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Mississippi Delta Community College

Financial Statements

June 30, 2017

Ellis & Hirsberg

Certified Public Accountants, PLLC

Clarksdale, Mississippi

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MISSISSIPPI DELTA COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the college's basic financial statements as listed in the table of contents. We did not audit the financial statements of Mississippi Delta Community College Development Foundation, Inc., a discretely presented component unit, which represents 100 percent of the assets, net position, and revenues of the Mississippi Delta Community College's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditor.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Mississippi Delta Community College Development Foundation, Inc., a discretely presented component unit, which represents 100 percent of the assets net position and revenues of the Mississippi Delta Community College's discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for Mississippi Delta Community College is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. However, the financial statements of Mississippi Delta Community College Development Foundation, Inc., component unit, audited by other auditors 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 auditor's 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 auditor considers 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 and the report of the other auditor are sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of June 30, 2017, 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, the schedule of the College's share of the net pension liability, and the schedule of the College's contributions, on pages 7 through 14 and pages 47 through 51 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 Mississippi Delta Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018 on our consideration of the Mississippi Delta Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi Delta Community College's internal control over financial reporting and compliance.

Eddin & Hunsley CPA'S PLLC

March 21, 2018
Clarksdale, Mississippi

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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**MISSISSIPPI DELTA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Overview of the Financial Statements

The College's financial report consists of two sections - Management's Discussion and Analysis, which is required supplementary information (this section), and the basic financial statements including the notes to the financial statements. The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

The College has one component unit, the Mississippi Delta Community College Foundation, Inc. (the Foundation). It is a discretely presented component unit. The main purpose of the Foundation is to raise money to supplement the College's resources. The complete financial statements can be obtained by writing to P. O. Box 668, Moorhead, MS 38671.

Basic Financial Statements

The basic financial statements present information for the College as a whole. The **Statement of Net Position** presents the financial position at the end of the fiscal year and includes all assets and liabilities of the College. The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is one measure of financial health or position, while the change in net position is a useful indicator of whether the financial condition is improving or deteriorating. Over time, increases or decreases in the College's net position can be useful in assessing whether its financial health is improving.

The **Statement of Revenues, Expenses and Changes in Net Position** presents the operating results, as well as non-operating revenues and expenses. In general terms, operating revenues are received for providing goods and services and operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues. Non-operating revenues are those received for which goods and services are not provided as an exchange transaction. For example, State Appropriation revenues are classified as non-operating because the State Legislature provides them, without the Legislature receiving commensurate goods or services in return. Due to this classification treatment, the College's financial statements typically depict an overall operating loss. Other revenue sources include gifts, grants and appropriations restricted for capital purposes.

The **Statement of Cash Flows** provides another perspective on the results of operations. This statement provides detailed information about the cash sources and uses. Additional details concerning this statement are explained later in this report.

Other non-financial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the College.

Statement of Net Position

Net position is divided into three major categories:

- **Net Investment in Capital Assets** - represent the equity in property, plant and equipment owned by the System.

- **Restricted Net Position** - represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements.
- **Unrestricted Net Position** - represent those assets that are available for any lawful purpose.

From the data presented, readers of the Statement of Net Position are able to determine the following:

- the assets available to continue the operations of the College
- the liabilities of the College which include the amount owed vendors and lending institutions, and
- the net position that is available for expenditure by the College.

Current assets total \$15,328,919 and consist primarily of cash and cash equivalents, short-term investments, net receivables. Current liabilities total \$2,029,158 and consist primarily of accounts payable, accrued liabilities, unearned revenues, and short-term bond/note obligations.

Non-current assets total \$43,300,732 and include depreciated capital assets of \$42,857,053. Other non-current assets include cash and investments that are restricted externally by endowment arrangements, or internally by management so as to maximize investment earnings.

Non-current liabilities total \$35,177,595 which represent faculty housing deposits of \$2,850, funds held on deposit for the Department of Corrections for vocational night instructional payroll of \$30,000, and the net pension liability of \$33,938,745.

Restricted non-expendable net position totals \$10,000 and consists of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to the principal.

The College's total net position of \$23,834,051 is made up of restricted expendable positions of \$3,742,736 which includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties and a Pension Liability of (\$33,938,745) with *GASB 68*. The College's total net position without *GASB 68* is \$55,361,643. The deferred pension related outflows are \$10,047,959 and the deferred pension related inflows are \$7,636,806. A summarized listing of Mississippi Delta Community College's assets, liabilities and net position at June 30, 2017 and June 30, 2016 is shown below.

Statement of Net Position

	June 30, 2017	June 30, 2016	Change	Percent Change
Assets				
Current assets	15,328,919	15,448,263	(119,344)	(0.78)%
Capital assets	42,857,053	40,166,035	2,691,018	6.70%
Other assets	443,679	387,299	56,380	14.46%
Total Assets	58,629,651	56,001,597	2,628,054	4.69%
Deferred pension outflows	7,366,089	7,414,451	(48,362)	(0.65)%

Liabilities				
Current liabilities	2,029,158	2,381,799	(352,641)	(14.81)%
Noncurrent liabilities	35,177,595	33,790,409	1,387,186	4.11%
Total Liabilities	<u>37,206,753</u>	<u>36,172,208</u>	<u>1,034,545</u>	<u>2.86%</u>
Deferred pension inflows	4,954,936	4,707,157	247,779	5.26%
Net Position				
Net Investment in capital assets	41,561,053	38,783,035	2,778,018	7.16%
Restricted - nonexpendable	10,000	10,000	0	0.00%
Restricted - expendable	3,742,736	4,829,055	(1,086,319)	(22.50)%
Unrestricted	<u>(21,479,738)</u>	<u>(21,085,407)</u>	<u>(394,331)</u>	<u>(1.87)%</u>
Total Net Position	<u>23,834,051</u>	<u>22,536,683</u>	<u>1,297,368</u>	<u>5.76%</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) displays information on how the College's assets changed as a result of current year operations. This statement presents the System's operating and non-operating revenues and expenditures.

