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Mississippi Gulf Coast Community College

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2016



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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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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 of Mississippi Gulf Coast Community College (the "College") and its aggregate discretely presented component unit, the Mississippi Gulf Coast Community College Foundation, Inc., as of and for the year ended June 30, 2016, 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 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, 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, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is 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

Cau, Rigge & Ingram, L.L.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 22, 2017, 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, LLC

Ridgeland, Mississippi February 22, 2017

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, 2016. 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 (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. GASB requires that we present comparative data.

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

The Statement of Net Position

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

Condensed Statements of Net Position

June 30,		2016		2015
Assets				
Current assets	\$	62 502 552	۲	F0 662 261
	Þ	62,503,552	\$	58,662,261
Non-current assets				
Refundable deposits		500		501
Capital, net		171,507,686		159,870,405
Total assets	\$	234,011,738	\$	218,533,167
Deferred outflows	\$	15,909,358	\$	7,461,033
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Liabilities				
Current liabilities	\$	9,780,868	\$	8,280,644
Non-current liabilities		105,252,082		88,290,045
Total liabilities	\$	115,032,950	\$	96,570,689
Deferred inflows	\$	2,411,096	\$	11,298,048
Deterred millows	<u> </u>	2,411,030	٧	11,230,040
Net position				
Net investment in capital assets	\$	156,527,828	\$	142,428,197
Restricted:				
Expendable		21,790,961		19,502,200
Unrestricted		(45,841,739)		(43,804,934)
Total net position	\$	132,477,050	\$	118,125,463

Assets

Current Assets

Cash and Cash Equivalents

Cash, cash equivalents and short-term investments consist of cash in the College's bank accounts, petty cash, and certificate of deposit investments. The total amount of cash, cash equivalents and short-term investments reported as current assets on the College's financial statements were \$51,262,329 at June 30, 2016 and \$48,644,007 at June 30, 2015. This represented an increase of \$2,618,322 or 5.4% of cash and short-term investments available for operational activities.

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 \$5,990,745 at June 30, 2016 and \$6,774,049 at June 30, 2015 which represents a decrease of \$783,304 or 11.6%. The net receivable decrease also includes an increase in the College's allowance for doubtful accounts of \$440,347. 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.

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 \$1,451,659 at June 30, 2016 and \$1,833,560 at June 30, 2015, a decrease of \$381,901 or 20.8%.

Prepaid Expenses

The College prepays certain amounts including advances for construction activities and premiums relating to insurance coverage. Prepaid expenses totaled \$3,793,555 at June 30, 2016 and \$1,402,706 at June 30, 2015, an increase of \$2,390,849, principally as a result of increased construction activities.

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, 2016. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$171,507,686 at June 30, 2016 and \$159,870,405 at June 30, 2015. This represents an increase of \$11,637,281 or 7.3%.

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, 2016 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$5,333,587 at June 30, 2016 and \$4,264,890 at June 30, 2015.

Accrued interest payable is presented separately from other accrued liabilities and totaled \$153,717 at June 30, 2016 compared to \$172,090 at June 30, 2015.

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, 2016 fiscal year. The unearned revenue totaled \$1,402,244 at June 30, 2016 and \$1,269,188 at June 30, 2015.

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, 2016 fiscal year. The amount of the current portion of compensated absences totaled \$315,699 at June 30, 2016 and \$302,409 at June 30, 2015.

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, 2016 fiscal year. The amount of the current portion of long-term debt totaled \$2,575,621 at June 30, 2016 and includes \$208,757 of future bond premium amortization which will reduce interest costs in the following year. The current portion of long-term debt at June 30, 2015, including future bond premium amortization totaled \$2,480,825.

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, 2016 and \$200 at June 30, 2015.

Deferred Inflows of Resources

The College's proportionate share of deferrals related to the net difference between projected and actual earnings on pension plan investments are being amortized over five years and totaled \$2,411,096 at June 30, 2016 compared to \$10,259,742 at June 30, 2015.

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 \$3,003,109 at June 30, 2016 and \$3,287,979 at June 30, 2015.

Net Pension Liability

The net pension liability consists of the College's proportionate share of the collective PERS net pension liability and was \$89,770,643 at June 30, 2016 and \$70,777,664 at June 30, 2015.

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, including unamortized bond premiums was \$12,478,130 at June 30, 2016 and \$15,053,750 at June 30, 2015, a decrease of \$2,575,620 or 17.1%.

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 \$132,477,050 at June 30, 2016 and was \$118,125,463 at June 30, 2015. This represents an increase of \$14,351,587 or 12.1%.

Analysis of Net Position

The College's net position related to its net investment in capital assets was \$156,527,828 at June 30, 2016 and \$142,428,197 at June 30, 2015. 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 2016 of \$14,099,631 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.

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:

June 30,	2016	2015
Capital projects	\$ 14,880,206	\$ 15,180,441
Other purposes	6,910,755	4,321,759
Total restricted net position	\$ 21,790,961	\$ 19,502,200

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 and is net of the College's proportionate share of the Public Employee's Retirement System of Mississippi net pension liability and related deferred inflows and outflows.

The following is a breakdown of the unrestricted net position:

June 30,	2016	2015
Unrestricted - available for operations:		
General and educational	\$ 26,669,430	\$ 28,007,569
Auxiliary enterprises	3,835,105	1,856,237
Deficit from recognition of net pension liability and related	(76,346,274)	(73,668,740)
deferred inflows and outflows	(70,340,274)	(73,006,740)
Total unrestricted net position	\$ (45,841,739)	\$ (43,804,934)

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

Year Ended June 30,		2016		2015
Operating Revenues:				
Tuition and fees, net	\$	23,038,681	\$	21,759,206
Grants and contracts	•	51,360,269	Ψ	55,415,333
Auxiliary sales and services, net		7,066,511		7,560,727
Sales & service of education		414,030		418,470
Other operating revenues		590,646		458,465
		000,010		100,100
Total operating revenues		82,470,137		85,612,201
Total operating expenses		120,266,944		125,932,374
Operating gain/loss		(37,796,807)		(40,320,173)
Non-Operating revenues (expenses): State appropriations		29,345,321		29,024,666
Local appropriations		9,482,213		9,078,363
Investment income, net		148,735		133,256
Other non-operating revenue (expenses)		(496,709)		(605,375)
other new operating revenue (expenses)		(100)100)		(000,010)
Net non-operating revenues		38,479,560		37,630,910
Income (loss) before other revenues (expenses)		682,753		(2,689,263)
Total other revenue (expenses)		13,668,834		9,763,769
Change in net position		14,351,587		7,074,506
Net position				
Net position, beginning of year (as restated in 2015)		118,125,463		111,050,957
Net position, end of year	\$	132,477,050	\$	118,125,463

