depreciation	<u>159,870,405</u>	<u>2,177,005</u>
Total non-current assets	<u>159,870,906</u>	<u>6,577,906</u>
 Total assets	 <u>\$218,533,167</u>	 <u>\$10,686,660</u>
<b>Deferred Outflows</b>		
Loss on refunding	\$ 92,367	\$ -
Related to pensions	<u>7,368,666</u>	<u>-</u>
Total deferred outflows	<u>\$ 7,461,033</u>	<u>\$ -</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,264,890	\$ 727,495
Due to MSGCCC Alumni Association, Inc.	-	1,612
Accrued interest payable	172,090	-
Unearned revenue	1,269,188	-
Accrued leave liabilities, current portion	302,409	-
Long-term liabilities, current portion	<u>2,272,067</u>	<u>-</u>
Total current liabilities	<u>8,280,644</u>	<u>729,107</u>
<b>Non-current liabilities:</b>		
Deposits refundable	200	-
Accrued leave liabilities	3,287,979	-
Net pension liability	70,777,664	-
Long-term liabilities	<u>14,224,202</u>	<u>-</u>
Total non-current liabilities	<u>88,290,045</u>	<u>-</u>
 Total liabilities	 <u>\$ 96,570,689</u>	 <u>\$ 729,107</u>
<b>Deferred Inflows</b>		
Bond Premium	\$ 1,038,306	\$ -
Related to pensions	<u>10,259,742</u>	<u>-</u>
Total Deferred Inflows	<u>\$ 11,298,048</u>	<u>\$ -</u>

Contingencies (Note 11)

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

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
**(continued)**

	Mississippi Gulf Coast Community <u>College</u>	<u>Component Unit</u> Mississippi Gulf Coast Community <u>College Foundation</u>
<b>Net Position</b>		
Net investment in capital assets	\$142,428,197	\$ 1,713,501
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	4,400,876
Expendable:		
Capital projects	15,180,441	-
Other purposes	4,321,759	-
Temporarily restricted	-	3,029,308
Unrestricted:		
Available (deficiency) for operations	(43,804,934)	350,364
Invested in capital assets	<u>-</u>	<u>463,504</u>
<b>Net position</b>	<b><u>\$118,125,463</u></b>	<b><u>\$ 9,957,553</u></b>

*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, 2015**

	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
<b>Operating revenues</b>		
Tuition and fees (net of scholarship discount \$4,954,352 and provision for uncollectible accounts \$1,046,654)	\$ 21,759,206	\$ -
Gifts and contributions	-	1,251,477
Federal grants and contracts	45,212,558	-
State grants and contracts	8,233,975	-
Local grants and contracts	58,373	-
Private grants and contracts	1,910,427	-
Sale and services of educational activities	418,470	-
Auxiliary services (net of discount \$192,850)	7,560,727	-
In-kind support	-	254,589
Other operating revenues	458,465	-
<b>Total operating revenues</b>	<b>85,612,201</b>	<b>1,506,066</b>
<b>Operating expenses</b>		
Salaries and wages	38,532,170	-
Fringe benefits	11,252,105	-
Travel	576,671	-
Contractual services	12,839,813	14,258
Commodities	10,249,684	-
Utilities	3,302,052	-
Financial aid	43,345,279	-
Scholarships	-	491,898
Program services general program support	-	632,138
Other	-	28,287
In-kind services	-	254,589
Depreciation	5,834,600	14,137
<b>Total operating expenses</b>	<b>125,932,374</b>	<b>1,435,307</b>
<b>Operating gain/loss</b>	<b>( 40,320,173 )</b>	<b>( 70,759 )</b>
<b>Non-operating revenues (expenses)</b>		
State appropriations (current funds)	29,024,666	-
Local appropriations (current funds)	9,078,363	-
Investment income	133,256	134,399
Amortization of bond premium/Loss on refinancing	190,285	-
Interest expense on indebtedness	( 789,850 )	-
Unrealized investment gain (loss)	-	92,942
Realized investment gain (loss)	-	(61,420)
Arbitrage/cash management	( 5,810 )	-
<b>Net non-operating revenues</b>	<b>37,630,910</b>	<b>165,921</b>
<b>Income (loss) before other revenues, expenses, gains and losses</b>	<b>( 2,689,263 )</b>	<b>236,680</b>
State appropriations for capital purposes	126,865	-
Local appropriations for capital purposes	9,274,785	-
Grants and contracts for capital purposes	297,217	-
Gain from capital assets sold or retired	64,902	-
Additions to permanent endowments	-	199,496
<b>Total other revenue (expenses)</b>	<b>9,763,769</b>	<b>199,496</b>
<b>Change in net position</b>	<b>7,074,506</b>	<b>436,176</b>
Net position:		
Net position, beginning of year as previously reported	185,485,193	9,521,377
Prior period adjustment (Note 9)	( 74,434,236 )	-
Net position, beginning of year as restated	<b>111,050,957</b>	<b>9,521,377</b>
Net position, end of year	<b>\$ 118,125,463</b>	<b>\$ 9,957,553</b>