The SRECNP at June 30, 2017 indicates a net operating loss of \$15,963,239. The net loss does not include the 2017 effects of non-operating items - state appropriations, gifts, or net investment earnings.

Statement of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenue & Expenses				
Operating revenues	15,442,627	16,804,924	(1,362,297)	(8.11)%
Operating expenses	<u>(31,405,866)</u>	<u>(30,694,184)</u>	<u>(711,682)</u>	<u>(2.32)%</u>
Operating income (loss)	<u>(15,963,239)</u>	<u>(13,889,260)</u>	<u>(2,073,979)</u>	<u>(14.93)%</u>
Non-operating revenues (expenses)	<u>17,260,607</u>	<u>17,146,992</u>	<u>113,615</u>	<u>0.66%</u>
Change in Net Position	<u>1,297,368</u>	<u>3,257,732</u>	<u>(1,960,364)</u>	<u>(60.18)%</u>
Net Position at Beginning of the Year	<u>22,536,683</u>	<u>19,278,951</u>	<u>3,257,732</u>	<u>16.90%</u>
Net Position at the End of the Year	<u>23,834,051</u>	<u>22,536,683</u>	<u>1,297,368</u>	<u>5.76%</u>

Operating Revenues

Operating revenues for the College totaled \$15,442,627 at June 30, 2017. The following chart summarizes the revenues into major categories.

Operating Revenues

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Tuition and fees, net	1,508,683	1,159,205	349,478	30.15%
Grants and contracts	12,337,565	13,865,825	(1,528,260)	(11.02)%
Auxiliary enterprises, net	939,993	1,087,393	(147,400)	(13.56)%
Other revenues	<u>656,386</u>	<u>692,501</u>	<u>(36,115)</u>	<u>(5.22)%</u>
Total Operating Revenues	<u>15,442,627</u>	<u>16,804,924</u>	<u>(1,362,297)</u>	<u>8.11%</u>

Operating Expenses

Total operating expenses for the College amounted to \$31,405,866 for the year ended June 30, 2017. Shown in the table below is a summary of the operating expenses by major object categories.

Operating Expenses

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Salaries and wages	13,481,406	13,192,824	288,582	2.19%
Fringe benefits	5,931,954	4,704,076	1,227,878	26.10%
Travel	280,128	260,689	19,439	7.46%
Contractual services	3,404,270	3,511,905	(107,635)	(3.06)%
Utilities	871,076	981,948	(110,872)	(11.29)%
Scholarships and fellowships	2,392,509	2,427,521	(35,012)	(1.44)%
Commodities	2,917,538	2,489,736	427,802	17.18%
Depreciation expense	1,337,930	1,244,557	93,373	7.50%
Other operating expense	<u>789,055</u>	<u>1,880,928</u>	<u>(1,091,873)</u>	<u>58.05%</u>
Total Operating Expenses	<u>31,405,866</u>	<u>30,694,184</u>	<u>711,682</u>	<u>2.32%</u>

As an alternative presentation model, Mississippi Delta's fiscal year 2017 and 2016 expenses are shown below by major function category. Functional classifications are the traditional categories that colleges have used. They represent the type of programs and services that the colleges provide.

<u>Function</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Instruction	13,704,895	12,734,619	970,276	7.62%
Academic support	603,208	533,753	69,455	13.01%
Student services	2,803,321	2,862,553	(59,232)	(2.07)%
Institutional support	4,774,532	4,630,379	144,153	3.11%
Operation of plant	2,803,146	3,598,462	(795,316)	(22.10)%
Student aid	2,392,509	2,464,224	(71,715)	(2.91)%
Auxiliary enterprises	2,986,325	2,625,637	360,688	13.74%
Depreciation	<u>1,337,930</u>	<u>1,244,557</u>	<u>93,373</u>	<u>7.50%</u>
Total Operating Expenses	<u>31,405,866</u>	<u>30,694,184</u>	<u>711,682</u>	<u>2.32%</u>

Capital Asset and Debt Administration

At June 30, 2017, Mississippi Delta Community College had invested in a broad range of capital assets. These assets are comprised of land, buildings and improvements, equipment, and library books. They are stated net of accumulated depreciation. See the following table.

Capital Asset Summary

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Capital assets not being depreciated	<u>3,506,728</u>	<u>5,216,995</u>	<u>(1,710,267)</u>	<u>(32.78)%</u>
Depreciable capital assets:				
Intangibles	1,113,228	1,113,228	0	0.00%
Improvements other than buildings	2,490,993	2,251,835	239,158	10.62%
Buildings	53,900,287	49,017,931	4,882,356	9.96%
Equipment	5,790,560	5,513,760	276,800	5.02%
Library books	<u>844,631</u>	<u>848,216</u>	<u>(3,585)</u>	<u>(0.42)%</u>
Total depreciable capital assets	<u>64,139,699</u>	<u>58,744,970</u>	<u>5,394,729</u>	<u>(9.18)%</u>
Total Cost of Capital Assets	67,646,427	63,961,965	3,684,462	5.76%
Less: Accumulated depreciation	<u>(24,789,374)</u>	<u>(23,795,930)</u>	<u>(993,444)</u>	<u>(4.17)%</u>
Capital Assets, Net	<u><u>42,857,053</u></u>	<u><u>40,166,035</u></u>	<u><u>2,691,018</u></u>	<u><u>6.70%</u></u>

Non-depreciated capital assets totaled \$3,506,728. This amount represents the value of land and construction in progress at June 30, 2017.