Total operating loss for the fiscal year 2016 was \$37,796,807 and for fiscal year 2015 was \$40,320,173. 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 2016 were \$82,470,137 and for the fiscal year 2015 were \$85,612,201; a decrease of \$3,142,064 or 3.7%. Tuition and fees, net, were \$23,038,681 for fiscal year 2016 and \$21,759,206 for fiscal year 2015. Tuition and auxiliary services discounts were \$7,985,971 for fiscal year 2016 and \$5,147,202 for fiscal year 2015. Additionally, the provision for uncollectable accounts, netted against tuition and fee revenue was \$439,013 for fiscal year 2016 and \$1,046,654 for fiscal year 2015. Operating expenses for 2016, including depreciation of \$5,947,731, totaled \$120,266,944. Operating expenses for 2015, including depreciation of \$5,834,600, totaled \$125,932,374.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$23,038,681 for fiscal year 2016 and \$21,759,206 for fiscal year 2015. Tuition discounts were \$7,985,971 for 2016 and \$5,147,202 for 2015.

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, 2016 and June 30, 2015.

Year Ended June 30,	2016	2015
Federal sources	\$ 40,174,776 \$	45,212,558
State sources	8,827,490	8,233,975
Other	2,358,003	1,968,800
Total grants and contracts operating revenues	\$ 51,360,269 \$	55,415,333

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled \$414,030 for fiscal year ended June 30, 2016 and \$418,470 for fiscal year ended June 30, 2015.

Auxiliary Sales and Services

Auxiliary enterprises sales and services include the college bookstore, food services, and housing totaling \$7,066,511 in FY16 and \$7,560,727 in FY15. This is net of discounts of \$391,278 in 2016 and \$192,850 in 2015.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2016 total \$120,266,944 and include salaries and benefits of \$54,024,511, utilities of \$2,300,060, commodity supplies of \$9,667,292, contractual services of \$11,756,928, scholarships of \$36,020,541, travel of \$549,881 and depreciation of \$5,947,731. 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.

Year Ended June 30,	2016	2015
Expenses by function:		
Instruction	\$ 36,368,837	\$ 34,906,096
Instructional support	3,080,693	2,960,998
Student services	8,045,620	7,645,040
Institutional support	14,569,677	13,265,718
Operation of plant	11,880,354	12,559,731
Student aid	33,835,868	40,931,341
Auxiliary enterprises	6,394,752	6,743,089
Plant and endowment operations	6,091,143	6,920,361
Total operating expenses by function	\$ 120,266,944	\$ 125,932,374

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenues is the State of Mississippi appropriation. The College received \$30,165,485 for fiscal year 2016, of which \$29,345,321 was for operations and \$820,164 was spent on behalf of the College for capital projects. 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.

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 \$19,281,702 in fiscal year 2016 of which \$9,482,213 was for operating purposes and \$9,799,489 which was used for capital purposes. The College received \$18,353,148 in fiscal year 2015 of which \$9,078,363 was for operating purposes and \$9,274,785 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, 2016 was \$148,735 and for fiscal year ended June 30, 2015 was \$133,256, which represents an increase of \$15,479 or 11.6%. 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 2016 totaling \$683,114. For fiscal year 2015 bond issue costs and bond premium totaled \$190,285 and interest on long term indebtedness totaled \$789,850.

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 2016 capital appropriations were \$820,164 for prepaid projects and fiscal year 2015 capital appropriations were \$126,865 for prepaid projects.

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 2016 local appropriations were \$9,799,489, and fiscal year 2015 local appropriations were \$9,274,785, an increase of \$524,704 or 5.7%.

Grants, Gifts and Contracts for Capital Purposes

This category includes grants and contracts received from other sources to purchase, construct, renovate, or repair capital assets. Fiscal year 2016 grant and contract awards for capital purposes were \$2,941,940 compared to \$297,217 for fiscal 2015. Included in this category is a donation of real estate from the Foundation with an estimated fair value at date of donation of \$1,500,000. This property is being used for the purpose of constructing a nursing and simulation education facility.

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.

Condensed Statement of Cash Flows (Direct Method)

Year Ended June 30,	2016	2015
Cash and cash equivalents provided (used) by:		
Operating activities	\$ (29,221,937)	\$ (35,037,777)
Non-capital financing activities	38,491,606	38,066,408
Capital and related financing activities	(6,798,877)	(1,947,779)
Investing activities	6,147,530	(5,377,614)
Net increase (decrease) in cash and cash equivalents	8,618,322	(4,296,762)
Cash and cash equivalents, beginning of year	39,144,007	43,440,769
Cash and cash equivalents, end of year	\$ 47,762,329	\$ 39,144,007
Major sources of funds included in operating activities:		
Tuition and fees	\$ 22,485,290	\$ 22,129,573
Auxiliary enterprises	6,858,731	7,561,626
Grants and contracts	53,281,155	54,735,359
Major uses of funds were payments:		
To employees	(51,616,837)	(50,415,743)
To suppliers and students	(8,216,694)	(9,982,520)
To contractual services	(14,147,777)	(12,718,504)
For scholarships	(36,020,541)	(43,345,279)
For utilities	(2,300,060)	(3,302,052)

The largest inflow of cash in the non-capital financing activities group for fiscal year 2016 is the State appropriation of \$29,121,756 and for fiscal year 2015 is \$28,995,245. In addition, local appropriations from the four county districts are \$9,369,850 for fiscal year 2016 and \$9,071,163 for fiscal year 2015.

Significant Capital Asset Transactions

The College incurred the following transactions regarding capital construction projects during the 2016 fiscal year:

District Office Total Construction expenses were \$2,193,805.

