



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Mississippi Gulf Coast Community College
Financial Statements and
Supplementary Information
Year Ended June 30, 2008

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

June 30, 2008

Table of Contents

Financial Audit Report	1-2
Management's Discussion and Analysis	3-13
Audited Financial Statements	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows	16-17
Notes to Financial Statements.....	18-30
Supplemental Information	
Schedule of Expenditures of Federal Awards.....	31-32
Reports on Compliance and Internal Control	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	35-36
Independent Auditor's Report on Compliance with State Laws and Regulations	37
Schedule of Findings and Questioned Costs	38-39

**Culumber
Fletcher
Harvey &
Associates, P.A.**

Certified Public Accountants

250 Beauvoir Road, Suite 6
Beauvoir Professional Park
Biloxi, Mississippi 39531
Phone 228.594.6559 Fax 228.594.6554

**Robert L. Culumber, CPA
Dean A. Fletcher, CPA
David M. Harvey, CPA**

Thomas E. Clifford, CPA

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

Dr. Willis H. Lott, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the accompanying financial statements of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the statement of net assets of the Mississippi Gulf Coast Community College Foundation, Inc., a discretely presented component unit of Mississippi Gulf Coast Community College, as of June 30, 2008 and the related statement of revenues, expenses and changes in net assets for the year then ended. These financial statements are the responsibility of Mississippi Gulf Coast Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Mississippi Gulf Coast Community College Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Gulf Coast Community College and its discretely presented component unit as of June 30, 2008 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members:

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs

Biloxi • Gulfport



In accordance with *Government Auditing Standards*, we have also issued our report dated, December 19, 2008, on our consideration of Mississippi Gulf Coast Community College's internal control over financial reporting and 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 reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mississippi Gulf Coast Community College's basic financial statements. 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 not a required part of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Culumber, Fletcher, Harvey & associates, P.A.

Culumber, Fletcher, Harvey, & Associates, P.A.
December 19, 2008

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

This section of the Mississippi Gulf Coast Community College annual financial report presents our discussion and comparative analysis of the financial performance of the College during the fiscal year ended June 30, 2008. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets 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.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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.

	<u>FY2008</u>	<u>FY2007</u>
Assets		
Current assets	\$ 41,913,105	\$ 47,717,824
Non-current assets		
Bond issuance costs, net	532,644	574,293
Capital, net	<u>119,558,658</u>	<u>107,072,353</u>
Total assets	162,004,407	155,364,470
Liabilities		
Current liabilities	8,239,243	10,343,348
Non-current liabilities	<u>46,099,418</u>	<u>41,999,606</u>
Total liabilities	54,338,661	52,342,954
Net Assets		
Invested in capital assets, net	84,748,766	68,999,045
Restricted:		
Expendable	15,038,491	28,731,669
Unrestricted	<u>7,878,489</u>	<u>5,290,802</u>
Total net assets	<u>\$107,665,746</u>	<u>\$103,021,516</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the college's bank accounts, petty cash, and CDs. The total amount of cash and cash equivalents reported as current assets on the College's financial statements were \$14,114,874 at June 30, 2008 and \$13,066,055 at June 30, 2007. This represented an increase of \$1,048,819 or 8.03% increase of cash available.

Accounts Receivable

Accounts Receivable relate to several transactions including local appropriations, student tuition and fees, and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$8,062,053 at June 30, 2008 and \$8,307,798 at June 30, 2007 which represents a decrease of \$245,745 or -2.96%.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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 \$992,863 at June 30, 2008 and \$1,018,470 at June 30, 2007, a decrease of \$25,607 or -2.51%.

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, 2008. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$119,558,658 at June 30, 2008 and \$107,072,353 at June 30, 2007. This represents a \$12,486,305 or 11.66% increase.

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

Accounts payable and accrued liabilities represent amounts due at June 30, 2008 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$2,850,362 at June 30, 2008 and \$5,383,686 at June 30, 2007.

Deferred Revenues

Deferred revenue represents revenue that was received by the College during the fiscal year, but the college did not expend the funds by the end of the June 30, 2007 fiscal year. The deferred revenue totaled \$1,128,716 at June 30, 2008 and \$1,433,455 at June 30, 2007.

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, 2008 fiscal year. The amount of the current portion of compensated absences totaled \$319,110 at June 30, 2008 and \$262,790 at June 30, 2007.

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, 2008 fiscal year. The amount of the current portion of long-term debt totaled \$3,605,025 at June 30, 2008 and \$3,263,417 at June 30, 2007.

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 semester. The amount of deposits totaled \$28,325 at June 30, 2008 and \$22,750 at June 30, 2007.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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 \$3,242,525 at June 30, 2008 and \$2,862,797 June 30, 2007.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. The total amount of the non-current portion of long-term debt was \$42,727,060 at June 30, 2008 and \$39,005,033 at June 30, 2007.

