Mississippi Gulf Coast Community College

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2017

CRI CARR RIGGS & INGRAM
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Mississippi Gulf Coast Community College
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CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
400 West Parkway Place
Suite 300
Ridgeland, MS 39157

Mailing Address:
P.O. Box 2418
Ridgeland, MS 39158-2418

(601) 853-7050
(601) 853-9331 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Mississippi Gulf Coast Community College (the "College") and its aggregate discretely presented component unit, the Mississippi Gulf Coast Community College Foundation, Inc., as of and for the year ended June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The supplementary information in the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated April 9, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC

Ridgeland, Mississippi
January 31, 2018, except for Note 9 and our opinion on the schedule of expenditures
of federal awards, for which the date is April 9, 2018

This section of the Mississippi Gulf Coast Community College annual financial report presents our discussion and comparative analysis of the financial performance of the College during the fiscal year ended June 30, 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

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

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

The Statement of Net Position

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

Condensed Statements of Net Position

June 30,	**2017**	2016
Assets		
Current assets	**$ 59,401,304**	$ 62,503,552
Non-current assets		
Refundable deposits	**500**	500
Restricted cash	**42,554,381**	-
Restricted investments	**35,000,000**	-
Capital assets, net	**184,631,483**	171,507,686
Total assets	**321,587,668**	234,011,738
Deferred outflows	**21,256,369**	15,909,358
Liabilities		
Current liabilities	**10,118,767**	9,780,868
Non-current liabilities	**189,423,602**	105,252,082
Total liabilities	**199,542,369**	115,032,950
Deferred inflows	**276,710**	2,411,096
Net position		
Net investment in capital assets	**167,155,410**	156,527,828
Restricted:		
Expendable	**27,766,327**	21,790,961
Unrestricted	**(51,896,779)**	(45,841,739)
Total net position	**$ 143,024,958**	$ 132,477,050

Assets

Current Assets

Cash and Cash Equivalents

Cash, cash equivalents and short-term investments consist of cash in the College's bank accounts, petty cash, and certificate of deposit investments. The total amount of cash, cash equivalents and short-term investments reported as current assets on the College's financial statements were $50,750,273 at June 30, 2017 and $51,262,329 at June 30, 2016. This represented a decrease of $512,056.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations and student tuition and fees. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's net accounts receivables totaled $6,402,608 at June 30, 2017 and $5,990,745 at June 30, 2016 which represents an increase of $411,863 or 6.87%. The net receivable increase also includes an increase in the College's allowance for doubtful accounts of $1,481,139. The College is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivables and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in a prior year.

Inventories

The College maintains inventories of resale merchandise within the College bookstore. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled $1,093,646 at June 30, 2017 and $1,451,659 at June 30, 2016, a decrease of $358,013 or 24.66%.

Prepaid Expenses

The College prepays certain amounts including advances for construction activities and premiums relating to insurance coverage. Prepaid expenses totaled $827,250 at June 30, 2017 and $3,793,555 at June 30, 2016, a decrease of $2,966,305, due to the deobligation of funds previously prepaid for a construction project with the Bureau of Buildings and Grounds that will be redirected to the future projects partial funded by the Series 2016 bonds issued.

<u>**Non-current assets**</u>

Capital Assets, Net

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2017. The amount reported is net of accumulated depreciation. Capital assets, net totaled $184,631,483 at June 30, 2017 and $171,507,686 at June 30, 2016. This represents an increase of $13,123,797 or 7.65%.

Cash and Cash Equivalents

Non-current cash, cash equivalents and short-term investments consist of cash and certificates of deposit restricted for capital projects. Non-current restricted cash and investments totaled $77,554,381 at June 30, 2017 and related principally to bond proceeds received in 2017 from the Series 2016 bonds issued.

Deferred Outflows of Resources

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

Liabilities

<u>**Current Liabilities**</u>

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $6,172,863 at June 30, 2017 and $5,333,587 at June 30, 2016.

Accrued interest payable is presented separately from other accrued liabilities and totaled $140,337 at June 30, 2017 compared to $153,717 at June 30, 2016.

Unearned Revenues

Unearned revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2017 fiscal year. The unearned revenue totaled $1,398,403 at June 30, 2017 and $1,402,244 at June 30, 2016.

Annual Leave Liabilities-Current Portion

Annual leave liabilities-current portion represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2017 fiscal year. The amount of the current portion of compensated absences totaled $338,469 at June 30, 2017 and $315,699 at June 30, 2016.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2017 fiscal year. The amount of the current portion of long-term debt totaled $2,068,695 at June 30, 2017 and includes $391,188 of future bond premium amortization which will reduce interest costs in the following year. The current portion of long-term debt at June 30, 2016, including future bond premium amortization totaled $2,575,621.