Projects include Harrison Hall Renovations of \$375,691; Repair/Renovations to Liaison of \$49,707; and construction of a Nursing and Simulation Center of \$1,768,407.

Perkinston Campus Total Construction expenses were \$10,586,928.

Expenditures include Phase I CTE Renovations of \$632,709; Dormitory Chiller Replacement of \$125,300; Bryan Hall Compressor of \$67,795; Dees Hall Renovations \$132,837; Football Stadium Renovations \$6,496,657; New Parking Lot–Football Stadium of \$161,846; Jumbotron costs at Football Stadium of \$122,528: Baseball/Softball/Soccer Complex expenditures of \$2,615,769; Repair/Renovations to Stone Hall of \$120,496 and other upgrades around campus of \$110,991.

Jefferson Davis Campus Total Construction expenses were \$1,066,206.

Expenditures include Phase I CTE Renovations of \$148,004; Chemistry Vents of \$5,809; Cybercafé Renovations of \$30,568; Exterior Soffit/Fascia costs of \$362,712; Physical Education Building Renovations of \$14,063; Job Placement/VA Office Renovations of \$20,000; Fire Suppression System costs of \$201,204; Subsurface Drainage Improvements of \$53,808; Roof and Gutter Repairs of \$47,922; Student Services Renovations of \$72,636; and DMR Tidelands Project \$109,480.

Jackson County Campus Total Construction expenses were \$1,152,919.

Projects include Phase I CTE Renovations of \$459,172; Exterior Renovations of LRC of \$342,577; STEM Building Renovations of \$16,080; ORL Building Repairs of \$51,000; ORL/NRES Upgrade costs of \$8,350; Island Access Project costs of \$247,540; Campus Pole Replacement of \$14,376; and other repairs of \$13,824.

George County Center Total Construction expenses were \$24,475.

Project costs consist of Floor Replacement and Painting in the Magnolia Room of \$24,475.

Community Campus Total Construction expenses were \$132,828.

Projects included Welding Shop Electrical Panel Replacement of \$49,500; Replacement of Fire Alarms and Security Systems of \$46,831, Replacement of Exterior Doors of \$27,898; and Conference Room Renovations of \$8,599.

Funding sources for these projects included \$2,015,947 in federal and state grants, \$375,691 in state capital expense funds, and \$12,765,524 from other and local sources.

Factors Impacting Future Periods

There are a number of issues that are directly affecting 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 25% of our total current funds budget in fiscal year 2016. 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. However, in fiscal year 2016 the College did have a tuition increase. Full-time tuition increased from \$1,150 to \$1,400 per semester, and part-time tuition increased from \$115 to \$140 per credit hour. 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 cannot meet the education and technology demands of businesses and industries.

In addition to operating challenges, our need for deferred maintenance funds and new construction continue to challenge our ability to maintain reserve funds. These expenditures will continue to increase as our buildings age. The College will explore retrofitting 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 continue to provide 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 Executive Vice President for Administration and Finance, Dr. Michael Heindl, 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

		lississippi Gulf ast Community	Coast Communit			
June 30, 2016		College	College Foundat	tion		
Assets						
Current assets:						
Cash and cash equivalents	\$	47,762,329	\$ 2,101,1	185		
Short-term investments	*	3,500,000	– , –, –, –, –, –, –, –, –, –, –, –, –, –,	-		
Investments		-	2,132,0	162		
Interest receivable		5,264	17,4			
Accounts receivable, net		5,990,745	,	_		
Inventories		1,451,659		_		
Prepaid expenses		3,793,555		_		
Total current assets		62,503,552	4,250,6	549		
		, ,	,,-			
Non current assets:						
Refundable deposits		500		25		
Endowment investments		-	4,306,3	302		
Real estate held for investment		-	334,1	151		
Capital assets, net of accumulated depreciation		171,507,686	400,8	367		
Total non-current assets		171,508,186	5,041,3	345		
Total assets	\$	234,011,738	\$ 9,291,9) 94_		
Deferred Outflows						
Loss on debt refunding	\$	73,893				
Related to pensions		15,835,465				
Total deferred outflows	\$	15,909,358	\$			
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$	5,333,587	\$ 518,8	382		
Accrued interest payable		153,717		-		
Unearned revenue		1,402,244		-		
Accrued leave liabilities, current portion		315,699		-		
Long-term liabilities, current portion		2,575,621				
Total current liabilities		9,780,868	518,8	382		
Non-current liabilities						
Deposits refundable		200		-		
Accrued leave liabilities		3,003,109		-		
Net pension liability		89,770,643		-		
Long-term liabilities		12,478,130				
Total non-current liabilities		105,252,082				
		445 000 000	_	202		
Total liabilities	\$	115,032,950	\$ 518,8	582		
Deferred Inflows			•			
Related to pensions	\$	2,411,096	\$			
Total Deferred Inflows	\$	2,411,096	\$			

Commitments and Contingenices (Notes 10 and 11)

(Continued)

Mississippi Gulf Coast Community College Statement of Net Position

June 30, 2016	lississippi Gulf ast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Net Position		
Net investment in capital assets	\$ 156,527,828	\$ -
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	4,519,803
Expendable:		
Capital projects	14,880,206	-
Other purposes	6,910,755	-
Temporarily restricted	-	3,496,805
Unrestricted:		
Available (deficiency) for operations	(45,841,739)	355,637
Invested in capital assets	-	400,867
Net Position	\$ 132,477,050	\$ 8,773,112

(Concluded)