Net Assets

Net assets represent the difference between the college's assets and liabilities. Total net assets were \$107,665,746 at June 30, 2008 and \$103,021,516 at June 30, 2007. This represents an increase of \$4,644,230 or 4.31%.

Analysis of Net Assets

Restricted expendable net assets consist 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 assets:

	<u>2008</u>	<u>2007</u>
Capital projects	\$ 15,038,491	\$ 19,666,849
Other purposes	<u>-</u>	<u>9,064,820</u>
Restricted net assets	<u>\$ 15,038,491</u>	<u>\$ 28,731,669</u>

Unrestricted net assets represent 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 assets:

	<u>2008</u>	<u>2007</u>
Unrestricted general fund	\$ 5,589,878	\$ 2,750,923
Unrestricted auxiliary fund	<u>2,288,611</u>	<u>2,539,879</u>
Total unrestricted net assets	<u>\$ 7,878,489</u>	<u>\$ 5,290,802</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2008 and June 30, 2007

	<u>FY2008</u>	<u>FY2007</u>
Operating revenues:		
Tuition and fees	\$ 9,656,014	\$ 8,331,393
Grants and contracts	24,706,854	30,798,291
Auxiliary enterprises	4,599,645	5,052,960
Sales & service of education	136,430	125,117
Other operating revenues	<u>578,833</u>	<u>272,111</u>
Total operating revenues	<u>39,677,784</u>	<u>44,579,872</u>
Total operating expenses	<u>81,295,093</u>	<u>80,611,635</u>
Operating gain/loss	<u>(41,617,309)</u>	<u>(36,031,763)</u>
Non-operating revenues (expenses):		
State appropriations	26,233,251	22,699,409
Local appropriations	8,029,518	7,607,635
Investment income, net	1,161,491	1,631,806
Other non-operating revenue (expenses)	<u>(2,167,042)</u>	<u>(1,051,233)</u>
Net non-operating revenues	<u>33,257,218</u>	<u>30,887,617</u>
Income (loss) before other revenues (expenses)	<u>(8,360,091)</u>	<u>(5,144,146)</u>
Total other revenue (expenses)	<u>13,004,321</u>	<u>12,448,836</u>
Change in net assets	<u>4,644,230</u>	<u>7,304,690</u>
Net assets		
Net assets at beginning of year, as originally reported	103,021,516	94,140,302
Change in accounting principle	<u>-</u>	<u>1,576,524</u>
Net assets at beginning of year, as restated	<u>103,021,516</u>	<u>95,716,826</u>
Net assets, end of year	<u>\$ 107,665,746</u>	<u>\$ 103,021,516</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Total operating loss for the fiscal year 2008 was \$41,617,309 and for fiscal year 2007 \$36,031,763. 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 2008 were \$39,677,784 and for fiscal year 2007 \$44,579,872- a decrease of \$4,902,088 or -11.00%. Tuition and fees, net, were \$9,656,014 for fiscal year 2008 and \$8,331,393 for fiscal year 2007. The tuition discount was \$5,979,951 for fiscal year 2008 and \$7,513,827 for fiscal year 2007. Operating expenses for 2008, including depreciation of \$3,588,471 totaled \$81,295,093. Operating expenses for 2007, including depreciation of \$3,026,488 totaled \$80,611,635.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$9,656,014 for fiscal year 2008 and \$8,331,393 for fiscal year 2007. Tuition discounts were \$5,979,951 for 2008 and \$7,513,827 for 2007.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2008 and June 30, 2007.

	<u>2008</u>	<u>2007</u>
Federal sources	\$ 13,835,344	\$ 20,411,460
State sources	8,143,923	7,544,745
Other	<u>2,727,587</u>	<u>2,842,086</u>
Total grants and contracts	<u>\$ 24,706,854</u>	<u>\$ 30,798,291</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled \$136,430 for fiscal year ended June 30, 2008 and \$125,117 for fiscal year ended June 30, 2007.

Sales and Services, Net

Auxiliary enterprises include the college bookstore, food services, and housing totaling \$4,599,653 in FY08 and \$5,052,960 in FY07. This is net of discount.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2008 total \$81,295,093 and include salaries and benefits of \$50,306,735, utilities of \$2,941,322, supplies of \$6,003,877, services of \$11,151,788, scholarships of \$6,554,419, travel of \$748,481 and depreciation of \$3,588,471. Operating expenses for fiscal year ended June 30, 2007 total \$80,611,635 and include salaries and benefits of \$46,276,118, utilities of \$2,723,504, supplies of \$5,211,455, services of \$12,948,646, scholarships of \$9,729,990, travel of \$695,434 and depreciation of \$3,026,488.