Statement of Cash Flows

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

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

The following table shows the Statement of Cash Flows for the year ending June 30, 2017:

Condensed Statement of Cash Flows (Direct Method)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Cash and cash equivalents provided (used by):				
Operating activities	(12,588,462)	(9,223,721)	(3,364,741)	(36.48)%

Noncapital financing activities	14,036,501	14,892,944	(856,443)	(5.75)%
Capital and related financing activities	(1,274,419)	(1,234,445)	(39,974)	3.24%
Investing activities	108,287	83,260	25,027	30.06%
Net Increase (Decrease) in Cash and Cash Equivalents	281,907	4,518,038	(4,236,131)	(93.76)%
Cash and Cash Equivalents, Beginning of Year	9,938,287	5,420,249	4,518,038	83.35%
Cash and Cash Equivalents, End of Year	10,220,194	9,938,287	281,907	2.84%

The major sources of funds represented in the operating activities include \$1,508,688 for student tuition and fees, \$939,993 for auxiliary enterprise sales and services, and \$12,337,565 for grants and contracts. The major use of funds was payments made to employees for \$19,413,360, payments to suppliers in the amount of \$6,321,808, and \$2,392,509 paid to students for financial aid.

The largest inflow of cash in the noncapital financing activities group is the state appropriation of \$10,506,806. The inflow of cash in the capital and related activities group includes \$3,023,013 of state money allocated for a new roof and energy conservation project for the Allen Foley Vocational Technical Complex and pre-planning for expansion at the Greenville Higher Education Center.

Economic Outlook

Mississippi Delta Community College has seen a decrease in enrollment over the last year. The Mississippi Delta is losing its population to other areas of the state. The administration is looking for ways to generate new sources of revenue while still providing an excellent college experience for our vocational, technical and academic students.

MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL STATEMENTS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	10,220,194
Short-term investments	2,225,000
Accounts receivable, net	1,569,942
Inventories	676,820
Prepaid expenses	636,963
Total Current Assets	15,328,919
Noncurrent assets:	
Other long-term investments	443,679
Capital assets, net of accumulated depreciation	42,857,053
Total Noncurrent Assets	43,300,732
Total Assets	58,629,651
Deferred outflows of resources:	
Deferred pension related outflows	7,366,089
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	1,557,492
Unearned revenues	114,650
Notes payable - current portion	90,000
Other current liabilities	267,016
Total Current Liabilities	2,029,158
Noncurrent liabilities:	
Notes payable	1,206,000
Net pension liability	33,938,745
Deposits refundable	32,850
Total Noncurrent Liabilities	35,177,595
Total Liabilities	37,206,753
Deferred inflows of resources:	
Deferred pension related inflows	4,954,936
Net position:	
Net investment in capital assets	41,561,053
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	10,000
Expendable:	
Scholarships and fellowships	190,468
Capital projects	1,861,434
Grant	1,581,116
Unemployment compensation	109,718
Unrestricted	(21,479,738)
Total net position	23,834,051

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS:

Cash	348,062
Certificate of deposit	166,580
Investments	1,780,027
Unconditional promises to give	<u>231,451</u>

Total Assets	<u><u>2,526,120</u></u>
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LIABILITIES

Accounts payable	<u>1,746</u>
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NET ASSETS:

Unrestricted	1,186,972
Temporarily restricted	<u>1,337,402</u>
Total net assets	<u><u>2,524,374</u></u>

Total liabilities and net assets	<u><u>2,526,120</u></u>
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The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 June 30, 2017

Operating Revenues	
Tuition and fees (net of scholarship allowance)	1,508,683
Federal grants	9,679,345
State grants	2,658,220
Auxiliary services:	
Housing (net of scholarship allowance)	308,143
Food services (net of scholarship allowance)	542,324
Bookstore (net of scholarship allowance)	89,526
Other operating revenues	<u>656,386</u>
Total Operating Revenues	<u>15,442,627</u>
Operating Expenses	
Salaries and wages	13,481,406
Fringe benefits	5,931,954
Travel	280,128
Contractual services	3,404,270
Utilities	871,076
Scholarships and fellowships	2,392,509
Commodities	2,917,538
Depreciation	1,337,930
Other operating expense	<u>789,055</u>
Total Operating Expenses	<u>31,405,866</u>
Operating Income (Loss)	<u>(15,963,239)</u>
Nonoperating Revenues (Expenses)	
State appropriations	10,506,806
State bond monies	3,023,013
Local appropriations	3,529,695
Transfers	34,383
Interest income	108,287
Loss on disposal of assets	(14,365)
Unrealized gain (loss) on valuation of stock	56,381
Other nonoperating revenue (expense)	<u>16,407</u>
Total Nonoperating Revenues (Expenses)	<u>17,260,607</u>
Change in Net Position	1,297,368
Net Position, Beginning of Year	<u>22,536,683</u>
Net Position, End of Year	<u><u>23,834,051</u></u>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Unrestricted Net Assets:

Unrestricted revenues and gains:

Contributions	49,027
Investment income:	
Interest	1,439
Dividends	21,157
Realized capital gains, losses	53,229
Net appreciation, depreciation in fair value of investments	17,923

Total unrestricted revenues, gains and losses 142,775

Net assets released from restrictions 101,212

Total unrestricted revenue, gains and other support 243,987

Expenses:

Program services:

Scholarships	84,417
College athletics	2,040
Instructional support	54,559
Alumni activities	13,423
College promotions	9,333

Supporting services:

Management and general	56,492
------------------------	--------

Total expenses 220,264

Increase, decrease in unrestricted net assets 23,723

Temporarily restricted net assets:

Contributions 204,920

Investment income:

Interest	1
Dividends	17,953
Realized capital gains, losses	45,170
Net appreciation, depreciation in fair value of investments	15,210

Net assets released from restrictions (101,212)

Increase, (decrease) in temporarily restricted net assets 182,042

Increase, (decrease) in net assets 205,765

Net Assets at Beginning of Year 2,318,609

Net Assets at End of Year 2,524,374

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2017

Cash Flows from Operating Activities:	
Tuition and fees	1,508,683
Grants and contracts	12,337,565
Payments to suppliers	(6,321,808)
Payments for salaries and fringes	(19,413,360)
Payments for utilities	(871,076)
Payments for scholarships	(2,392,509)
Auxiliary enterprise charges:	
Food services	542,324
Housing - student/faculty	308,143
Bookstore	89,526
Other revenues	656,386
Other payments	<u>967,664</u>
Net Cash Provided (Used) by Operating Activities	<u>(12,588,462)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	10,506,806
Local appropriations	<u>3,529,695</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,036,501</u>
Cash Flows from Capital and Related Activities:	
State appropriations	3,023,013
Cash paid for capital assets	<u>(4,297,432)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,274,419)</u>
Cash Flows from Investing Activities:	
Proceeds from sales of investments	2,225,000
Interest on investments	108,287
Purchases of investments	<u>(2,225,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>108,287</u>
Net Changes in Cash and Cash Equivalents	281,907
Cash and Cash Equivalents - June 30, 2016	<u>9,938,287</u>
Cash and Cash Equivalents - June 30, 2017	<u><u>10,220,194</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2017

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Operating income (loss)	<u>(15,963,239)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,337,930
Loss on retirement of assets	14,365
Changes in assets and liabilities:	
(Increase) decrease in assets	
Receivables, net	452,452
Inventories	(68,050)
Prepaid expenses	16,849
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(288,850)
Deferred revenues	(89,391)
Deposits refundable	306
Other liabilities	<u>1,999,166</u>
Total adjustments	<u>3,374,777</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(12,588,462)</u></u>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Operating Activities:

Increase (decrease) in net assets	205,765
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gains (losses) on investments	(33,132)
Realized gain (loss) on sale of investments	(98,399)
Increase (decrease) in contributions receivable, net of discount	66,361
Increase (decrease) in accounts payable	<u>(1,023)</u>
Net cash provided (used) by, operating activities	<u>139,572</u>

Investing Activities:

Reinvested interest earned on certificate of deposit	(671)
Proceeds from sales of securities	1,208,435
Purchases of securities	(1,292,304)
Proceeds of certificate of deposit redeemed	53,993
Purchases of certificate of deposit	<u>(54,000)</u>
Net cash provided (used) in investing activities	<u>(84,547)</u>

Net increase (decrease) in cash and cash equivalents 55,025

Cash and cash equivalents at beginning of year 293,037

Cash and cash equivalents at end of year 348,062

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services					Supporting Services	
	<u>Scholarships</u>	<u>Alumni Activities</u>	<u>College Athletics</u>	<u>College Promotions</u>	<u>Instructional Support</u>	<u>Management and General</u>	<u>Total</u>
Student scholarship - MDCC	78,633						78,633
Special events		10,430			14,377		24,807
Awards		2,993		6,142			9,135
Postage and communications				3,191			3,191
Softball program			1,865				1,865
Baseball program			175				175
Book loan program	5,784						5,784
Faculty professional development					2,446		2,446
General educational program					7,292		7,292
Nursing program support					4,722		4,722
Radiology program support					4,414		4,414
Scholarship database subscription					3,250		3,250
Student recruiting					18,058		18,058
Operating supplies						8,709	8,709
Travel						5,522	5,522
Professional fees						10,177	10,177
Insurance						1,246	1,246
Investment management fees						7,301	7,301
Fundraising fees						23,537	23,537
Totals	<u>84,417</u>	<u>13,423</u>	<u>2,040</u>	<u>9,333</u>	<u>54,559</u>	<u>56,492</u>	<u>220,264</u>

The accompanying notes are an integral part of this financial statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

(1) Summary of Significant Accounting Policies.

- A. Reporting Entity - Sunflower Agriculture High School was established at Moorhead, Mississippi in 1911. Sunflower Junior College was founded in conjunction with the Agriculture High School in early 1926, with the first freshman class enrolling in September of that same year. The College was fully accredited as a two-year junior college in April 1928, by the Accrediting Commission of the Senior Colleges of Mississippi. It was admitted to full membership in the Southern Association of Colleges and Schools in December 1930, and is now a member of the American Association of Community and Junior Colleges. The name of the school was officially changed from Sunflower Junior College to Mississippi Delta Junior College at the beginning of the 1960-1961 session. On July 1, 1989, the name was changed to its present name of Mississippi Delta Community College.

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

Mississippi Delta Community College is governed by an 18-member board of trustees, selected by the board of supervisors of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, Mississippi Delta Community College works jointly with the Mississippi Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, and Governmental Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units*, the Mississippi Delta Community College Development Foundation, Inc. (the "Foundation") is deemed a component unit of the institution and is included as a discretely presented component unit in the financial statements. The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to Mississippi Delta Community College (the "College") in support of its programs.