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

June 30, 2016	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Operating revenues		
Tuition and fees (net of scholarship discount \$ 7,594,693		
and provision for uncollectible accounts \$439,013) \$	23,038,681	\$ -
Gifts and contributions	-	1,193,654
Federal grants and contracts	40,174,776	-
State grants and contracts	8,827,490	-
Local grants and contracts	427,556	-
Private grants and contracts	1,930,447	
Sale and services of educational activities	414,030	-
Auxiliary services (net of discount \$391,278)	7,066,511	-
In-kind support	-	241,713
Other operating revenues	590,646	-
Total operating revenues	82,470,137	1,435,367
Operating expenses		
Salaries and wages	39,518,475	-
Fringe benefits	14,506,036	-
Travel	549,881	-
Contractual services	11,756,928	-
Commodities	9,667,292	-
Utilities	2,300,060	-
Financial aid	36,020,541	-
Scholarships	-	537,321
Program services general program support	-	398,699
Other	-	28,294
Conveyance of real estate to College	-	1,500,000
In-kind services	-	241,713
Depreciation	5,947,731	14,137
Total operating expenses	120,266,944	2,720,164
Operating gain/loss	(37,796,807)	(1,284,797)
Non-operating revenues (expenses)		
State appropriations (current funds)	29,345,321	-
Local appropriations (current funds)	9,482,213	-
Investment income	148,735	106,816
Interest expense on indebtedness	(492,829)	-
Net loss on investments	-	(142,108)
Arbitrage/cash management	(3,880)	
Net non-operating revenues	38,479,560	(35,292)
Income (loss) before other revenues, expenses, gains and losses	682,753	(1,320,089)
State appropriations for capital purposes	820,164	-
Local appropriations for capital purposes	9,799,489	-
Grants and contracts for capital purposes	2,941,940	-
Contribution of real estate		72,150
Gain from capital assets sold or retired	37,876	-
Miscellaneous revenue-sale of timber	69,365	
Additions to permanent endowments	-	63,498
Total other revenue (expenses)	13,668,834	135,648
Change in net position	14,351,587	(1,184,441)
Net position:		
p		0.057.552
Net position, beginning of year	118,125,463	9,957,553

Mississippi Gulf Coast Community College Statement of Cash Flows

June 30, 2016	ssissippi Gulf t Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Julie 30, 2010	College	College Foundation
Cash flows from operating activities:		
Tuition and fees	\$ 22,485,290	\$ -
Contributions received	-	1,234,144
Grants and contracts	53,281,155	-
Sales and services of educational departments	414,030	-
Payments to suppliers and students	(8,216,694)	-
Payments to employees for salaries and benefits	(51,616,837)	-
Payments for contractual services	(14,147,777)	(1,215,029)
Payments for travel	(549,881)	-
Payments for utilities	(2,300,060)	-
Payments for scholarships	(36,020,541)	-
Auxiliary enterprise sales and services	6,858,731	-
Other receipts	590,647	
Net cash provided by (used in) operating activities	(29,221,937)	19,115
Cash flows from non-capital financing activities:		
State appropriations	29,121,756	-
Local appropriations	9,369,850	-
Federal loan program receipts	14,720,097	-
Federal loan program disbursements	(14,720,097)	
Net cash provided by (used in) non-capital financing activities	38,491,606	<u> </u>
Cash flows from capital and related financing activities:		
Cash received for additions to permanent endowments	-	63,498
Proceeds from disposal of capital assets	51,512	-
Cash paid for capital assets	(16,085,008)	-
Capital appropriations received	10,502,225	-
Grants and contracts received for capital purposes	1,651,940	-
Other receipts	69,365	-
Principal paid on capital debt and leases	(2,287,424)	-
Interest paid on capital debt and leases	(701,487)	<u> </u>
Net cash provided by (used in) capital and		
related financing activities	(6,798,877)	63,498

(Continued)

Mississippi Gulf Coast Community College Statement of Cash Flows

June 30, 2016	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	\$ 9,500,000	\$ 2,404,746
Interest and dividends received on investments	151,410	122,810
Cash paid for investment fees	(3,880)	-
Purchases of investments	(3,500,000)	(3,049,170)
Net cash provided by (used in) investing activities	6,147,530	(521,614)
Net increase (decrease) in cash and cash equivalents	8,618,322	(439,001)
Cash and cash equivalents beginning of the year	39,144,007	2,540,186
Cash and cash equivalents end of the year	\$ 47,762,329	\$ 2,101,185
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: Operating income (loss)	\$ (37,796,807)	\$ (1,284,797)
Adjustments to reconcile net operating income (loss)		
to net cash provided by (used in) operating activities:		
Depreciation expense	5,947,731	14,137
Provision for uncollectible accounts	440,347	-
Pension expense	8,549,532	-
Donation - real estate conveyed to the College	-	1,500,000
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	586,312	-
Inventories	381,901	-
Prepaid expenses	(2,390,849)	-
Other assets	1	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	1,072,138	(210,225)
Deferred revenues	133,056	-
Deferred outflow- contributions made to pension		
plan after measurement date	(5,873,719)	-
Accrued leave liability	(271,580)	-
Total adjustments	8,574,870	1,303,912
Net cash provided by (used in) operating activities	\$ (29,221,937)	\$ 19,115

(Concluded)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 six 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).

The Foundation pays tuition on behalf of students attending the College. For the year ended June 30, 2016, total scholarships expensed by the Foundation were \$537,321, of which approximately \$508,000 was due and payable to the College at year-end. During 2016, the Foundation incurred expenses of approximately \$73,000 in educational and general support services paid to the College. In-kind services with an estimated value of \$241,713 were provided to the Foundation by the College during 2016. Also, during 2016, the Foundation donated real estate to the College with an estimated acquisition value of \$1,500,000 and which will be used to construct a nursing and simulation facility for educational purposes.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Short-term Investments

Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments and generally consist of certificates of deposit.

Investments and Fair Value Measurements

The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported in the Statement of Revenues, Expenses and Changes in Net Position.

Fair value, as defined by GASB Statement No. 72 – Fair Value Measurement and Application, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

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.

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.

Capital Assets, Net of Accumulated Depreciation

Capital assets are recorded at cost at the date of acquisition, or, if donated, at acquisition 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 for 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 for fifteen years and over, 10.5 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, 2016 as reported in the Statement of Net Position is \$3,318,808 with \$315,699 of this amount estimated as current.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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 pension inflows 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

- Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors.
- Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted expendable.

The unrestricted net position (deficit) balance of \$(45,841,739) at June 30, 2016, includes \$1,451,659 reserved for inventories, the impact of including the College's proportionate share of the PERS net pension liability and related deferred outflows/inflows of (\$76,346,274), and a remaining amount of \$29,052,876.

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. 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 were effective for fiscal years beginning after June 15, 2015.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. GASB Statement No. 82, *Pension Issues*, was issued in March 2016 to address practice issues raised during the implementation of the GASB's pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016.

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

NOTE 2: CASH AND SHORT-TERM 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.