	<u>2008</u>	<u>2007</u>
Expenses by function:		
Instruction	\$ 34,211,702	\$ 33,889,570
Instructional support	3,582,741	3,299,610
Student services	6,729,449	5,387,350
Institutional support	9,945,756	8,120,314
Operation of Plant	10,460,651	8,952,869
Student Aid	5,052,792	8,503,946
Auxiliary enterprises	4,789,751	4,494,280
Plant and Endowment Operations	<u>6,522,251</u>	<u>7,963,696</u>
Total operating expenses by function	<u>\$ 81,295,093</u>	<u>\$ 80,611,635</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 \$29,901,751 for fiscal year 2008, of which \$26,233,251 was for operations and \$3,668,500 was spent on behalf of the College for capital projects. The College received \$23,363,215 for fiscal year 2007, of which \$22,699,409 was for operations and \$663,806 was spent on behalf of the College for capital projects.

Local Appropriations

The College also receives revenue from the four county districts in which the school resides. These counties include Harrison, Jackson, George, and Stone County. The College receives the appropriation in monthly payments beginning in July of each year. The College received \$16,020,209 in fiscal year 2008 of which \$8,029,518 was for operating purposes and \$7,990,691, which was used for capital purposes. The College received \$14,901,121 in fiscal year 2007 of which \$7,607,635 was for operating purposes and \$7,293,486 which was used for capital purposes.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2008 was \$1,161,491 and at June 30, 2007 was \$1,631,806.

Other Non-operating Revenues & Expenses

Included in this category is the net of amortization of bond issue costs and bond premium totaling \$34,131, and the interest on long term indebtedness for fiscal year 2008 totaling \$1,782,003. Bond issue costs and bond premium totaling \$30,692, and the interest on long term indebtedness for fiscal year 2007 totaled \$1,020,541.

Other Revenues**State Appropriations for Capital Purposes**

This is revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the fiscal year. Fiscal year 2008 capital appropriations were \$3,668,500 and fiscal year 2007 capital appropriations were \$663,806.

Local Appropriations for Capital Purposes

This is revenue received from the four county districts of Harrison, Jackson, George, and Stone Counties wherein the College resides. Fiscal year 2008 local appropriations were \$7,990,691 and fiscal year 2007 local appropriations were \$7,293,486.

Federal Appropriations for Capital Purposes

This is federal grant revenue received from the U.S. Corps of Engineers for the Perkinston Campus infrastructure repairs in FY2007 totaling \$3,226,091.

Statement of Cash Flows

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

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

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Condensed Statement of Cash Flows (Direct Method)
For the fiscal years ended June 30, 2008 and June 30, 2007

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents provided (used) by:		
Operating activities	\$(42,746,580)	\$(36,218,898)
Non-capital financing activities	41,516,295	30,690,461
Capital and related financing activities	(6,648,097)	3,015,354
Investing activities	<u>8,927,201</u>	<u>3,036,863</u>
Net increase in cash and cash equivalents	1,048,819	523,780
Cash and cash equivalents, beginning of year	<u>13,066,055</u>	<u>12,542,275</u>
Cash and cash equivalents, end of year	<u>\$ 14,114,874</u>	<u>\$ 13,066,055</u>
Major sources of funds included in operating activities:		
Tuition and fees	\$ 9,138,337	\$ 6,636,981
Auxiliary enterprises	5,250,982	4,474,368
Grants and contracts	23,870,618	29,861,277
Major uses of funds were payments to:		
Employees	(49,870,687)	(46,255,250)
Suppliers	(8,511,594)	(4,748,373)
Services	(12,686,221)	(17,654,458)
Scholarships and fellowships	(6,554,419)	(9,729,990)
Utilities	(2,941,322)	(2,723,504)

The largest inflow of cash in the non-capital financing activities group for FY2008 is the State appropriation of \$26,166,790 and for FY2007 is \$23,056,168. In addition, local appropriations from the four county districts are \$8,022,454 for FY2008 and \$7,634,293 for FY2007.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Significant Capital Asset Transactions

The College engaged in transactions regarding capital construction projects during the 2008 fiscal year. *Perkinston Campus* expenditures totaled \$6,900,722 for major repairs and renovations to buildings and for infrastructure for FY2008. State bond expenditures for the new Maintenance/Technical/Transportation Center and Learning Resource Center totaled \$3,450,227. Major improvements involved expenditures of \$1,691,856 for two 90-bed dorms, District bonds included \$153,254 for the Math/Science addition, and \$550,608 for Residence Hall Upgrades, and \$449,480 for Weeks Hall Renovations; other local costs were \$282,293 for a Special Medical Needs Shelter and a total of \$323,004 to complete other building renovations and repairs for FY2008. *Jefferson Davis Campus* expenditures totaled \$2,493,163 in FY2008. Expenditures included renovations to the campus infrastructure of \$1,162,757, \$23,100 state bond expenditures for the Hospitality & Tourism site, \$1,307,306 District Bonds for the Child Care Center and the Hospitality & Resort Center. FY2008 *Jackson County* capital construction expenditures totaled \$4,561,907. These include \$496,781 in District Bonds for the Maintenance Receiving Facility, and \$2,654,113 for the Estuarine Education Center; \$1,241,991 for infrastructure, \$34,981 for the University building HVAC equipment, \$34,981 MS DOT Enhancement project. *George County Center* had construction expenditures totaling \$446,107 for FY2008. Special Medical Needs Shelter expenditures totaled \$250,936; State Bond projects were \$195,171 for the Academic Building. West Harrison expenditures totaled \$120,325 for an exterior storage building. Total construction costs for the college totaled \$14,522,224 in FY 2008.