During the year ended June 30, 2017, the Foundation distributed \$220,264 to the College. The complete financial statements of the Foundation can be obtained by writing to P. O. Box 668, Moorhead, MS 38761.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic*

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College's financial activities.

Beginning June 30, 2015, the College was required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* as well as GASB Statement No. 71 - *Pension Transition For Contributions Made Subsequent to the Measurement Date - An Amendment to GASB 68*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

- C. Basis of Accounting - The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories - Bookstore inventory. Merchandise for resale inventories are stated at cost, with cost being determined principally by the first-in, first-out ("FIFO") basis.
- H. Prepaid Expenses - Prepaid expenses consist of money spent before year end but will not be expensed until a future year.
- I. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. Mrs. James W. Lucas, Jr. of Jackson, Mississippi established the James W. Lucas, Jr. scholarship award in memory of her late husband. She donated \$10,000 with the restriction that only the income earned on the principal is to be utilized.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

- J. Other Long-term Investments - The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Position.
- K. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- L. Deferred outflows/inflows of resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.
- In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.
- The statement of net position will report deferred inflows/outflows of resources as they relate to the pension reporting requirements of *GASB Statements No. 68 and 71*.
- M. Long-term Notes Payable - The long-term notes payable is the unmatured principal of the general obligation notes.
- N. Unearned Revenues - Unearned revenues include amounts received for tuition and fees and faculty rent received prior to the end of the fiscal year but related to the subsequent accounting period.
- O. Compensated Absences - Mississippi Delta Community College does not provide for the accumulation of vacation beyond one fiscal year; therefore, no liability has been accrued in the financial statements.
- P. Classification of Revenues - Mississippi Delta Community College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

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.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating 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.

- Q. State Appropriations - Mississippi Delta Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. In the 2004 fiscal year, a new funding formula was phased in over a 5-year period which shifted the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given to high cost programs.
- R. Local Appropriations - Mississippi Delta Community College receives funds from taxes levied by the counties in the district for general support, maintenance, and capital improvements. Two of the College's seven supporting counties, Humphreys, and Issaquena, increased the millage rate during the 2014 fiscal year for the new Vandiver Student Union.
- S. 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). All 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.
- T. Net Position - GASB Statement No. 63 reports equity as "Net Position" rather than "Fund Balance". Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

The net position balance of \$23,834,051 at June 30, 2017, includes \$10,000 reserved for endowment (refer to I), \$109,718 reserved for unemployment compensation, \$190,468 reserved for scholarships, \$1,861,434 reserved for capital projects, and an unrestricted deficit of (\$21,479,738).

Restricted resources are used first to fund appropriations.

- U. Estimates - The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.
- V. Fair Value Inputs and Methodologies and Hierarchy - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access.

Level 2 - other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the College's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

(2) Cash and Investments.

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

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

bills and notes, and repurchase agreements. For the year ending June 30, 2017, the College had \$10,220,194 in cash and cash equivalents and \$2,225,000 in short-term investments.

The collateral for public entities' deposits in financial institutions are 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 is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits of collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. As of June 30, 2017, none of the College's bank balance of \$11,082,167 was exposed to custodial credit risk.

- B. At June 30, 2017, the College had the following certificates of deposit with a local bank.

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	1.00%	September 27, 2017	\$ 1,000,000
Certificate of Deposit	1.10%	September 27, 2017	<u>1,225,000</u>
<u>Total Short-Term Investments</u>			<u>\$ 2,225,000</u>

The following is a summary of the fair value hierarchy of the fair value investments of the College as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	3,905			3,905
Mutual Funds	<u>439,774</u>			<u>439,774</u>
Total Other Long-Term Investments	<u>443,679</u>	<u>0</u>	<u>0</u>	<u>443,679</u>

Interest Rate Risk.

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

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

Credit Risk.

State law limits investments to those prescribed in Section 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The College does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments.

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$443,679 investment, \$296,805 is invested in Lord Abbet Affiliated Fund and the balance is in other mutual funds and individual stocks that are held by the investment companies in the name of the College.

(3) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2017:

Student tuition	393,145
Auxiliary enterprises and other operating activities	28,646
Federal, state, and private grants and contracts	1,114,497
Local appropriations	60,552
Other	<u>135,383</u>
Total Accounts Receivable	1,732,223
Less: Allowance for doubtful accounts	<u>(162,281)</u>
Net Accounts Receivable	<u><u>1,569,942</u></u>

Allowance for doubtful accounts is determined by taking a percentage of the aged student accounts. The percentage grows larger as the aging grows larger.

(4) Prepaid Expenses.

Prepaid expenses consist of money spent before year end, but will not be expensed until a future year. The balance consists of general expenses of \$336,963 and a prepaid balance with the Bureau of Buildings of \$300,000.

(5) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2017, is presented as follows:

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	285,247			285,247
Construction in progress	4,931,748	3,313,085	5,023,352	3,221,481
Total Nondepreciable Capital Assets	<u>5,216,995</u>	<u>3,313,085</u>	<u>5,023,352</u>	<u>3,506,728</u>
Depreciable Capital Assets:				
Intangibles	1,113,228			1,113,228
Improvements other than buildings	2,251,835	250,538	11,380	2,490,993
Buildings	49,017,931	4,882,356		53,900,287
Equipment	5,513,760	641,675	364,875	5,790,560
Library books	848,216	9,238	12,823	844,631
Total Depreciable Capital Assets	<u>58,744,970</u>	<u>5,783,807</u>	<u>389,078</u>	<u>64,139,699</u>
Less: Accumulated Depreciation for:				
Intangibles	1,113,228			1,113,228
Improvements other than buildings	1,183,443	56,645		1,240,088
Buildings	16,469,318	887,523		17,356,841
Equipment	4,199,664	386,778	325,065	4,261,377
Library books	830,277	6,984	19,421	817,840
Total Accumulated Depreciation	<u>23,795,930</u>	<u>1,337,930</u>	<u>344,486</u>	<u>24,789,374</u>
Total Depreciable Capital Assets, Net	<u>34,949,040</u>	<u>4,445,877</u>	<u>44,592</u>	<u>39,350,325</u>
Capital Assets, Net	<u>40,166,035</u>	<u>7,758,962</u>	<u>5,067,944</u>	<u>42,857,053</u>