Non-current Liabilities

Deposits

Deposits represent the deposits paid by students for reservation for and possible damage to a dorm room for the future semester. The housing deposits are payable to the student upon checkout at the end of the student's stay. The amount of deposits totaled $200 at June 30, 2017 and $200 at June 30, 2016.

Deferred Inflows of Resources

The College has deferred pension inflows resulting from (i) changes in actuarial assumptions which are being amortized over the average expected remaining service lives of participants and (ii) the difference between estimated and actual return on pension plan investment, which is being amortized over a five year period using the straight-line method. These deferred inflows totaled $276,710 at June 30, 2017 compared to $2,411,096 at June 30, 2016.

Accrued Leave

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid vacation. The total amount of the non-current portion of accrued compensation balances totaled $3,109,573 at June 30, 2017 and $3,003,109 at June 30, 2016.

Net Pension Liability

The net pension liability consists of the College's proportionate share of the collective PERS net pension liability and was $104,131,480 at June 30, 2017 and $89,770,643 at June 30, 2016.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the non-current portion of long-term debt, including unamortized bond premiums was $82,182,349 at June 30, 2017 and $12,478,130 at June 30, 2016, an increase of $69,704,219 directly related to the Series 2016 bond issue.

Net Position

Net position represents the College's sum of assets and deferred outflows less the sum of liabilities and deferred inflows and is one indicator of whether the College's overall financial position has improved or worsened during the year. Total net position was $143,024,958 at June 30, 2017 and was $132,477,050 at June 30, 2016. This represents an increase of $10,547,908 or 7.96%.

Analysis of Net Position

The College's net position related to its net investment in capital assets was $167,155,410 at June 30, 2017 and $156,527,828 at June 30, 2016. This net position represents the College's capital assets, net of accumulated depreciation and any outstanding indebtedness incurred in the acquisition of capital assets. The increase in 2017 of $10,627,582 resulted from a combination of purchased assets, the retirement of indebtedness paid during the year, current year depreciation expense, capital asset disposals, and the expended portion of new debt related to the Series 2016 bond issue.

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

The following is a breakdown of the restricted net position:

June 30,	**2017**	2016
Capital projects	**$ 20,749,426**	$ 14,880,206
Other purposes	**7,016,901**	6,910,755
Total restricted net position	**$ 27,766,327**	$ 21,790,961

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities and is net of the College's proportionate share of the Public Employee's Retirement System of Mississippi net pension liability and related deferred inflows and outflows.
The following is a breakdown of the unrestricted net position:

June 30,		**2017**		2016
Unrestricted - available for operations:				
General and educational	**$**	**26,342,150**	$	26,669,430
Auxiliary enterprises		**5,133,481**		3,835,105
Deficit from recognition of net pension liability and related deferred inflows and outflows		**(83,372,410)**		(76,346,274)
Total unrestricted net position	**$**	**(51,896,779)**	$	(45,841,739)

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

Year Ended June 30,	**2017**	2016
Operating Revenues:		
Tuition and fees, net	**$ 25,297,723**	$ 23,038,681
Grants and contracts	**52,445,865**	51,360,269
Auxiliary sales and services, net	**7,656,522**	7,066,511
Sales & service of education	**395,247**	414,030
Other operating revenues	**462,591**	590,646
Total operating revenues	**86,257,948**	82,470,137
Total operating expenses	**132,387,150**	120,266,944
Operating gain/loss	**(46,129,202)**	(37,796,807)
Non-Operating revenues (expenses):		
State appropriations	**28,416,688**	29,345,321
Local appropriations	**9,861,062**	9,482,213
Investment income, net	**530,791**	148,735
Interest expense on indebtedness	**(1,944,298)**	(683,114)
Bond issuance cost	**(989,065)**	-
Bond premium amortization	**345,701**	208,758
Loss on bond refunding amortization	**(42,069)**	(18,473)
Other non-operating revenue (expenses)	**72,128**	(3,880)
Net non-operating revenues	**36,250,938**	38,479,560
Income (loss) before other revenues (expenses)	**(9,878,264)**	682,753
Total other revenue (expenses)	**20,426,172**	13,668,834
Change in net position	**10,547,908**	14,351,587
Net position		
Net position, beginning of year	**132,477,050**	118,125,463
Net position, end of year	**$ 143,024,958**	$ 132,477,050