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. FY 2009 is predicting a 4% decrease in state funding. State funding makes up approximately 29.5% of our total current funds budgets in FY08; this makes the level of state support a key factor in the financial health of the institution. This is occurring at the same time that we are experiencing enrollment changes and increases in compensation for quality faculty and insurance and utilities costs.

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; however, more of the burden *is* being shifted to the students through tuition increases. 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. Businesses will locate their facilities where they can find an educated and well trained workforce. However, with continuing increases in expenditures and decreases in state funding, there may be little choice for the College administration if we wish to expand programs, add new programs, and continue to meet our mission.

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. New technology advances will demand that we constantly update our training and College-wide database needs.

**Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

In fiscal year 2009, the college will continue renovations and construction using the balance of \$34 million in county bonds, state bonds, and local appropriations for building and infrastructure improvement projects at three campuses and two centers in its four county districts. This capital improvement plan is based on an educational consultant's report that recommends more than \$97 million in projects and improvements over the next ten years to meet future student demands. This is a major step in our strategic planning effort in order to keep up with future enrollment demands. The College is aggressively seeking other funding sources from state, federal, and private sector dollars to help secure remaining funds for these improvements and to pay the indebtedness incurred.

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 headed towards an economic decline and possible recession. Industry training is an important part of the service provided by community colleges so that we may attract and keep businesses in Mississippi. Various committees and individuals are assessing the college's performance toward identified goals and ways to achieve great efficiencies and reduce expenditures in an effort to meet the future challenges.

Mississippi Gulf Coast Community College
Statement of Net Assets
June 30, 2008

	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,114,874	\$ 839,930
Short-term investments	14,898,877	-
Investments	-	2,378,235
Interest receivable	56,761	22,936
Accounts receivable, net	8,062,053	-
Inventories	992,863	-
Prepaid expenses	3,787,677	-
Total current assets	<u>41,913,105</u>	<u>3,241,101</u>
Non-current assets:		
Utility deposit	-	25
Endowment investments	-	2,750,371
Bond issuance costs, net of amortization	532,644	-
Capital assets, net of accumulated depreciation	<u>119,558,658</u>	<u>784,755</u>
Total non-current assets	<u>120,091,302</u>	<u>3,535,151</u>
Total assets	<u>162,004,407</u>	<u>6,776,252</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	2,850,362	583,746
Due to MSGCCC Alumni Association, Inc.	-	10
Accrued interest payable	336,030	-
Deferred revenues	1,128,716	-
Accrued leave liabilities, current portion	319,110	-
Long-term liabilities, current portion	<u>3,605,025</u>	<u>-</u>
Total current liabilities	<u>8,239,243</u>	<u>583,756</u>
Non-current liabilities:		
Deposits refundable	28,325	-
Accrued leave liabilities	3,242,525	-
Bond premium	101,508	-
Long-term liabilities	<u>42,727,060</u>	<u>-</u>
Total non-current liabilities	<u>46,099,418</u>	<u>-</u>
Total liabilities	<u>54,338,661</u>	<u>583,756</u>
Net assets		
Invested in capital assets, net of related debt	84,748,766	-
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	2,750,371
Expendable:		
Invested in property	-	213,501
Capital projects	15,038,491	-
Temporarily restricted	-	2,154,499
Unrestricted:		
Available for operations	7,878,489	491,876
Invested in property and equipment	<u>-</u>	<u>582,249</u>
Total net assets	<u>\$ 107,665,746</u>	<u>\$ 6,192,496</u>

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

Mississippi Gulf Coast Community College
Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2008