The College's only investments as of June 30, 2016 consist of non-negotiable certificates of deposit maturing in less than one year and which are reported at cost. These short-term certificates of deposit have a credit rating of AAA.

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 as of June 30, 2016:

June 30, 2016

Students tuition	\$ 9,003,544
Auxiliary enterprise sales and services	4,356,473
Federal and state grants	2,275,190
Local appropriations	579,682
State appropriations	685,755
Other	 264
Total accounts receivable	16,900,908
Less allowance for doubtful accounts	 (10,910,163)
Net accounts receivable	\$ 5,990,745

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 uncollectible and fully reserved in a prior year.

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is presented as follows:

Year ended June 30, 2016

	Beginning Balance July 1, 2015	Additions	Deletions	Ending Balance June 30, 2016
Non-depreciable Capital Assets:				
Land	\$ 3,536,449	\$ 1,500,000	\$ -	\$ 5,036,449
Construction in Progress	4,337,859	15,157,162	(4,227,551)	15,267,470
Total Non-depreciable Capital Assets	7,874,308	16,657,162	(4,227,551)	20,303,919
Depreciable Capital Assets:				
Buildings	163,837,923	3,527,176	-	167,365,099
Other Structures and Improvements	44,205,117	204,717	(64,244)	44,345,590
Equipment	16,597,772	1,417,164	(754,635)	17,260,301
Library Books	1,038,879	79,330	(282,398)	835,811
Total Depreciable Capital Assets	225,679,691	5,228,387	(1,101,277)	229,806,801
Less Accumulated Depreciation for:				
Buildings	45,775,832	2,925,616	(57,263)	48,644,185
Other Structures and Improvements	15,615,072	1,712,768	-	17,327,840
Equipment	11,727,328	1,213,135	(734,212)	12,206,251
Library Books	565,362	96,212	(236,816)	424,758
Total Accumulated Depreciation	73,683,594	5,947,731	(1,028,291)	78,603,034
Total Depreciable Capital Assets, net	151,996,097	(719,344)	(72,986)	151,203,767
Capital Assets, net	\$ 159,870,405	\$ 15,937,818	\$ (4,300,537)	\$ 171,507,686

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:

	Estimated Useful	Salvage	Capitalization			
	Lives	Value	Threshold			
Buildings	40 Years	20%	\$50,000			
Other Structures and Improvements	20 Years	20%	25,000			
Equipment	3-15 Years	1-10%	5,000			
Library Books	10 Years	0%	-			

NOTE 4: CAPITAL ASSETS (Continued)

During 2016, the College received a donation from the Foundation in which the College was conveyed title to land previously held by the Foundation for the purpose of constructing a nursing and simulation facility. The estimated fair value of the land at date of donation approximated \$1,500,000.

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.

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, 2016. 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, 2016, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

June 30, 2016

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	•		s Deletions			Balance June 30, 2016		Due Within One Year
Bonded Debt: MS Development Bank Special Obligation Bonds MGCCC Limited Tax Obligation Refinancing Bonds Premium on bond offerings Total Bonded Debt	\$ 12,300,000 9,995,000	4.00-5.00% 4.00-5.00%	2024 2020	\$ 7,930,000 8,200,000 1,038,306 17,168,306	\$	-	1,4	735,000 185,000 108,757 128,757	\$	7,195,000 6,715,000 829,549 14,739,549	\$	770,000 1,565,000 208,757 2,543,757
Notes Payable: Perkinston Infrastructure Upgrade Economic Development Loan #2 Total Notes Payable	\$ 613,001 450,000	2.00% 0.00%	2026 2016	345,436 20,833 366,269		-		31,234 20,833 52,067		314,202 - 314,202		31,864 - 31,864
Other Long-term Liabilities: Deposits refundable Accrued leave liabilities Net pension liability Total Other Long-term Liabilities Total				\$ 200 3,590,388 70,777,664 74,368,252 91,902,827	\$	18,992,979 18,992,979 18,992,979	2	- 271,580 - 271,580 752,404		200 3,318,808 89,770,643 93,089,651 108,143,402	\$	315,699 - 315,699 2,891,320
Due within one year Total Long-term Liabilities				 , ,	•	, ,	, ,	,	• 	2,891,320 105,252,082	<u></u>	<u>, , , , , , , , , , , , , , , , , , , </u>

NOTE 5: LONG-TERM LIABILITIES (Continued)

Annual requirements to amortize outstanding long-term debt, including amortization of bond premiums, are as follows:

June 30,

	Bonded	Notes		
	Debt	Payable	Interest	Total
2017	\$ 2,543,757	\$ 31,864	\$ 381,098	\$ 2,956,719
2018	2,663,758	32,507	271,530	2,967,795
2019	2,763,758	33,163	172,675	2,969,596
2020	1,974,468	33,833	94,095	2,102,396
2021	1,797,519	34,516	198,760	2,030,795
2022 - 2026	2,996,289	148,319	252,314	3,396,922
Totals	\$ 14,739,549	\$ 314,202	\$ 1,370,472	\$ 16,424,223

NOTE 6: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The College's operating expenses by functional classification were as follows for the year ended June 30, 2016:

Year Ended June 30, 2016

Functional	Salaries &		Fringe		<u> </u>	Contractual		•		Sc	holarships &	D	epreciation	•
Classification	Wages		Benefits		Travel	Services	Co	mmodities	Utilities		Fellowships		Expense	Tota
Instruction	\$ 23,281,078	Ś	8,253,434	Ś	161,184	\$ 1,955,228	\$	1,394,730	\$ 2,112	\$	1,321,071	\$		\$ 36,368,83
Instructional Support	2,045,962		754,276	'	29,984	37,250	'	213,221	, -	'	-		-	3,080,69
Student Services	4,368,052		1,530,786		169,399	757,559		455,604	-		764,220		-	8,045,62
Institutional Support	5,636,573		2,155,846		174,029	5,840,244		658,362	5,241		99,382		-	14,569,67
Operation of Plant	3,394,793		1,492,916		5,375	2,530,928		2,756,138	1,700,204		-		-	11,880,35
Student Aid	-		-		-	-		-	-		33,835,868		-	33,835,86
Auxiliary Enterprises	792,017		318,778		9,910	590,168		4,091,376	592,503		-		-	6,394,75
Plant Operations	-		•		-	45,551		97,861	-		•		5,947,731	6,091,14
Total	\$ 39,518,475	\$	14,506,036	\$	549,881	\$ 11,756,928	\$	9,667,292	\$ 2,300,060	\$	36,020,541	\$	5,947,731	\$ 120,266,94