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 Years	20%	50,000
Improvements other than buildings	20 Years	20%	25,000
Equipment	3 - 15 Years	1 - 10%	5,000
Library books	10 Years	0%	0
Intangibles	5 Years	0%	100,000

(6) Accounts Payable.

The accounts payable of the College consists of amounts due to outside vendors. This amount at June 30, 2017 was \$1,557,492.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

(7) Deposits Refundable.

This represents faculty housing deposits of \$2,850, and funds held on deposit for the Department of Corrections from vocational night instructional payroll in the amount of \$30,000.

(8) Other Current Liabilities.

This represents agency fund monies of \$230,759 held on deposit for others and interest payable of \$36,257.

(9) Notes Payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the College. General obligation bonds currently outstanding is as follows:

	Balance 7-1-16	Reductions	Balance 6-30-17	Amount Due Within One Year
General Obligation Note Series 2013	<u>1,383,000</u>	<u>87,000</u>	<u>1,296,000</u>	<u>90,000</u>

This represents the General Obligation Notes, Series 2013, issued on August 9, 2013 in the amount of \$1,550,000. The GO Notes are financed over 15 years at 3.2192296 percent interest. The purpose of the notes is to provide funding for the construction equipping and furnishing of a student activity center, the new Vandiver Student Union, on the main campus of Mississippi Delta Community College and the payment of the issuance costs of issuance for the Notes. The note payments are broken out in the following chart.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
August 9, 2017	90,000	39,544	129,544
August 9, 2018	93,000	38,058	131,058
August 9, 2019	96,000	36,199	132,199
August 9, 2020	99,000	34,038	133,038
August 9, 2021	102,000	31,613	133,613
August 9, 2022 - 2026	564,000	109,930	673,930
August 9, 2027 - 2028	<u>252,000</u>	<u>14,886</u>	<u>266,886</u>
Totals	<u>1,296,000</u>	<u>304,268</u>	<u>1,600,268</u>

Interest expense for the year was \$40,718.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2017

(10) Operating Leases.

The College leases a building in Greenwood, MS. The lease expense for the year was \$122,882. The College entered into a new lease agreement effective July 1, 2014 with a termination date of June 30, 2019. The remaining portions of the Greenwood lease is as follows.

	<u>Greenwood Facility</u>
FYE 18	122,882
FYE 19	<u>122,882</u>
Totals	<u><u>245,764</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2017

(11) Natural Classifications with Functional Classifications.

The College's operating expenses by functional classifications were as follows for the year ended June 30, 2017.

Functional Classifications	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	8,137,138	3,504,223	146,089	803,496	93,449		653,616		366,884	13,704,895
Academic support	338,877	177,679	1,766	36,473			26,500		21,913	603,208
Student services	1,672,771	560,614	67,622	225,413			213,474		63,427	2,803,321
Institutional support	2,244,565	1,103,094	60,798	728,574	189,805		358,296		89,400	4,774,532
Operation of plant	787,475	434,209	1,074	628,689	437,742		271,651		242,306	2,803,146
Student aid						2,392,509				2,392,509
Auxiliary enterprises	300,580	152,135	2,779	981,625	150,080		1,394,001		5,125	2,986,325
Depreciation								1,337,930		1,337,930
Total Operating Expenses	<u>13,481,406</u>	<u>5,931,954</u>	<u>280,128</u>	<u>3,404,270</u>	<u>871,076</u>	<u>2,392,509</u>	<u>2,917,538</u>	<u>1,337,930</u>	<u>789,055</u>	<u>31,405,866</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2017

(12) Pension Plan.

Plan description - Mississippi Delta Community College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et. Seq., 1972, as amended) and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions - PERS members are required to contribute 9% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 fiscal year was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the years ending June 30, 2017, 2016, and 2015 were \$1,997,306, \$1,952,308, and \$2,052,413, respectively, which equaled the required contributions for each year.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2017

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

At June 30, 2017, the College reported a liability of \$33,938,745 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the College's proportion was .19 percent.

For the year ended June 30, 2017, the College recognized pension expense of \$3,766,150. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	559,880	
Net difference between projected and actual earnings on pension plan investments		1,600,879
College contributions subsequent to the measurement date	1,997,306	
Changes in proportion and differences between College contributions and proportionate share of contributions	3,771,334	3,289,787
Changes in assumption	<u>1,037,566</u>	<u>64,270</u>
Total	<u><u>7,366,086</u></u>	<u><u>4,954,936</u></u>

The \$1,997,306 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	79,203
2019	79,203

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2017

2020	96,385
2021	159,053

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

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table projected with scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	(0.50%)
	<u>100%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2017

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher than (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	43,517,079	33,938,745	25,991,831

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

(13) Greenville Higher Education Center

Enacted into law in the 2007 Legislative session of the State of Mississippi was a bill that transferred ownership of the Greenville Higher Education Center to Mississippi Delta Community College. The effective date of this change was July 1, 2007. The value of this building along with its contents is approximately \$13 million dollars. The operation of the center is funded through a combination of state support and self generated monies. The previous employees of GHEC all became full time employees of Mississippi Delta Community College on this same transition date of July 1, 2007.