Total operating loss for the fiscal year 2017 was $46,129,202 and for fiscal year 2016 was $37,796,807. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2017 were $86,257,948 and for the fiscal year 2016 were $82,470,137; an increase of $3,787,811 or 4.59%. Tuition and fees, net, were $25,297,723 for fiscal year 2017 and $23,038,681 for fiscal year 2016. Tuition and auxiliary services discounts were $5,191,670 for fiscal year 2017 and $7,985,971 for fiscal year 2016. Additionally, the provision for uncollectable accounts, netted against tuition and fee revenue and against auxiliary and sales and services revenue was $1,483,172 for fiscal year 2017 and $439,013 for fiscal year 2016. Operating expenses for 2017, including depreciation of $5,975,561, totaled $132,387,150. Operating expenses for 2016, including depreciation of $5,947,731, totaled $120,266,944.

Revenues

<u>Operating Revenues</u>

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling $25,297,723 for fiscal year 2017 and $23,038,681 for fiscal year 2016. Tuition discounts were $4,915,705 for 2017 and $7,594,693 for 2016.

Operating Grants and Contracts

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

The following table details the College's operating grant and contract awards for the fiscal years ended June 30, 2017 and June 30, 2016.

Year Ended June 30,	**2017**	2016
Federal sources	**$ 43,111,285**	$ 40,174,776
State sources	**7,230,158**	8,827,490
Other	**2,104,422**	2,358,003
Total grants and contracts operating revenues	**$ 52,445,865**	$ 51,360,269

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled $395,247 for fiscal year ended June 30, 2017 and $414,030 for fiscal year ended June 30, 2016.

Auxiliary Sales and Services

Auxiliary enterprises sales and services include the college bookstore, food services, and housing totaling $7,656,522 for fiscal year ended June 30, 2017 and $7,066,511 for fiscal year ended June 30, 2016. This is net of discounts of $275,965 for fiscal year ended June 30, 2017 and $391,278 for fiscal year ended June 30, 2016 and a provision for uncollectible accounts of $491,801 for fiscal year ended June 30, 2017 and $149,221 for fiscal year ended June 30, 2016.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2017 total $132,387,150 and include salaries and benefits of $58,635,135, utilities of $2,971,141, commodity supplies of $10,692,238 contractual services of $12,230,348, financial aid of $41,344,627, travel of $538,100 and depreciation of $5,975,561. Operating expenses for fiscal year ended June 30, 2016 total $120,266,944 and include salaries and benefits of $54,024,511, utilities of $2,300,060, commodity supplies of $9,667,292, contractual services of $11,756,928, financial aid of $36,020,541, travel of $549,881 and depreciation of $5,947,731.

Year Ended June 30,	**2017**	2016
Expenses by function:		
Instruction	**$ 39,526,836**	$ 36,368,837
Instructional support	**3,252,032**	3,080,693
Student services	**8,676,806**	8,045,620
Institutional support	**15,044,236**	14,569,677
Operation of plant	**13,360,668**	11,880,354
Student aid	**39,111,709**	33,835,868
Auxiliary enterprises	**6,585,807**	6,394,752
Plant and endowment operations	**6,829,056**	6,091,143
Total operating expenses by function	**$ 132,387,150**	$ 120,266,944

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenues is the State of Mississippi appropriation. The College received $32,131,813 for fiscal year 2017, of which $28,416,688 was for operations and $3,715,125 was appropriated on behalf of the College for capital projects. The College received $30,165,485 for fiscal year 2016, of which $29,345,321 was for operations and $820,164 was spent on behalf of the College for capital projects.

Local Appropriations

The College also receives revenue from the four county districts in which the College resides. These counties include Harrison, Jackson, George, and Stone County. The College receives the appropriation in monthly payments beginning in July of each year. The College received $19,956,471 in fiscal year 2017 of which $9,861,062 was for operating purposes and $10,095,409 which was used for capital purposes. The College received $19,281,702 in fiscal year 2016 of which $9,482,213 was for operating purposes and $9,799,489 which was used for capital purposes.

Investment Income, Net

Investment income includes the interest income earned on the college's bank accounts as well as interest earned on certificates of deposit. The investment income for the year ended June 30, 2017 was $530,791 and for fiscal year ended June 30, 2016 was $148,735, which represents an increase of $382,056 or 256.9%. The increase is directly related to temporary investments of funds from the 2016 bond issue.