NOTE 7: CONSTRUCTION COMMITMENTS AND FINANCING

The institution has contracted for the construction of the following projects. At June 30, 2016, estimated costs to complete the projects are \$26,548,822. The remaining costs are to be funded as follows:

		_				Funded By		
		Total Costs	Fed	eral		State	Ir	nstitutional
June 30, 2016	t	o Complete	Sou	rces	Sources			Funds
Local funds:								
District Office:								
Harrison Hall Renovations	\$	5,932,954	\$	-	\$	4,792,850	\$	1,140,104
Nursing and Simulation Center		10,231,593		-		10,231,593		-
Perkinston Campus:								
Football Stadium Renovations		788,070		-		-		788,070
Baseball/Softball/Soccer Complex		1,646,766		-		-		1,646,766
Phase I CTE Renovations		662,918		-		-		662,918
New Parking Lot - Football Stadium		328,154		-		-		328,154
Jefferson Davis Campus:								
Job Placement/VA Office Renovations		52,544		-		-		52,544
Phase I CTE Renovations		304,869		-		-		304,869
Subsurface Drainage Improvement		87,192		-		-		87,192
Exterior Soffit/Fascia Replacement		661,830		-		-		661,830
Fire Suppression System		23,084		-		-		23,084
Jackson County Campus:								
Island Access		99,463	99,	463		-		-
Phase I CTE Renovations		534,225		-		-		534,225
STEM Building		5,195,160		-		2,804,393		2,390,767
	\$	26,548,822	\$ 99,	463	\$	17,828,836	\$	8,620,523

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

NOTE 8: PENSION PLAN (Continued)

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.

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 is a cost-sharing multiple-employer public employee retirement plan that provides 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

NOTE 8: PENSION PLAN (Continued)

(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.

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.

The PERS Board of Trustees implemented a revised funding policy aimed at stabilizing the employer contribution rate, resulting in an employer contribution rate of 15.75 percent for both fiscal 2016 and 2015.

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

At June 30, 2016 the College reported a liability of \$89,770,643 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2015 the College's proportion was 0.5807380% (used to determine its proportionate share of the collective net pension liability as of June 30, 2016) as compared to its proportion measured at June 30, 2014 of 0.5830710% or a decrease of 0.0023%.

NOTE 8: PENSION PLAN (Continued)

For the year ended June 30, 2016, the College recognized pension expense of \$8,551,253. At June 30, 2016 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ 2,085,607	\$ -
Changes of assumptions	7,733,435	-
Net difference between projected and actual earnings		
on pension plan investment	-	2,411,096
Changes in proportion and differences between employer		
contributions and proportionate share of contributions	142,704	-
Employer contributions subsequent to the measurement date	5,873,719	
Total	\$ 15,835,465	\$ 2,411,096

Deferred outflows of resources related to pensions resulting from College contributions subsequent to June 30, 2015 (the measurement date) were \$5,873,719 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Net D Outflows/	eferred Inflows
Year ended June 30,	of Re	sources
2017	\$ 2,6	517,321
2018	2,4	83,533
2019	1,1	36,660
2020	1,3	13,136
Total	\$ 7,5	50,650

NOTE 8: PENSION PLAN (Continued)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00%

Investment rate of return 7.75%, net of pension plan investment expenses

Projected salary increases 3.75%-19.00%, average, including inflation

The actuarial assumptions used in the actuarial valuation as of June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report was dated May 4, 2015.

Mortality rates for PERS were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with mortality improvements based on Scale BB to 2016, with male rates set forward one year.

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

		Long-Term	
		Expected	
	Target	Rate of	
Investment Asset Class	Allocation	Return	
U.S. Broad	34.00%	5.20%	
International Equity	19.00%	5.00%	
Emerging markets equity	8.00%	5.45%	
Fixed income	20.00%	0.25%	
Real assets	10.00%	4.00%	
Private equity	8.00%	6.15%	
Cash	1.00%	-0.50%	
Total	100.00%		

NOTE 8: PENSION PLAN (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that 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.

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease	Current Rate	1% Increase
	(6.75%)	(7.75%)	(8.75%)
College's proportionate share of			
collective net pensions liability	\$ 118,325,931	\$ 89,770,643	\$ 66,075,092

Collective deferred outflows of resources and deferred inflows of resources related to pensions and changes in assumptions

Annual charges to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average expected remaining service life of active and inactive members. In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

NOTE 8: PENSION PLAN (Continued)

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, 2015. The supporting actuarial information is included in the GASB Statement No. 67 Report for the PERS prepared as of June 30, 2015. The auditor's report dated February 3, 2016 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, 2015 and for the year then ended is also available. The additional financial and actuarial information is available at www.pers.ms.gov.

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

The College has evaluated subsequent events through February 22, 2017, which is the date the financial statements were available to be issued.

NOTE 10: 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.

NOTE 11: SUBSEQUENT EVENT

During 2016, the College issued Series 2016 special obligation bonds in the amount of \$73,620,000 through the Mississippi Development Bank for the purpose of (a) financing the costs of certain improvements and capital expenditures, including without limitation constructing, furnishing and equipping dormitories, facilities for STEM instruction and research, a cafeteria, a student union, and a fine arts theater; (b) refunding the Mississippi Development Bank Special Obligation Bonds, Series 2007 (Mississippi Gulf Coast Community College District Limited Tax Obligation Capital Improvement Bond Projects); and (c) paying the costs incurred by the College in connection with the sale of the Bonds.