*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, 2015**

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
<b>Cash flows from operating activities:</b>		
Tuition and fees	\$ 22,129,573	\$ -
Contributions received	-	1,228,460
Grants and contracts	54,735,359	-
Sales and services of educational departments	418,470	-
Payments to suppliers and students	( 9,982,520)	( 1,044,989)
Payments to employees for salaries and benefits	( 50,415,743)	-
Payments to contractual services	( 12,718,504)	-
Payments to travel	( 576,671)	-
Payments for utilities	( 3,302,052)	-
Payments for scholarships	( 43,345,279)	-
Auxiliary enterprise sales and services	7,561,626	-
Other receipts	<u>457,964</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(35,037,777)</u>	<u>183,471</u>
<b>Cash flows from non-capital financing activities:</b>		
State appropriations	28,995,245	-
Local appropriations	9,071,163	-
Federal loan program receipts	17,312,879	-
Federal loan program disbursements	<u>( 17,312,879)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>38,066,408</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Cash received for additions to permanent endowments	-	199,496
Proceeds from disposal of capital assets	-	-
Cash paid for capital assets	14,554	-
Capital appropriations received	( 8,450,552)	-
Grants and contracts received	9,393,973	-
Other receipts	87,217	-
Principal paid on capital debt and leases	( 2,185,617)	-
Interest paid on capital debt and leases	<u>( 807,354)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>( 1,947,779)</u>	<u>199,496</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, 2015**  
**(continued)**

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	\$ 4,000,000	\$ 1,921,309
Interest and dividends received on investments	128,196	142,582
Cash paid for investment fees	( 5,810)	-
Purchases of investments	<u>( 9,500,000)</u>	<u>( 1,987,650)</u>
Net cash provided by (used in) investing activities	<u>( 5,377,614)</u>	<u>76,241</u>
Net increase (decrease) in cash and cash equivalents	<u>( 4,296,762)</u>	<u>459,208</u>
Cash and cash equivalents – beginning of the year	<u>43,440,769</u>	<u>2,080,978</u>
Cash and cash equivalents – end of the year	<u>\$ 39,144,007</u>	<u>\$ 2,540,186</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	<u>\$( 40,320,173)</u>	<u>\$ 70,759</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	5,834,600	14,137
Provision for uncollectible accounts	1,046,654	-
Pension expense	4,948,781	-
Contributions of stock investment	-	( 24,529)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	( 1,376,172)	-
Inventories	( 65,939)	-
Prepaid expenses	121,309	-
Other assets	( 501)	-
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities	333,103	121,592
Due to Mississippi Gulf Coast Community College Alumni Association, Inc.	-	1,572
Deferred revenues	20,860	-
Deposits refundable	( 50)	-
Deferred outflow- contributions made to pension plan after measurement date	(5,714,277)	-
Accrued leave liability	<u>134,028</u>	<u>-</u>
Total adjustments	<u>5,256,465</u>	<u>112,712</u>
Net cash provided by (used in) operating activities	<u>\$( 35,037,777)</u>	<u>\$ 183,471</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, 2015**

**Note 1 - Summary of Significant Accounting Policies**

**(a) Reporting Entity**

Mississippi Gulf Coast Community College (the "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 five centers which provide academic, career-technical training, and non-credit education.

Governmental Accounting Standards Board Statement ("GASB") No. 14, as amended by GASB No. 39, requires that the financial reporting entity consist of the primary government and its component units.

The Mississippi Gulf Coast Community College Foundation, Inc. (the "Foundation"), a legally separate, tax-exempt organization supporting the College, 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).