Other Non-operating Revenues & Expenses

Included in this category is interest expense on bond indebtedness, insurance proceeds, bond premium amortization, bond issue cost, arbitrage/cash management, and other expenses totaling $2,557,603 for the fiscal year ended 2017, of which $1,944,298 was gross interest expense on bond indebtedness. Net interest expense for the fiscal year ended 2016 was $492,829 , which included $683,114 of gross interest expense on bond indebtedness and net of amortization of bond premiums and deferred refunding losses of $190,285.

Other Revenues

State Appropriations for Capital Purposes

This category includes revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets. Fiscal year 2017 capital appropriations were $3,715,125 for capital projects and fiscal year 2016 capital appropriations were $820,164 for capital projects.

Local Appropriations for Capital Purposes

This category includes revenue received from the four counties within the college's districts of Harrison, Jackson, George, and Stone Counties. Fiscal year 2017 local appropriations were $10,095,409, and fiscal year 2016 local appropriations were $9,799,489, an increase of $295,920 or 3.02%.

Grants, Gifts and Contracts for Capital Purposes

This category includes grants and contracts received from other sources to purchase, construct, renovate, or repair capital assets. Fiscal year 2017 grant and contract awards for capital purposes were $6,603,039 compared to $2,941,940 for fiscal 2016. This increase is directly related to the grant and construction of the Nursing Simulation Center at Tradition.

Statement of Cash Flows

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the college during a period. The Statement of Cash Flows also helps users assess:

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

Condensed Statement of Cash Flows (Direct Method)

Year Ended June 30,	**2017**	2016
Cash and cash equivalents provided (used) by:		
Operating activities	**$ (34,784,803)**	$ (29,221,937)
Non-capital financing activities	**38,654,365**	38,491,606
Capital and related financing activities	**72,964,235**	(6,798,877)
Investing activities	**(44,291,472)**	6,147,530
Net increase (decrease) in cash and cash equivalents	**32,542,325**	8,618,322
Cash and cash equivalents, beginning of year	**47,762,329**	39,144,007
Cash and cash equivalents, end of year	**$ 80,304,654**	$ 47,762,329
Major sources of funds included in operating activities:		
Tuition and fees	**$ 25,305,448**	$ 22,485,290
Auxiliary enterprises	**8,014,849**	6,858,731
Grants and contracts	**52,306,035**	53,281,155
Major uses of funds were payments:		
To employees	**(51,535,910)**	(51,616,837)
To suppliers and students	**(12,716,377)**	(8,216,694)
To contractual services	**(12,257,797)**	(14,147,777)
For scholarships	**(41,344,627)**	(36,020,541)
For utilities	**(2,971,141)**	(2,300,060)

The largest inflow of cash in the non-capital financing activities group for fiscal year 2017 is State appropriations of $28,783,915 and for fiscal year 2016 is $29,121,756. In addition, local appropriations from the four county districts are $9,870,450 for fiscal year 2017 and $9,369,850 for fiscal year 2016.

Significant Capital Asset Transactions

The College incurred the following transactions regarding capital construction projects during the 2017 fiscal year:

District Office Total Construction expenses were $10,448,695.

Projects include Harrison Hall Renovations of $4,072,000; Repair/Renovations to Liaison of $49,740; Computer center renovations of $350 and construction of a Nursing and Simulation Center of $6,326,605.

Perkinston Campus Total Construction expenses were $4,574,804.

Expenditures include Phase I CTE Renovations of $654,038; Baseball/Softball/Soccer Complex expenditures of $2,411,353; Renovations to Hinton Hall of $440,437; Construction and renovations of the football stadium of $845,446; Construction of the Arts Center Trail Project $61,544 and other upgrades around campus of $161,986.

Jefferson Davis Campus Total Construction expenses were $1,691,598.

Expenditures include Phase I CTE Renovations of $291,257; Renovation of Career-Tech Education Shop of $561,168; Exterior Soffit/Fascia costs of $652,239; Subsurface Drainage Improvements of $74,202; and other upgrades around campus of $112,732.

Jackson County Campus Total Construction expenses were $2,008,022.

Projects include Phase I CTE Renovations of $531,247; HVAC Renovations of LRC of $1,182,781; STEM Building Renovations of $44,002; Island Access Project costs of $28,276; Decking and railing repairs of $93,855; Restroom renovations of $50,319; and other repairs of $77,592.

George County Center Total Construction expenses were $7,780.

Project costs consist of replacement of compressor on chiller in Academic Building of $7,780.

Community Campus Total Construction expenses were $49,750.

Projects included replacement of several heat pumps of $49,750.

Funding sources for these projects included $6,487,609 in federal and state grants, $3,724,256 in state bond and capital expense funds, and $8,568,784 from other and local sources.