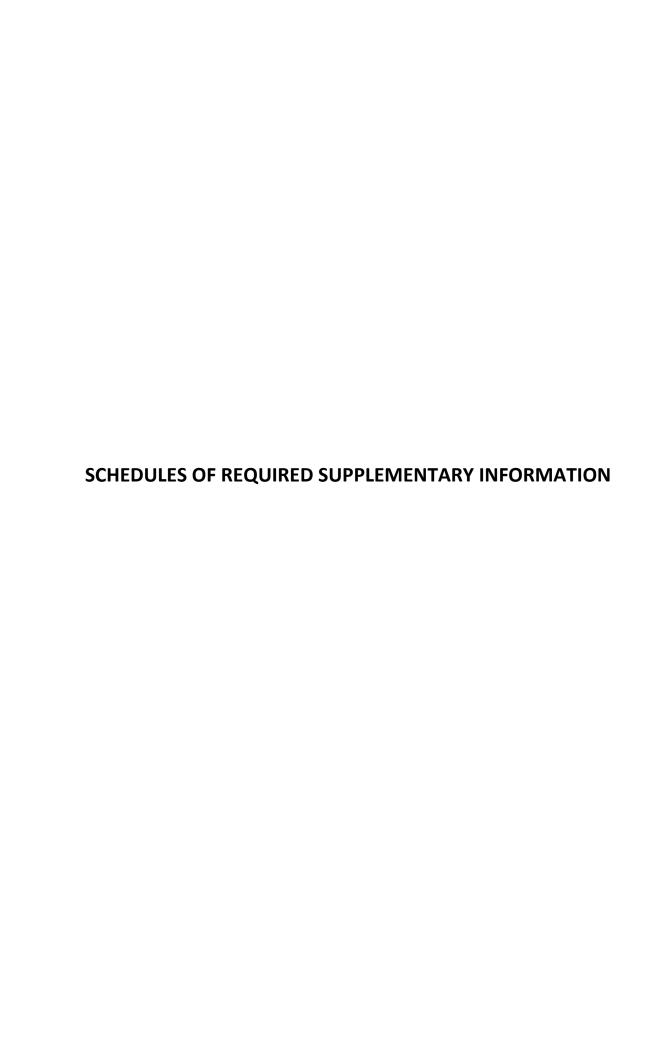
The Series 2016 bonds were issued with a premium of approximately \$4,715,000 and net of an underwriting discount of approximately \$644,000. Of the proceeds, approximately \$7,332,000 was deposited and used for the refunding of the Series 2007 bonds resulting in an estimated net present value savings of \$691,000 or 9.60% of the refunded par value amount.

NOTE 11: SUBSEQUENT EVENT (Continued)

Debt service of the new Series 2016 bonds, excluding net premium amounts, over the next five years and thereafter is as follows:

June 30,

		Bonded		
		Debt	Interest	Total
2017	\$	-	\$ 1,573,000	\$ 1,573,000
2018		-	2,817,000	2,817,000
2019		-	2,817,000	2,817,000
2020		-	2,817,000	2,817,000
2021		1,740,000	2,817,000	4,557,000
2022 - 2047		71,880,000	43,924,000	115,804,000
	_			
Totals	\$	73,620,000	\$ 56,765,000	\$ 130,385,000



Mississippi Gulf Coast Community College Schedule of Required Supplementary Information Schedule of the College's Proportionate Share of the Net Pension Liability For the Two Years Ended June 30, 2016

Year Ended June 30,	2016	2015
Last Ten Fiscal Years: *		
College's proportion of the net pension liability	\$ 89,770,643	\$ 70,777,664
College's proportionate share of the net pension liability	0.5807380%	0.5830710%
College's covered-employee payroll	\$ 35,868,560	\$ 35,156,121
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.28%	201.32%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, GASB No. 68 was implemented in fiscal June 30, 2015, and until a full ten-year trend is compiled, the College has only presented information for the years in which the information is available.

^{*} The amounts presented for each fiscal year were determined as of the measurement date of June 30, of the year prior to the fiscal year presented.

Mississippi Gulf Coast Community College Schedule of Required Supplementary Information Schedule of the College's Contributions Last Ten Years Ended June 30, 2016

June 30, 2016		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$	5,873,719 \$	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
Contributions in relation to the contractua required contribution	ally	5,873,719	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
Contribution deficiency (excess)	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	
College's covered-employee payroll	\$	36,988,099 \$	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
Contributions as a percentage of the covered-employee payroll		15.75%	15.75%	15.75%	14.26%	12.93%	12.00%	12.00%	11.85%	11.85%	11.30%

Mississippi Gulf Coast Community College Notes to Required Supplementary Information For the Year Ended June 30, 2016

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, 2015. 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, 2015.

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. The employer contribution rate has remained at 15.75 percent for each of the two years ending June 30, 2016.

NOTE 3: CHANGE OF ASSUMPTIONS

In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

Mississippi Gulf Coast Community College Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Year ended June 30,

real ended Julie 30,	Federal	Pass-Through Entity	
	CFDA	Identifying	Federal
Federal Grantor/Pass-through Grantor/Program or Cluster Title	Number	Number	Expenditures
Student Financial Aid-Cluster			
U.S. Department of Education			
Federal Pell Grant Program	84.063	\$	22,851,578
Federal Supplemental Educational Opportunity Grants	84.007		210,693
Federal Direct Student Loans	84.268		14,718,027
Federal Work-Study Program	84.033		254,541
Total Student Financial Aid Cluster		\$	38,034,839
Other Programs			
U.S. Department of Education			
Pass-through Programs from:			
State Board of Community and Junior Colleges			
Adult Education - Basic Grants to States	84.002	\$	600,417
State Department of Education - Career and Technical			
Education - Basic Grants to States	84.048	E-V048A020024	893,474
Tech-Prep Education	84.243	E-V243A01002	15,000
Total U.S. Department of Education		\$	1,508,891
U.S. Dangertmant of Health & Human Carvicas			
U.S. Department of Health & Human Services Mississippi INBRE	93.859	ċ	60,631
Total U.S. Department of Health & Human Services	95.659	\$ \$	60,631
Total 0.3. Department of Health & Human Services		ş	00,031
National Science Foundation			
Education and Human Resources	47.076	\$	119,363
Total National Science Foundation		\$	119,363
National Aeronautics and Space Administration			
Pass-through Program From:			
University of Mississippi - Science	43.008	\$	4,287
NASA Scholarship Grant	43.008		22,680
Total National Aeronautics and Space Administration		\$	26,967

(Continued)