Also, the Foundation pays tuition on behalf of students attending the College. For the year ended June 30, 2015, total scholarships expensed were \$491,898, all of which was due and payable at year-end. In addition, the College received \$84,861 in other educational support from the Foundation during 2015.

**(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 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 follows the "business-type activities" reporting requirements of GASB Statement No. 34.

**(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.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**(d) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses/expenditures, as appropriate, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

**(e) 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.

**(f) Short-term Investments**

Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.

**(g) Investments**

The College accounts for its investments at fair value in accordance with GASB Statement 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 in the Statement of Revenues, Expenses and Changes in Net Position.

**(h) Accounts Receivable, 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 receivable are recorded net of an allowance for doubtful accounts.

**(i) 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 textbooks purchased in the current year.

**(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 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.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**(k) *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.

**(l) *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, 2015 as reported in the Statement of Net Position is \$3,590,388 with \$302,409 of this amount estimated as current.

**(m) *Classification of Revenue***

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.

**(n) *State Appropriations***

The 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 each semester for the previous year, counting only those students who reside within the State of Mississippi.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**(o) *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.

**(p) *Deferred Outflows of Resources***

Deferred outflow of resources represent 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 a loss on bond refunding, which is amortized over the remaining life of the bonds. In addition, deferred outflows include amounts related to pensions (See Note 8), including contributions to the employee pension plan subsequent to the measurement date of the actuarial valuations for the plan.

**(q) *Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net position by the College that is applicable to a future reporting period. The College has deferred inflows related to bond premiums, which are being amortized over the remaining life of the issued bonds using the straight-line method and pension related items resulting from the difference between estimated and actual return on pension plan investment, which is being amortized over a five year period using the straight-line method.

**(r) *Net Pension Liability***

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) plan and additions to/deductions from the plan's net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**(s) Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The College classifies and reports three categories of net position, as follows:

- 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 (deficit) balance of (\$43,804,934) at June 30, 2015, includes \$1,833,560 reserved for inventories, the impact of including the College's proportionate share of the PERS net pension liability and related deferred outflows/inflows of (\$73,668,740), and a remaining amount of \$28,007,569.

**(t) Recent GASB Accounting Pronouncements**

The Governmental Accounting Standards Board has issued several accounting pronouncements recently that will be effective for the College in future periods, as follows:

- a. GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015 and addresses accounting and financial reporting issues related to fair value measurements. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.
- b. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued in June 2015 to improve the usefulness of information about pensions included in the general purpose financial statements of state and local governments and establishes requirements for defined benefit and defined contribution pensions that are not within the scope of GASB No. 68. It also establishes requirements for the assets accumulated for purposes of providing pensions. The requirements of this Statement that address accounting and financial reporting for pensions not within the scope of GASB No. 68 are effective for financial statements for periods beginning after June 15, 2016. The requirements addressing financial reporting of assets accumulated for purposes of providing pension benefits are effective for fiscal years beginning after June 15, 2015.

Management of the College is currently evaluating the effect, if any, these new accounting pronouncements will have on the College's financial statements.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 2 - Cash and Investments**

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.

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	\$ 9,500,000

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.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 3 - Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2015:

Student tuition	\$ 8,018,086
Auxiliary enterprise sales and services	4,007,622
Federal and state grants	4,406,076
Local appropriations	349,891
State appropriations	<u>462,190</u>
 Total accounts receivable	 17,243,865
 Less allowance for doubtful accounts	 <u>(10,469,816)</u>
 Net accounts receivable	 <u>\$ 6,774,049</u>

The College is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivables and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in a prior year.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 4 - Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2015, is presented as follows:

	Beginning Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2015</u>
<b>Non-depreciable Capital Assets:</b>				
Land	\$ 3,340,013	\$ 196,436	\$ -	\$ 3,536,449
Construction in Progress	<u>7,323,851</u>	<u>6,558,595</u>	<u>( 9,544,587)</u>	<u>4,337,859</u>
Total Non-depreciable Capital Assets	10,663,864	6,755,031	( 9,544,587)	7,874,308
<b>Depreciable Capital Assets:</b>				
Buildings	154,786,602	9,051,321	-	163,837,923
Other Structures & Improvements	43,978,730	226,387	-	44,205,117
Equipment	14,954,559	1,874,506	( 231,293)	16,597,772
Library Books	<u>1,164,254</u>	<u>87,894</u>	<u>( 213,269)</u>	<u>1,038,879</u>
Total Depreciable Capital Assets	214,884,145	11,240,108	( 444,362)	225,679,691
<b>Less Accumulated Depreciation for:</b>				
Buildings	42,954,407	2,821,425	-	15,615,072
Other Structures & Improvements	13,910,253	1,704,819	-	45,775,832
Equipment	10,743,611	1,180,760	( 197,043)	11,727,328
Library Books	<u>735,633</u>	<u>127,596</u>	<u>( 297,871)</u>	<u>565,358</u>
Total Accumulated Depreciation	68,343,904	5,834,600	( 494,914)	73,683,594
Total Depreciable Capital Assets, net	<u>146,540,241</u>	<u>5,405,506</u>	<u>( 122,143)</u>	<u>151,996,097</u>
Capital Assets, net	<u>\$157,204,105</u>	<u>\$ 12,160,537</u>	<u>\$ ( 9,494,237)</u>	<u>\$ 159,870,405</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 4 - Capital Assets (continued)**

Repair and renovation projects as well as equipment purchases that are associated with financing 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
Other Structures & Improvements	20 years	20%	25,000
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, 2015**

**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, 2015.

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, 2015, 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, 2015	Due Within One Year
<b>Bonded Debt</b>								
MS Development Bank Special Obligation Bonds	\$ 12,300,000	4.00-5.00%	2024	\$8,630,000	\$ -	\$ 700,000	\$ 7,930,000	\$ 735,000
MGCCC Limited Tax Obligation Refinancing Bonds	\$ 9,995,000	4.00-5.00%	2020	<u>9,605,000</u>	<u>-</u>	<u>1,405,000</u>	<u>8,200,000</u>	<u>1,485,000</u>
<b>Total Bonded Debt</b>				<u>18,235,000</u>	<u>-</u>	<u>2,105,000</u>	<u>16,130,000</u>	<u>2,220,000</u>
<b>Notes Payable</b>								
Perkinston Infrastructure Upgrade	\$ 613,001	2.00%	2026	376,053	-	30,617	345,436	31,234
Economic Development Loan # 2	\$ 450,000	0.00%	2016	<u>70,833</u>	<u>-</u>	<u>50,000</u>	<u>20,833</u>	<u>20,833</u>
<b>Total Notes Payable</b>				<u>446,885</u>	<u>-</u>	<u>80,617</u>	<u>366,269</u>	<u>52,067</u>
<b>Other Long-term Liabilities</b>								
Deposits refundable				250	-	50	200	-
Accrued leave liabilities				3,456,360	134,028	-	3,590,388	302,409
Net pension liability				<u>80,045,748</u>	<u>-</u>	<u>9,268,084</u>	<u>70,777,664</u>	<u>-</u>
<b>Total Other Long-term Liabilities</b>				<u>83,502,358</u>	<u>134,028</u>	<u>9,268,134</u>	<u>74,368,252</u>	<u>302,409</u>
<b>Total</b>				<u>\$102,184,243</u>	<u>\$ 134,028</u>	<u>\$ 11,453,751</u>	90,864,521	<u>\$ 2,574,476</u>
Due within one year							<u>( 2,574,476)</u>	
<b>Total Long-term Liabilities</b>							<u>\$ 88,290,045</u>	

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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>
2016	\$ 2,220,000	\$ 52,067	\$ 701,486	\$ 2,973,553
2017	2,335,000	31,864	589,856	2,956,720
2018	2,455,000	32,507	480,287	2,967,794
2019	2,555,000	33,163	381,432	2,969,595
2020	1,790,000	33,833	278,562	2,102,395
2021-2025	4,775,000	179,687	469,873	5,424,560
2026	<u>                    </u>	<u>3,148</u>	<u>6</u>	<u>3,154</u>
Totals	<u>\$16,130,000</u>	<u>\$ 366,269</u>	<u>\$ 2,901,502</u>	<u>\$ 19,397,771</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6 - Natural Classifications with Functional Classifications**

The College's operating expenses by functional classification were as follows for the year ended June 30, 2015:

<u>Functional Classification</u>	<u>Salaries &amp; Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships &amp; Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Total</u>
Instruction	\$ 22,744,918	\$ 6,482,444	\$ 180,347	\$ 2,433,552	\$ -	\$ 1,709,824	\$ 1,355,011	\$ -	\$ 34,906,096
Instructional Support	2,067,426	589,541	18,322	26,348	-	-	259,361	-	2,960,998
Student Services	4,418,283	1,204,052	171,240	718,198	-	624,467	508,800	-	7,645,040
Institutional Support	5,297,610	1,567,781	192,419	5,505,716	-	79,647	622,545	-	13,265,718
Operation of Plant	3,237,301	1,137,676	6,115	2,614,386	2,723,300	-	2,840,953	-	12,559,731
Student Aid	-	-	-	-	-	40,931,341	-	-	40,931,341
Auxiliary Enterprises	766,632	270,611	8,228	822,592	578,752	-	4,296,274	-	6,743,089
Plant Operations	-	-	-	719,021	-	-	366,740	5,834,600	6,920,361
	<u>\$ 38,532,170</u>	<u>\$ 11,252,105</u>	<u>\$ 576,671</u>	<u>\$ 12,839,813</u>	<u>\$ 3,302,052</u>	<u>\$ 43,345,279</u>	<u>\$ 10,249,684</u>	<u>\$ 5,834,600</u>	<u>\$125,932,374</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7 - Construction Commitments and Financing**

The institution has contracted for the construction of the following projects. At June 30, 2015, estimated costs to complete the projects are \$23,738,236. The remaining costs are to be funded as follows:

	Total Costs to Complete	Funded By		
		Federal Sources	State Sources	Institutional Funds
<b>Local funds:</b>				
District Office				
Harrison Hall Renovations	\$ 6,308,646	\$	\$ 5,171,713	\$ 1,136,933
Liaison renovations	45,663			45,663
Perkinston Campus				
Dees Hall Phase 2 Renovations	138,303			138,303
Football Stadium Renovations	6,884,727			6,884,727
Baseball/Softball/Soccer Complex	3,987,535			3,987,535
Jefferson Davis Campus				
Chemistry Vents	16,320			16,320
Cybercafé Renovations	31,018			31,018
Exterior Soffit/Fascia Replacement	94,144			94,144
Job Placement/VA Office Renovations	72,544			72,544
DMR Tidelands Project	114,763			114,763
Fire Suppression System	28,717			28,717
Jackson County Campus				
Island Access	397,003	397,003		
Digital Signage	53,884			53,884
Exterior Renovations – LRC	563,205			563,205
STEM Building	5,000,000		2,609,233	2,390,767
Advanced Manufacturing Tech Center				
Block Wall Installation	1,764			1,764
<b>Total</b>	<b><u>\$23,738,236</u></b>	<b><u>\$ 397,003</u></b>	<b><u>\$ 7,780,946</u></b>	<b><u>\$ 15,560,287</u></b>

**Note 8 - Pension Plan**

The Public Employees' Retirement System of Mississippi (PERS) is a pension trust fund established in 1952 to provide benefits for all state and public education employees, elected members of the State Legislature, the President of the Senate, and other public employees of participating employers.

PERS is administered by a 10-member Board of Trustees that includes: the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent. The Board of Trustees is responsible for the general administration and proper operation of PERS. The executive director is designated by the Board to lead and conduct all business for PERS. PERS operates under legislative mandate with respect to administrative budgets, human resources, and purchasing guidelines.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 8 - Pension Plan (continued)**

The financial statements of PERS are prepared using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to legal requirements; investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, PERS is considered a component unit of the State of Mississippi for financial reporting purposes and, as such, the financial statements issued by PERS are included in the State of Mississippi's Comprehensive Annual Financial Report.

***Plan description***

PERS, a cost-sharing multiple-employer public employee retirement plan, was established by the Mississippi Legislature in 1952 for the purpose of providing retirement benefits to all eligible State of Mississippi public employees, public education employees, other public employees whose employers have elected to participate, and elected members of the State of Mississippi Legislature and President of the Senate. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts.

***Benefits provided***

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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A cost-of-living adjustment payment is made to eligible retirees and beneficiaries 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.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 8 - Pension Plan (continued)**

***Contributions***

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. Employer and member contributions are based on actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and are determined through the most recent June 30 annual valuation. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20 percent of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0 percent cost-of-living increase calculated according to the terms of the plan.