	Mississippi Gulf Coast Community College	<u>Component Unit</u> Mississippi Gulf Coast Community College Foundation
Operating revenues		
Tuition and fees (net of scholarship discount \$5,979,951 and provision for uncollectible accounts \$798,375)	\$ 9,656,014	\$ -
Gifts and contributions	-	1,513,124
Federal grants and contracts	13,835,344	-
State grants and contracts	8,143,923	-
Local grants and contracts	890,850	-
Private grants and contracts	1,836,737	-
Sale and services of educational activities	136,430	-
Auxiliary services (net of discount \$404,569)	4,599,653	-
In-kind support	-	313,878
Other operating revenues	578,833	46,735
Total operating revenues	<u>39,677,784</u>	<u>1,873,737</u>
Operating expenses		
Salary and wage	39,575,059	-
Fringe benefits	10,731,676	-
Travel	748,481	-
Contractuals	11,151,788	506
Commodities	6,003,877	-
Utilities	2,941,322	-
Financial aid	6,554,419	-
Scholarships	-	574,936
Program services general program support	-	677,553
Other	-	24,394
In-kind services	-	313,878
Depreciation	3,588,471	11,839
Total operating expenses	<u>81,295,093</u>	<u>1,603,106</u>
Operating gain/loss	(41,617,309)	270,631
Non-operating revenues (expenses)		
State appropriations (current funds)	26,233,251	-
Local appropriations (current funds)	8,029,518	-
Investment income	1,161,491	224,544
Amortization of bond issue costs	(41,649)	-
Amortization of bond premium	7,518	-
Interest on indebtedness	(1,782,003)	(10)
Unrealized investment gain (loss)	(213,208)	(108,561)
Realized investment gain (loss)	-	(21,748)
Arbitrage/cash management	(137,700)	-
Net non-operating revenues	<u>33,257,218</u>	<u>94,225</u>
Income (loss) before other revenues, expenses, gains and losses	<u>(8,360,091)</u>	<u>364,856</u>
State appropriations for capital purposes	3,668,500	-
Local appropriations for capital purposes	7,990,691	-
Local grants and contracts for capital purposes	1,169,402	-
Plant assets sold/retired	9,833	-
Miscellaneous income	165,895	-
Additions to permanent endowments	-	220,928
Total other revenue (expenses)	<u>13,004,321</u>	<u>220,928</u>
Change in net assets	<u>4,644,230</u>	<u>585,784</u>
Net assets:		
Net assets, beginning of year	103,021,516	5,606,712
Net assets, end of year	<u>\$ 107,665,746</u>	<u>\$ 6,192,496</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, 2008

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Cash flows from operating activities:		
Tuition and fees	\$ 9,138,337	\$ -
Contributions received	-	943,162
Grants and contracts	23,870,618	-
Sales and services of educational departments	136,430	-
Payments to suppliers and students	(8,511,594)	(1,174,010)
Payments to employees for salaries and benefits	(49,870,687)	-
Payments to contractual services	(12,686,221)	-
Payments to travel	(748,481)	-
Payments for utilities	(2,941,322)	-
Payments for scholarships	(6,554,419)	-
Auxiliary enterprise charges	5,250,982	-
Other receipts (payments)	<u>169,777</u>	<u>46,735</u>
Net cash provided (used) by operating activities	<u>(42,746,580)</u>	<u>(184,113)</u>
Cash flows from non-capital financing activities:		
State appropriations	26,166,790	-
Local appropriations	8,022,454	-
Proceeds from debt	7,327,051	-
Federal loan program receipts	4,331,312	-
Federal loan program disbursements	<u>(4,331,312)</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>41,516,295</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from insurance	20,212	-
Proceeds from disposal of capital assets	7,421	-
Cash received for additions to permanent endowments	-	220,928
Cash paid for capital assets	(16,117,038)	(55,823)
Capital appropriations received	11,650,225	-
Local grants and contracts received	2,360,766	-
Other receipts	139,707	-
Principal paid on capital debt and leases	(3,263,417)	(375)
Interest paid on capital debt and leases	<u>(1,445,973)</u>	<u>(10)</u>
Net cash provided (used) by capital and related financing activities	<u>(6,648,097)</u>	<u>164,720</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, 2008
(Continued)

	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	\$ 38,512,958	\$ 1,768,800
Interest and dividends received on investments	1,134,146	230,300
Cash paid for investment fees	(137,700)	-
Purchases of investments	<u>(30,582,203)</u>	<u>(2,212,849)</u>
Net cash provided (used) by investing activities	<u>8,927,201</u>	<u>(213,749)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,048,819</u>	<u>(233,142)</u>
Cash and cash equivalents – beginning of the year	<u>13,066,055</u>	<u>1,073,072</u>
Cash and cash equivalents – end of the year	<u>\$ 14,114,874</u>	<u>\$ 839,930</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$(41,617,309)</u>	<u>\$ 270,631</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Stock contributions received	-	(569,972)
Depreciation expense	3,588,471	11,839
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	(812,476)	-
Inventories	25,607	-
Prepaid expenses	(1,534,433)	-
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities	(2,533,324)	103,379
Due to Mississippi Gulf Coast Community College Alumni Association, Inc.	-	10
Deferred revenues	(304,739)	-
Deposits refundable	5,575	-
Accrued leave liability	<u>436,048</u>	<u>-</u>
Total adjustments	<u>(1,129,271)</u>	<u>(454,744)</u>
Net cash provided (used) by operating activities	<u>\$(42,746,580)</u>	<u>\$ (184,113)</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, 2008

Note 1 - Summary of Significant Accounting Policies

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

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

Discretely Presented Component Unit

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

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

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

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

The Mississippi Gulf Coast Community College Foundation, Inc. received donated facilities and services from the college's Perkinston Campus. Additionally, the college paid invoices related to an ongoing construction project for the Foundation that the Foundation later reimbursed the college for those construction costs.