Since its inception in 2001, this center has been a collaborative endeavor of three educational facilities, Mississippi Delta Community College, Mississippi Valley State University, and Delta State University. Currently MDCC offers the first two years of undergraduate work and MVSU offers junior and senior year studies as well as some graduate work.

(14) Subsequent Events.

Management has evaluated subsequent events through March 21, 2018, the date the financial statements were issued and there were subsequent events to be reported.

- a. On December 14, 2017, the administrative building was set on fire by an arsonist who was subsequently caught by law enforcement authorities. One wing of the building was destroyed and the rest of the building was damaged by smoke. A vehicle was also burned. The College is working with the insurance companies on a settlement.

Because of the fire, the Board declared an emergency on December 29, 2017. Dr. Larry Nabors, President of the College, had given notice of his retirement as of July 1, 2018 and has agreed to remain in his position until July 1, 2019.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2017

As of the date of this report, the College is still working on an inventory of lost personal property that was housed in the building. Until that can be determined, insurance proceeds cannot be determined. The president has been in communication with the governor for funding to replace the building.

- b. In February 2018, the Board took bids to construct a building to house the lineman program.
- c. A grant from the Mississippi Department of Transportation to replace, repair and build new sidewalks and improve campus lighting is underway.

(15) Risk Management.

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or students; and natural disasters. The College carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(16) Unemployment Compensation Trust Fund.

The College maintains a self-funded unemployment compensation fund. This fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former college employees; rather it reimburses the Mississippi Department of Employment Security for benefits it pays directly to these individuals. The fund is required to be maintained at a level equal to 2% of the first \$6,000 of salary for each full-time employee. At June 30, 2017, the fund was adequately funded with a balance of \$109,718.

(17) Concentrations.

The College receives a significant portion of its revenues from federal and state funding programs and grants. Future funding of these programs is necessary for the College to continue the current level of programs and courses offered.

(18) Effect of Deferred Amounts on Net Position.

The unrestricted net position amount (\$21,479,738) includes the effect of deferring the recognition expenses resulting from a deferred outflow from pensions. The \$7,366,089 balance of the deferred outflow of resources at June 30, 2017 will be recognized as expenses and decreases unrestricted net position over the next three years.

The unrestricted net position amount of (\$21,479,738) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,954,936 balance of deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the next four years.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

(19) Disclosures for Mississippi Delta Community College Development Foundation, Inc.

A. Nature of Activities and Summary of Significant Accounting Policies:

Nature of Activities

The Mississippi Delta Community College Development Foundation, Inc. was incorporated on April 5, 1989. The Organization is a tax exempt non-profit corporation within the meaning of Internal Revenue Code Section 501(c)(3). The major purpose of the Organization is to raise funds for capital improvements and to provide student scholarships at Mississippi Delta Community College.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting. Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the organization in accordance with its bylaws. Restricted net assets represents resources restricted by the donor to be used for specific purposes designated by the donor.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The Organization capitalizes all property and equipment additions with a useful life of more than one year. Donated property and equipment is capitalized at its estimated fair value when received.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

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

B. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes.

Student scholarships	\$ 1,047,716
Athletic programs	13,079
Phi Theta Kappa	5,804
Faculty development	68,613
Various academic and administration departments	29,013
Contribution pledges receivable	<u>173,177</u>
Total	\$ <u>1,337,402</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

The Organization had no permanently restricted net assets at June 30, 2017.

C. Investments

Investments consisted of the following at June 30, 2017:

	<u>Fair Value</u>
Bank certificates of deposit	<u>166,580</u>
Mutual Funds:	
Stock funds	542,482
Bond funds	547,508
Exchange traded products:	
Equity exchange traded funds	562,743
Other exchange traded funds	<u>127,294</u>
 Total mutual funds and exchange traded products	 <u>1,780,027</u>
 Total Investments	 <u><u>1,946,607</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	1,439	1	1,440
Dividend income	21,157	17,953	39,110
Realized capital gains, losses (-)	53,229	45,170	98,399
Increase, decrease (-) in unrealized capital gains	<u>17,923</u>	<u>15,210</u>	<u>33,133</u>
 Total investment return, loss (-)	 <u><u>93,748</u></u>	 <u><u>78,334</u></u>	 <u><u>172,082</u></u>
 Investment fees expense	 <u><u>3,794</u></u>	 <u><u>3,507</u></u>	 <u><u>7,301</u></u>

D. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements For the Year Ended June 30, 2017

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Mutual Funds. Valued at the closing price reported in the active markets in which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of June 30, 2017.

	<u>Assets at Fair Value as of June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and exchange traded funds	<u>1,780,028</u>	<u> </u>	<u> </u>	<u>1,780,028</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2017

E. Promises to Give

Unconditional promises to give consist of the following:

Unconditional promises	258,750
Less: Unamortized discount	<u>(27,299)</u>
Net unconditional promises to give	<u>231,451</u>
Amounts due in -	
Less than one year	75,250
One to five years	178,500
More than five years	<u>5,000</u>
Net	<u>258,750</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 5% when the donor makes an unconditional promise to give to the Foundation.

F. Equipment

Equipment consists of the following:

Computer	1,673
Less: Accumulated depreciation	<u>(1,673)</u>
Net	<u>-0-</u>

G. Concentration of Credit Risk

The organization maintains its cash balances in a local bank and brokerage firm. At various times during the year and at year end the balance in the bank exceeded the FDIC insurance limit of \$250,000.