During fiscal 2014 the PERS Board of Trustees implemented a revised funding policy aimed at stabilizing the employer contribution rate and for fiscal 2015 and 2014, the employer contribution rate was 15.75 percent for both years.

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

At June 30, 2015 the College reported a liability of \$70,777,664 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2014 the College's proportion was 0.5830710% as compared to its proportion measured at June 30, 2013 of 0.5776510% or an increase of 0.0054%.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 8 - Pension Plan (continued)**

For the year ended June 30, 2015, the College recognized pension expense of \$4,948,781. At June 30, 2015 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$1,104,111	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,259,742
Changes in proportion and differences between employer contributions and proportionate share of contributions	550,279	-
Employer contributions subsequent to the measurement date	<u>5,714,276</u>	<u>-</u>
<b>Total</b>	<b><u>\$7,368,666</u></b>	<b><u>\$10,259,742</u></b>

Deferred outflows of resources related to pensions resulting from College contributions subsequent to June 30, 2014 (the measurement date) were \$5,714,277 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30,</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 595,104	\$ 2,564,936
2017	595,104	2,564,936
2018	464,182	2,564,935
2019	<u>-</u>	<u>2,564,935</u>
<b>Total</b>	<b><u>\$1,654,390</u></b>	<b><u>\$10,259,742</u></b>

***Actuarial assumptions***

The total pension liability was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Investment rate of return	8.00%, net of pension plan investment expenses
Projected salary increases	4.25% - 19.50%, average, including inflation

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 8 - Pension Plan (continued)**

The actuarial assumptions used in the actuarial valuation as of June 30, 2014, were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report was dated June 12, 2013.

Mortality rates for PERS were based on the RP-2000 Combined Mortality Table Projected with mortality improvements based on Scale AA projected to 2025 and set forward two years for males.

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 returns, net of pension plan investment expense and 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

<b>Investment Asset Class</b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Rate of Return</u></b>
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	25.00%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	<u>1.00%</u>	-0.50%
Total	<u>100.00%</u>	

***Discount rate***

The discount rate used to measure the total pension liability was 8%. 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 the employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, components of the pension plan's fiduciary net position were 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.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 8 - Pension Plan (continued)**

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

The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
College's proportionate share of collective net pension liability	\$96,491,061	\$70,777,664	\$49,328,866

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the PERS prepared as of June 30, 2014. The auditor's report dated July 8, 2015 on the net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and total pension expense included in an accompanying schedule of collective pension amounts as of June 30, 2014 and for the year then ended is also available. The additional financial and actuarial information is available at [www.pers.ms.gov](http://www.pers.ms.gov).

**Note 9 – Prior Period Adjustment**

As of July 1, 2014, the College adopted Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* (collectively “GASB No. 68”). As part of the implementation of GASB No. 68, the College recognized its proportionate share of the net pension liability relating to the Public Employees' Retirement System of Mississippi (PERS) and reported this liability and the related deferred outflows and deferred inflows in its financial statements.

As a result, the net position of the College as previously reported at June 30, 2014 was restated as follows:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Investment in capital assets	\$137,385,995	\$ -	\$137,385,995
Restricted for Expendable:			
Capital projects	15,608,601	-	15,608,601
Other purposes	3,822,025	-	3,822,025
Unrestricted	<u>28,668,572</u>	<u>(74,434,236)</u>	<u>(45,765,664)</u>
Total net position	<u>\$185,485,193</u>	<u>(\$74,434,236)</u>	<u>\$111,050,957</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 10 – Evaluation of Subsequent Events**

The College has evaluated subsequent events through January 15, 2016, which is the date the financial statements were available to be issued.

**Note 11 – Contingencies**

The College is defendant in various legal matters occurring in the normal course of business activities. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have an adverse impact on the College's financial statements.