Also, the Mississippi Gulf Coast Community College Foundation pays tuition on behalf of students of the college. For the year ended June 30, 2008, total scholarships expensed were \$574,936 of which \$561,236 was payable at year-end.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

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

Component Unit

The foundation follows the provisions of Statement of Financial Accounting (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes the financial statements and the classifications of resources into three separate classes of net assets as follows:

Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the foundation pursuant to those stipulations.

Permanently Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the foundation.

- (c) Basis of Accounting - The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- (d) Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- (e) Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- (f) Investments - The college accounts for its investments at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported on the Statement of Revenues, Expenses and Changes in Net Assets.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

- (g) Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- (h) Inventories - Inventories consist of bookstore supplies, textbooks, and merchandise for resale. Merchandise for resale and bookstore supplies are valued at cost, on the first-in, first-out ("FIFO") basis. Textbooks are valued on a method assuming a three year usage. It is also assumed that all sales are from books purchased in the current year.
- (i) Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to the construction is capitalized net of interest income earned on resources set aside for this purpose.
- (j) Deferred Revenues - Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- (k) Compensated Absences - Twelve-month employees earn annual personal leave at a rate of 6.67 hours per month for one month to three years of service; 9 hours per month for three to eight years of service; 12 hours per month for eight to fifteen years of service; and from fifteen years of service and over, 13 hours per month are earned. Nine and ten month employees earn annual leave at a rate of 7.11 hours per month of service. Hourly employees earn annual personal leave at a rate of 6.67 hours per month for one month to eight years of service; 9 hours per month for eight to fifteen years of service; and from fifteen years and over, 9 hours per month. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave. The liability for accrued leave at June 30, 2008 as reported in the Statement of Net Assets is \$3,561,635 with \$319,110 of this amount estimated as current.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

- (m) State Appropriations - Mississippi Gulf Coast Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2006 fiscal year, a new funding formula will be phased in over a five year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- (n) Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

- (o) Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$7,878,489 at June 30, 2008, includes \$992,863, reserved for inventories, \$1,295,748 reserved for auxiliaries, and a remaining amount of \$5,589,878.

Note 2 - Cash and Investments

Policies

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

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

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

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 2 - Cash and Investments (continued)

Investments.

The college had the following investments at year end:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
US Treasury Securities	AAA	Various	\$ 6,942,077
US Government Bonds	AAA	Various	<u>7,956,800</u>
Total			<u>\$14,898,877</u>

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

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

Note 3 - Accounts Receivable

Accounts receivable consisted of the following at June 30, 2008:

Student tuition	\$ 5,166,957
Federal and state grants	4,246,204
Local appropriations	386,076
State appropriations	436,406
Other	<u>2,574,695</u>
Total Accounts Receivable	12,810,338
Less allowance for doubtful accounts	<u>(4,748,285)</u>
Net accounts receivable	<u>\$ 8,062,053</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2008, is presented as follows:

	Beginning Balance 7/01/07	Additions	Deletions	Ending Balance 6/30/08
Non-depreciable Capital Assets:				
Land	\$ 2,019,871	\$ -	\$ -	\$ 2,019,871
Construction in progress	18,205,988	14,522,224	(17,486,031)	15,242,181
Total Non-depreciable Capital Assets	20,225,859	14,522,224	(17,486,031)	17,262,052
Depreciable Capital Assets:				
Other Structures & Improvements	29,841,955	1,880,675	-	31,722,630
Buildings	85,413,230	15,666,690	-	101,079,920
Equipment	9,987,711	1,381,651	(580,436)	10,788,926
Library books	4,113,967	151,829	(34,329)	4,231,467
Total Depreciable Capital Assets	129,356,863	19,080,845	(614,765)	147,822,943
Less Accumulated Depreciation for:				
Other Structures & Improvements	3,593,101	1,160,368	-	4,753,469
Buildings	27,738,650	1,636,459	-	29,375,109
Equipment	7,757,031	635,446	(538,174)	7,854,303
Library Books	3,421,587	156,198	(34,329)	3,543,456
Total Accumulated Depreciation	42,510,369	3,588,471	(572,503)	45,526,337
Total Depreciable Capital Assets, Net	86,846,494	15,492,374	(42,262)	102,296,606
Capital Assets, net	\$107,072,353	\$ 30,014,598	\$(17,528,293)	\$119,558,658

The College's total investment in inventoried assets for the State of Mississippi was \$142,527,077. Due to the College's depreciation policy only a portion of the assets are capitalized and depreciated.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 4 - Capital Assets (continued)

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

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

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

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 5 - Long-term Liabilities (continued)

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

Year Ending June 30	Bonded Debt	Notes Payable	Capital Leases	Interest	Total
2009	\$ 1,755,000	\$ 199,111	\$ 1,650,914	\$ 1,347,440	\$ 4,952,465
2010	1,830,000	199,659	369,471	1,226,343	3,625,473
2011	1,905,000	196,050	383,696	1,138,360	3,623,106
2012	1,985,000	11,630,979	398,469	1,051,712	15,066,160
2013	2,070,000	79,367	-	966,628	3,115,995
2014-2018	11,785,000	276,804	-	3,478,752	15,540,556
2019-2023	8,330,000	172,360	-	1,099,288	9,601,648
2024-2026	<u>1,035,000</u>	<u>80,205</u>	<u>-</u>	<u>45,806</u>	<u>1,161,011</u>
Totals	<u>\$ 30,695,000</u>	<u>\$ 12,834,535</u>	<u>\$ 2,802,550</u>	<u>\$ 10,354,329</u>	<u>\$ 56,686,414</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 6 - Natural Classifications with Functional Classifications