Mississippi Gulf Coast Community College Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Year	end	led	lune	30
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		Pass-Through Entity Identifying Number	Federal Expenditures				
Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number						
				Other Programs (continued)			
				U.S. Department of Labor			
WIA Cluster							
Pass-through Programs from:							
Mississippi Department of Employment Services							
WIA Dislocated Workers NEG	17.277	\$	119,952				
South Mississippi Planning & Development District	17.278		138,138				
Total U.S. Department of Education		\$	258,090				
W6.0							
U.S. Department of Commerce							
Pass-through Program From:							
Mississippi Technology Alliance - Manufacturing	44.644	A	05.025				
Extension Partnership	11.611	\$ \$	95,025				
Total National Aeronautics and Space Administration		\$	95,025				
U.S. Department of Justice							
Pass-through Program From:							
Mississippi Department of Public Safety							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$	11,319				
Total U.S. Department of Justice		\$	11,319				
Constitution for Mathematical Constitution (Constitution)							
Corporation for National and Community Service	04.0404	A	2 702				
Non-Trade Gaming Summit	84.048A	\$	3,782				
Total Corporation for National and Community Service		\$	3,782				
Total Other Programs			2,084,068				
Total Expenditures of Federal Awards		\$	40,118,907				

(Concluded)

Mississippi Gulf Coast Community College Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule includes all federal awards administrated by Mississippi Gulf Coast Community College. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 22, 2017. The financial statements of the Mississippi Gulf Coast Community College, Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 II 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, LLC

Can, Rigge & Ingram, L.L.C.

Ridgeland, Mississippi February 22, 2017



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

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 Mississippi Gulf Coast Community College's (the "College') compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and condition of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance 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. We did identify one deficiency in internal control over compliance, described in Section III of the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency.

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

Carr, Riggs & Ingram, L.L.C.
CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi February 22, 2017



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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, 2016, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 22, 2017. 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, LLC

Can, Rigge & Ingram, L.L.C.

Ridgeland, Mississippi February 22, 2017

Mississippi Gulf Coast Community College **Schedule of Findings and Questioned Costs** For the Year Ended June 30, 2016

Section I: 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 Yes considered to be material weakness(es)

Federal Awards:

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

6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

7. Federal programs identified as major programs:

a. Student Financial Aid Cluster:

CFDA#: 84.063 CFDA#: 84.007 CFDA#: 84.268 CFDA#: 84.033

b. Career and Technical Education – Basic Grants to States:

CFDA#: 84.048

8. The dollar threshold used to distinguish between type A

and type B programs: \$750,000

9. Auditee qualified as a low-risk auditee under §200.516

Criteria for a low-risk auditee? Yes

Mississippi Gulf Coast Community College Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Section II: Financial Statement Findings

2016-01: Construction in Progress Liability Accruals

Finding Type: Significant Deficiency

During our review of the College's accounts payable and accrued liability cut-off, we noted that an improper cut-off process was in place for contractor invoicing of construction in progress billings. As a result, during our search for unrecorded liability procedures we identified approximately \$1,760,000 of contractor billings for work incurred prior to year-end and billed subsequently had not been properly accrued. While, the effect of this misstatement did not have an impact on the College's net position, it did result in an understatement of construction in progress and accounts payable which required and audit adjustment.

We recommend that management develop a more formal methodology for determining the proper cut-off of contractor services and related billings for work incurred prior to the College's fiscal year end. This should include closer scrutiny of contractor and other related vendor billings received subsequent to year end as part of the College's formal close process.

Section III: Federal Award Findings and Questioned Costs

2016-002: Suspension and Debarment

Finding Type: Immaterial Noncompliance / Significant Deficiency

Program Tested: CFDA # 84.048 (Career and Technical Education – Basic Grants to States

passed through from the State Department of Education)

Criteria — In accordance with 2 CFR Part 180, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or that meet certain other criteria. Federal procurement regulations require grantees to verify that vendors with contracts over \$25,000 are not suspended or debarred. This verification may be accomplished through checking the System for Award Management (SAM) website (www.sam.gov) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause to the contractual agreement specifying that the contractor/vendor warrants that they are not a suspended or disbarred entity.

Mississippi Gulf Coast Community College Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Condition/Context — We tested compliance and internal controls over procurement for the purchases of certain equipment allowed to be acquired through this grant and reviewed the College's internal control process to ensure transactions are not conducted with vendors that have been suspended or debarred.

Although, our testing disclosed no evidence of covered transactions to parties that have been suspended or debarred, we determined the College does not have a process in place to document that such a review has been conducted. As a result, there was no documentation to support that a SAM's check was performed to determine if the vendors for the covered transactions tested were debarred or suspended.

Cause – Due to insufficient controls over the procurement process for this compliance requirement, the controls are not operating as designed (or not properly implemented) to prevent, detect and correct errors timely.

Effect – Failure to perform the SAM's check may result in contracting with an entity that is suspended or debarred.

Questioned Costs – None reported

Repeat Finding from Prior Year - No

Section IV: Prior Findings and Questioned Costs

The financial reporting finding identified in our 2015 audit report as item FR2015-01 has been satisfactorily resolved and the College's corrective action plan has been implemented.

Mississippi Gulf Coast Community College Auditee's Management Response to Findings For the Year Ended June 30, 2016

Auditee's Corrective Action Plan - Financial Statement Finding 2016-01:

Name(s) of Contact Person(s) Responsible for Corrective Action: Shelly Ford, Comptroller

Management Response and Corrective Action Planned:

The College will ensure that all liabilities are properly recorded, including construction invoices, for reporting purposes. The Account Payable manager will identify all invoices received subsequent to the fiscal year end, and prepare for accrual purposes. Upon approval by the Comptroller, the proper accrual will be recorded in the general ledger.

Anticipated Completion Date: February 2, 2017

Auditee's Corrective Action Plan – Federal Awards Finding 2016-02:

Name(s) of Contact Person(s) Responsible for Corrective Action: Shelly Ford, Comptroller

Management Response and Corrective Action Planned:

The College now has a procedure in place to ensure that the System for Award Management is being utilized for compliance with 2 CFR Part 180. All vendors with whom the College makes purchases with federal funds of \$25,000 or greater will be checked for suspension or debarment. Documentation of this process will be maintained for audit purposes. The individual conducting the review will be the College's Coordinator of Grants and Special Contracts.

Anticipated Completion Date: February 2, 2017