**Schedules of Required Supplementary Information**

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

**Year Ended June 30, 2015:**

College's proportion pension of the net liability	\$70,777,664
College's proportionate share of the net pension liability	0.5830710%
College's covered-employee payroll	\$35,156,121
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.32%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS  
LAST TEN YEARS ENDED JUNE 30, 2015**

<b>Year Ended June 30,</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Contractually required contribution	\$5,714,277	\$5,611,512	\$5,34,585	\$4,407,299	\$4,248,572	\$4,330,414	\$4,430,613	\$4,377,343	\$3,880,221	\$3,653,433
Contributions in relation to the contractually required contribution	\$5,714,277	\$5,611,512	\$5,034,585	\$4,407,299	\$4,248,572	\$4,330,414	\$4,430,613	\$4,377,343	\$3,880,221	\$3,653,433
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$35,868,560	\$35,156,121	\$34,896,304	\$34,879,750	\$35,410,068	\$36,046,116	\$37,362,316	\$36,919,743	\$34,323,257	\$33,953,791
Contributions in relation to the contractually required contribution	15.75%	15.75%	14.26%	12.93%	12.00%	12.00%	11.85%	11.85%	11.30%	10.75%

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 - Schedule of the College's Proportionate Share of the Net Pension Liability and Related Ratios**

The College's proportionate share of the net pension liability was determined based on the College's allocation percentage of actual contributions to the Public Employees' Retirement System of Mississippi System's (PERS) total actual contributions as of and for the year ended June 30, 2014. The total pension liabilities used in the development of the ratio of the plan fiduciary net position to total pension liabilities presented in the schedule was provided by the Public Employees' Retirement System of Mississippi System's (PERS) actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position for PERS as of and for the year ended June 30, 2014.

**NOTE 2 - Schedule of the College's Contributions**

The employer contribution rate for the College was 9.75 percent in fiscal year 2005 with an increase in fiscal year 2006 to 10.75 percent. Beginning in fiscal year 2007, the employer contribution rate increased from 10.75 percent in .55 percent increments until the target rate was met in fiscal year 2008. Use of the phased-in employer contribution rate increase resulted in an annual contribution deficit for fiscal year 2007. The purpose of the phased-in approach was to moderate the impact to the State of Mississippi of a contribution rate increase. A slight increase in the employer contribution rate was implemented in fiscal year 2010, from 11.85 percent to 12.0 percent. In fiscal year 2010, the actuary's recommended employer contribution rate was to increase from 12.0 percent to a projected 13.56 percent for fiscal year 2011. In lieu of the employer contribution rate increase, the member contribution rate was increased to 9.0 percent for fiscal year 2011, which produced a decrease in employer normal cost. The reduction in normal cost, coupled with favorable investment experience, resulted in a revised recommended employer contribution rate from 13.56 percent to 12.93 percent, which became effective January 1, 2012. The employer contribution rate increased in fiscal year 2013 to 14.26 percent and in fiscal year 2014, the Board implemented a revised funding policy aimed at stabilizing the employer contribution rate, which was set at 15.75 percent.

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<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>
<b>Student Financial Aid-Cluster</b>			
<u>U.S. Department of Education</u>			
Federal Pell Grant Program	84.063		\$ 25,235,555
Federal Supplemental Educational Opportunity Grants	84.007		246,960
Federal Direct Student Loans	84.268		17,312,879
Federal Work-Study Program	84.033		<u>264,164</u>
<b>Total Student Financial Aid Cluster</b>			<b><u>43,059,558</u></b>
 <b>Other Programs</b>			
<u>U.S. Department of Education</u>			
Pass-through Programs From:			
State Board of Community and Junior Colleges			
Adult Education – Basic Grants to States	84.002		593,188
State Department of Education – Career and Technical			
Education – Basic Grants to States	84.048	E-V048A020024	801,240
Tech-Prep Education	84.243	E-V243A01002	<u>11,998</u>
Total U.S. Department of Education			<u>1,406,426</u>
 <u>U.S. Department of Health &amp; Human Services</u>			
Mississippi INBRE	93.859		<u>61,890</u>
Total U.S. Department of Health & Human Services			<u>61,890</u>
 <u>National Science Foundation</u>			
Education and Human Resources			
Total National Science Foundation	43.001		<u>146,417</u>
			<u>146,417</u>
 <u>National Aeronautics and Space Administration</u>			
Pass-through Program From:			
University of Mississippi – Science	10.561		<u>4,944</u>
Total National Aeronautics and Space Administration			<u>4,944</u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<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>
<b>Other Programs (continued)</b>			
<u>U.S. Department of Labor</u>			
WIA Cluster			
Pass-through Program From:			
Mississippi Department of Employment Services			
WIA Dislocated Workers NEG	17.277		128,465
South Mississippi Planning & Development District	17.278		<u>236,900</u>
Total U.S. Department of Labor			<u>365,365</u>
<u>U.S. Department of the Interior</u>			
Coastal Impact Assistance Program	15.668		<u>36,797</u>
Total U.S. Department of the Interior			<u>36,797</u>
<u>U.S. Department of Commerce</u>			
Pass-through Program From:			
Mississippi Technology Alliance – Manufacturing			
Extension Partnership	11.611		<u>95,025</u>
Total U.S. Department of Commerce			<u>95,025</u>
<u>U.S. Department of Justice</u>			
Pass-through Program From:			
Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738		<u>11,236</u>
Total U.S. Department of Justice			<u>11,236</u>
<u>U.S. Department of Defense</u>			
Magnolia Gold Contract	W9127Q-14-P-0191		<u>20,000</u>
Total U.S. Department of Defense			<u>20,000</u>
<u>Corporation for National and Community Service</u>			
Non-Trade Gaming Summit	84.048A		<u>4,900</u>
Total Corporation for National and Community Service			<u>4,900</u>
<b>Total Other Programs</b>			<u><b>2,153,000</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$45,212,558</b></u>