The college's operating expenses by functional classification were as follows for the year ended June 30, 2008:

<u>Functional Classification</u>	<u>Salaries & Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships & Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Total</u>
Instruction	\$ 24,665,835	\$ 6,443,082	\$ 287,564	\$ 284,219	\$ -	\$ 1,025,835	\$ 1,505,167	\$ -	\$ 34,211,702
Instructional Support	2,511,719	685,277	125,299	90,061	-	-	170,385	-	3,582,741
Student Services	3,908,973	1,048,872	64,888	647,094	-	451,604	608,018	-	6,729,449
Institutional Support	5,042,655	1,384,160	265,239	2,881,783	-	24,188	347,731	-	9,945,756
Operation of Plant	2,794,948	960,335	2,104	3,472,127	2,592,022	-	639,115	-	10,460,651
Student Aid	-	-	-	-	-	5,052,792	-	-	5,052,792
Auxiliary Enterprises	650,929	209,950	3,387	1,781,928	349,300	-	1,794,257	-	4,789,751
Plant and Endowment Ops.	-	-	-	1,994,576	-	-	939,204	3,588,471	6,522,251
	<u>\$ 39,575,059</u>	<u>\$ 10,731,676</u>	<u>\$ 748,481</u>	<u>\$ 11,151,788</u>	<u>\$ 2,941,322</u>	<u>\$ 6,554,419</u>	<u>\$ 6,003,877</u>	<u>\$ 3,588,471</u>	<u>\$ 81,295,093</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 7 - Construction Commitments and Financing

The institution has contracted for the construction of the following projects. At June 30, 2008, estimated costs to complete the projects are \$22,916,397. The remaining costs are to be funded as follows:

		Funded By			
	Total Costs to Complete	Federal Sources	State Sources	Institutional Funds	Other
Local funds:					
Perkinston Campus					
Dressing Rm/Locker Baseball/Softball	\$1,497,741	\$	\$	\$1,497,741	\$
Smith Hall Replacement	2,386,370	1,853,410			532,960
Jefferson Davis Campus					
Overlay/Landscape North Parking Lot	788,227			788,227	
Jackson County Campus					
MS DOT Enhanc./Loop Road	844,270			844,270	
Quad Utility/Landscaping	265,341			265,341	
MDWFP Trail	36,573	36,573			
West Harrison County Center					
Exterior Storage Building	9,675			9,675	
District Bonds					
Perkinston Campus					
Residence Hall Upgrade	2,851,572				2,851,572
Weeks Hall Renovation	18,340				18,340
Jefferson Davis Campus:					
Hospitality/Resort Management	4,278,211				4,278,211
Jackson County Campus					
Estuarine Education Center	30,504				30,504
Maintenance/Rec Facility	2,079,630				2,079,630
State Bond Funds:					
Perkinston Campus					
Maint/Tech/Trans Service Ctr	1,081,240		1,081,240		
Learning Resource Center	1,929,741		1,929,741		
Jefferson Davis Campus					
Hospitality & Tourism Site	811,900		811,900		
George County Center					
Academic Building	4,007,062		4,007,062		
Total	\$22,916,397	\$ 1,889,983	\$ 7,829,943	\$ 3,405,254	\$ 9,791,217

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2008

Note 8 - Pension Plan

Plan Description: The college contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirements System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 OR 1-800-444-PERS.

Funding Policy:

PERS members are required to contribute 7.25% of their annual covered salary. The institution is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 2008, 2007, and 2006 were \$4,377,343, \$3,879,963, and \$3,656,109, respectively, equal to the required contributions for each year.

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student financial Aid-Cluster			
U.S. Department of Education:			
Federal PELL Grant Program	84.063		\$ 9,254,229
Federal Supplemental Educational Opportunity Grants Program (FSEOG)	84.007		184,747
Federal Family Education Loans (FFEL)	84.032		4,331,312
Federal Work-Study Program (FWS)	84.033		<u>204,316</u>
Total Student Financial Aid Cluster			13,974,604
Other Programs:			
U.S. Department of Education:			
Higher Education Institutional Aid	84.031		253,501
Business in International Education Projects	84.153		34,018
Pass-through Programs From:			
State Board of Community and Junior Colleges – Adult Education _ State Grant Program	84.002		477,357
State Department of Education – Vocational Education Basic Grant	84.048	E-V048A020024	602,500
Board of Trustees of the Institution of Higher Learning – Leveraging Educational Assistance Partnership	84.069		6,812
State Department of Education – Tech Prep Education	84.243	E-V243A010024	<u>49,347</u>
Total U.S. Department of Education			1,423,535
U.S. Department of Health & Human Services:			
Pass-through Program From:			
Scholarship for Disadvantaged Students	93.925		17,586
U.S. Department of Defense:			
Student Financial Aid	12.UNK		347,092
National Aeronautics and Space Administration			
Pass-through Program From:			
University of Mississippi-Aerospace Education Services Program	43.001		4,500