H. Subsequent Events

Management has evaluated subsequent events through October 12, 2017, the date the financial statements were available to be issued.

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years *

		<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	\$	33,938,745	32,461,859	26,703,971
College's proportionate share of the net pension liability		.19%	.21%	.22%
College's covered-employee payroll	\$	12,375,919	13,031,194	13,583,913
College's proportionate share of the net pension liability as a percentage of its covered employee payroll		274.23%	249.11%	196.59%
Plan fiduciary net position as a percentage of the total pension liability		57.47%	61.7%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,993,124	1,952,308	2,052,413
Contributions in relation to the contractually required contribution	<u>1,993,124</u>	<u>1,952,308</u>	<u>2,052,413</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
College's covered-employee payroll	\$ 12,681,617	12,375,919	13,031,194
Contributions as a percentage of covered- employee payroll	15.75%	15.75%	15.75%

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

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Pension Schedules

(1) Changes of benefit terms

None

(2) Changes of assumptions

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. Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and from 8.00% to 7.75%, respectively.

In 2016 the assumed rate of interest credited to employee contributions was changes from 3.50% to 2.00%.

Effective July 1, 2016 the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each proceeding years with a minimum rate of one percent and a maximum rate of five percent.

MISSISSIPPI DELTA COMMUNITY COLLEGE

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SUPPLEMENTARY INFORMATION

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Direct Federal</u>	<u>Federal Pass- Through</u>	<u>Federal Expenditures</u>
U. S. Department of Education				
Student Financial Aid - Cluster:				
Federal Pell Grant Programs	84.063	8,014,873		8,014,873
Federal Supplemental Educational Opportunity Grants	84.007	94,586		94,586
Federal Work-study	84.033	<u>98,043</u>		<u>98,043</u>
Total Student Financial Aid Cluster		<u>8,207,502</u>	<u>0</u>	<u>8,207,502</u>
Mississippi SBCJC - Adult Education Basic Grants to States	84.002		382,437	382,437
Mississippi Department of Education - Career and Technical Education Basic Grants to States	84.048		253,508	253,508
Strengthening Minority - Serving Institutions	84.382A	434,170		434,170
Higher Education - Institutional Aid	84.031P	<u>61,970</u>		<u>61,970</u>
Subtotal		<u>496,140</u>	<u>635,945</u>	<u>1,132,085</u>
Total U.S. Department of Education		<u>8,703,642</u>	<u>635,945</u>	<u>9,339,587</u>
U. S. Department of Labor				
Mississippi Department of Employment Security - WIA Cluster				
WIA - Adult Programs	17.258	119,584		119,584
South Delta Planning District				
WIA Rapid Response Grant	17.258/17.260		43,823	43,823
Lineman Program	17.261		129,255	129,255
Manufacturing Technology Grant	17.258/17.278		<u>9,973</u>	<u>9,973</u>
Total US Department of Labor		<u>119,584</u>	<u>183,051</u>	<u>302,635</u>
U.S. Department of Agriculture				
Mississippi Department of Human Services				
Pilot projects to Reduce Dependency and to Increase Requirements and Work Efforts Under SNAP	10.596		209,725	209,725
U. S. Department of Veterans Administration				
Post Vietnam Era - Veterans' Educational Assistance	64.120	<u>312</u>		<u>312</u>
Total Federal Financial Assistance		<u>8,823,538</u>	<u>1,028,721</u>	<u>9,852,259</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The College did not use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance except where indirect costs were included in the grant.
3. The expenditure amounts include transfers out.
4. The pass-through entities did not assign identifying numbers to the community college.

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MISSISSIPPI DELTA COMMUNITY COLLEGE

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

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, the major fund and the aggregate remaining information of Mississippi Delta Community College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Mississippi Delta Community College's basic financial statements, and have issued our report thereon dated March 21, 2018. Our report includes a reference to other auditors who audited the Mississippi Delta Community College Development Foundation, Inc., the (Foundation) as described in our report on Mississippi Delta Community College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Eckel & Hinkley CPA'S PLLC

March 21, 2018
Clarksdale, Mississippi

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

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

Report on Compliance for Each Major Federal Program

We have audited Mississippi Delta Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Mississippi Delta Community College's major federal program for the year ended June 30, 2017. Mississippi Delta Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Mississippi Delta Community College's major federal program 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 Mississippi Delta Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Mississippi Delta Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Mississippi Delta Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi Delta Community College's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 Mississippi Delta Community College's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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.

This 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.

Eckel & Hunsley CPA'S PLLC

March 21, 2018
Clarksdale, Mississippi

MISSISSIPPI DELTA COMMUNITY COLLEGE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

President and Board of Trustees
Mississippi Delta Community College
P. O. Box 668
Moorhead, MS 38761

We have audited the financial statements of the business-type activities of Mississippi Delta Community College as of and for the year ended June 30, 2017, and have issued our report thereon dated March 21, 2018. We did not audit the financial statements of the discretely presented component unit, Mississippi Delta Community College Development Foundation, Inc., which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Mississippi Delta Community College Development Foundation, Inc., audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of the institution, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ellis & Hirsberg CPA'S PLLC

March 21, 2018
Clarksdale, Mississippi

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section 1: Summary of Auditors' Results

Financial Statements

- | | | |
|----|----------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to financial statements noted | No |

Federal Awards:

- | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2CFR 200.516(a)? | No |
| 7. | Federal programs identified as major programs:
Student financial aid cluster:
CFDA #84.007
CFDA #84.033
CFDA #84.063 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in accordance with 2 CFR 200.511(b)? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Awards Finding and Questioned Costs

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