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Basis of Presentation**

The accompanying schedule includes all federal awards administered by Mississippi Gulf Coast Community College. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The federal programs included in the accompanying schedule are accounted for using the accrual basis of accounting and the schedule was prepared using the same significant accounting policies, where applicable, as those used for the basic financial statements, with the following exception:

- 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.



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

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 and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 15, 2016. We did not audit the financial statements of the Mississippi Gulf Coast Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us. This report, insofar as it relates to the amounts included for the Mississippi Gulf Coast Community College Foundation, Inc., is based solely on the report of the other auditors. The financial statements of the Mississippi Gulf Coast Community College, Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 detected. We did identify one deficiency in internal control, described in Section 2 of the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
January 15, 2016



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**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 the compliance of the Mississippi Gulf Coast Community College (the "College") 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 the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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 the 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

### Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

### **Report on Internal Control over Compliance**

Management of the 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 the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
January 15, 2016



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## 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 and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the "College") as of and for the year ended June 30, 2015, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 14, 2015. We did not audit the financial statements of the Mississippi Gulf Coast Community College Foundation, Inc., the College's 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 Mississippi Gulf Coast Community College Foundation, Inc., are based solely on the report of the 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 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
January 15, 2016

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section 1: Summary of Auditors' Results**

*Financial Statements:*

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on the financial statements:                               | Unmodified |
| 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) | Yes        |

*Federal Awards:*

- |  |               |
|--|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs:                 | Unmodified    |
| 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  |               |

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

- |  |           |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$836,990 |
| 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**

*FR2015-01: Allowance for Uncollectible Student Receivables*

During our review of management's development of the allowance for doubtful accounts student accounts receivable for the College, we noted that the 5% estimated recoverable ratio for accounts past due greater than 3 years had not been validated in several years. We tested the adequacy of the ratio using subsequent period aging comparisons and noted that the estimated recovery rate was more appropriate at 2%. Further, we noted that accounts past due 151 days or greater but less than 3 years were grouped together with only one estimated recovery rate used for the entire group. We recommend that this grouping be further disaggregated so that as accounts age greater than one year a more reasonable estimated recovery ratio is applied. Using the above approach, we noted that the allowance for uncollected accounts was understated by approximately \$468,000 and recorded a corrective misstatement for this understatement.

We recommend that management develop a more formal methodology for providing an adequate allowance for doubtful accounts by modifying the aging criteria within the system to better reflect the year and semester relating to these old outstanding receivables. Further, management should consider recording an allowance that sufficiently provides for the outstanding balances of students that have not re-enrolled in the College in the last two years and who have not remitted any subsequent collections or evidence of intent to repay by applying validation techniques to its method of estimation to include hindsight using subsequent aging reports after the following year's registration.

**Section 3: Federal Award Findings and Questioned Costs**

None

**MISSISSIPPI GULF COAST COMMUNITY COLLEGE  
AUDITEE'S MANAGEMENT RESPONSE TO FINANCIAL STATEMENT FINDING  
FOR THE YEAR ENDED JUNE 30, 2015**

We will develop a methodology that will allow for the college to analyze separately, aged accounts 6-12 months and 366 days to 3 years. We will also modify the estimated percentage of collectible receivables based on aging and collection history. This methodology will be reviewed regularly to ensure that estimated collectable percentages are reasonable.