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<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>
Department of Labor:			
Pass-through Program From:			
H-1B High Growth Job Training Grants	17.268		1,136,636
WIA Pilots, Demonstrations and Research Projects	17.261		505,230
National Endowment for the Humanities:			
Promotion of the Humanities-Division of Preservation And Access	45.149		24,750
National Endowment for the Arts			
Pass-through Program From:			
Mississippi Arts Commission			
The Big Read	45.024		10,000
Federal Emergency Management Agency			
Department of Homeland Security			
Disaster Grants-Public Assistance			
(Presidentially Declared Disasters)	97.036		7,447,532
Hazard Mitigation Grant	97.039		66,270
National Science Foundation:			
Education and Human Resources	47.076		81,033
Department of Transportation			
Pass-through Program From:			
Mississippi Department of Transportation			
Transportation Enhancement Program Grant	20.205		27,985
Department of Commerce:			
Pass-through Program From:			
Mississippi Technology Alliance – Manufacturing			
Extension Partnership	11.611		90,000
U.S. Department of Veterans' Affairs			
Vocational Rehabilitation of Disabled Veterans	64.116		73,963
Total Other Programs			11,256,112
Total Expenditures of Federal Awards			<u>\$ 25,230,716</u>

Notes to Schedule of Expenditures of Federal Awards

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

(1) For purposes of this schedule, loans made to students under the Federal Family Education Loan Program (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

**Culumber
Fletcher
Harvey &
Associates, P.A.**

Certified Public Accountants

250 Beauvoir Road, Suite 6
Beauvoir Professional Park
Biloxi, Mississippi 39531
Phone 228.594.6559 Fax 228.594.6554

**Robert L. Culumber, CPA
Dean A. Fletcher, CPA
David M. Harvey, CPA**

Thomas E. Clifford, CPA

**Independent Auditor's Report
on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

Dr. Willis H. Lott, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the financial statements of the business-type activities of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2008, as listed in the table of contents and have issued our report thereon dated December 19, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the college's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members:

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs

Biloxi • Gulfport



Compliance and Other Matters

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

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

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey, & Associates, P.A.
December 19, 2008

**Culumber
Fletcher
Harvey &
Associates, P.A.**

Certified Public Accountants

250 Beauvoir Road, Suite 6
Beauvoir Professional Park
Biloxi, Mississippi 39531
Phone 228.594.6559 Fax 228.594.6554

**Robert L. Culumber, CPA
Dean A. Fletcher, CPA
David M. Harvey, CPA**

Thomas E. Clifford, CPA

**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Federal Program
and Internal Control over Compliance in
Accordance with OMB Circular A-133**

Dr. Willis H. Lott, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

Compliance

We have audited the compliance of Mississippi Gulf Coast Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Mississippi Gulf Coast Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mississippi Gulf Coast Community College's management. Our responsibility is to express an opinion on Mississippi Gulf Coast Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mississippi Gulf Coast Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mississippi Gulf Coast Community College's compliance with those requirements.

In our opinion, Mississippi Gulf Coast Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Members:

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs

Biloxi • Gulfport



Internal Control over Compliance

The management of Mississippi Gulf Coast Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mississippi Gulf Coast Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey, & Associates, P.A.
December 19, 2008

**Culumber
Fletcher
Harvey &
Associates, P.A.**

Certified Public Accountants

250 Beauvoir Road, Suite 6
Beauvoir Professional Park
Biloxi, Mississippi 39531
Phone 228.594.6559 Fax 228.594.6554

**Robert L. Culumber, CPA
Dean A. Fletcher, CPA
David M. Harvey, CPA**

Thomas E. Clifford, CPA

**Independent Auditor's Report on Compliance with
State Laws and Regulations**

Dr. Willis H. Lott, President and
Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the financial statements of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. 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*.

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

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

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

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey, & Associates, P.A.
December 19, 2008

Members:

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs

Biloxi • Gulfport



The CPA Never Underestimates The Value

Mississippi Gulf Coast Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements;

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

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Student Financial Aid cluster: | |
| CFDA#: 84.063 | |
| CFDA#: 84.007 | |
| CFDA#: 84.032 | |
| CFDA#: 84.033 | |
| b. U. S. Department of Education: | |
| CFDA#: 84.002 | |
| CFDA#: 84.048 | |
| c. Department of Labor: | |
| CFDA#: 17.261 | |

Mississippi Gulf Coast Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

- | | |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$403,556 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section__315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

None

Section 3: Federal Award Findings and Questioned Costs

None