Factors Impacting Future Periods

There are a number of issues that are directly affecting the community college system as a whole. The continuing decline of state revenues and, therefore, state funding, is the main issue which will continue to have an impact on our financial position. State funding makes up approximately 23% of our total current funds budget in fiscal year 2017. This makes the level of state support a key factor in the financial health of the College. Our national economy has declined and the State of Mississippi is seeing tax collections that are falling short of expectations. We have been fortunate to have strong support from our local district as they are increasingly bearing more and more of the burden to provide support for the College during the last several years.

One of the internal considerations with each year's budget is the desire to refrain from tuition increases, as this is a major barrier to college education for our local residents. In fiscal year 2017 the College did not have a tuition increase. Future increases will depend on the economic climate and level of state support that the College receives. A decline in education will result in further decline of future state revenues and quality of life for state citizens if we cannot meet the education and technology demands of businesses and industries.

In addition to operating challenges, our need for deferred maintenance funds and new construction continue to challenge our ability to maintain reserve funds. These expenditures will continue to increase as our buildings age. New technological advances will demand that we constantly update our training and college-wide database needs.

The community college is the most accessible higher-education option available for the majority of Mississippians and we are obligated to make certain that our College is prepared to meet the demand for quality programs and facilities that are close to home and at a reasonable cost.

In order to meet the educational needs of students and the community, the College issued District Bonds in the amount of $70,000,000 for the construction of new facilities. Bond projects include constructing, furnishing, and equipping a new dormitory, facilities for STEM instruction and research, a cafeteria, a student union, and fine arts theater.

Contact Information

Questions concerning any of the Mississippi Gulf Coast Community College Foundation, Inc. information provided in this report or requests for additional financial information should be addressed to the Executive Vice President for Administration and Finance, Dr. Michael Heindl, Mississippi Gulf Coast Community College Foundation, Inc., P.O. Box 99, Perkinston, MS 39573.

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

June 30, 2017		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Assets				
Current assets:				
Cash and cash equivalents	$	37,750,273	$	2,997,045
Short-term investments		13,000,000		-
Investments		-		4,970,061
Interest receivable		327,527		17,423
Accounts receivable, net		6,402,608		-
Inventories		1,093,646		-
Prepaid expenses		827,250		-
Total current assets		59,401,304		7,984,529
Non-current assets:				
Refundable deposits		500		25
Restricted cash and cash equivalents		42,554,381		-
Investments, restricted for capital		35,000,000		-
Endowment investments		-		4,518,086
Real estate held for investment		-		334,151
Capital assets, net of accumulated depreciation		184,631,483		386,730
Total non-current assets		262,186,364		5,238,992
Total assets	$	321,587,668	$	13,223,521
Deferred Outflows				
Loss on debt refunding	$	220,589		-
Related to pensions		21,035,780		-
Total deferred outflows	$	21,256,369	$	-
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$	6,172,863	$	518,492
Accrued interest payable		140,337		-
Unearned revenue		1,398,403		-
Accrued leave liabilities, current portion		338,469		-
Long-term liabilities, current portion		2,068,695		-
Total current liabilities		10,118,767		518,492
Non-current liabilities				
Deposits refundable		200		-
Accrued leave liabilities		3,109,573		-
Net pension liability		104,131,480		-
Long-term liabilities		82,182,349		-
Total non-current liabilities		189,423,602		-
Total liabilities	$	199,542,369	$	518,492
Deferred Inflows				
Related to pensions	$	276,710	$	-
Total Deferred Inflows	$	276,710	$	-

Commitments and Contingencies (Notes 10 and 11)

(Continued)

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

June 30, 2017		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Net Position				
Net investment in capital assets	$	167,155,410	$	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships		-		4,731,589
Expendable:				
Capital projects		20,749,426		-
Other purposes		7,016,901		-
Temporarily restricted		-		7,553,103
Unrestricted:				
Available (deficiency) for operations		(51,896,779)		33,607
Invested in capital assets		-		386,730
Net Position	$	143,024,958	$	12,705,029

(Concluded)

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

June 30, 2017		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Operating revenues				
Tuition and fees (net of scholarship discount $4,915,705 and provision for uncollectible accounts $991,371)	$	25,297,723	$	-
Gifts and contributions		-		4,173,178
Federal grants and contracts		43,111,285		-
State grants and contracts		7,230,158		-
Private grants and contracts		2,104,422		
Sale and services of educational activities		395,247		-
Auxiliary services (net of discount $275,965 and provision for uncollectible accounts $491,801)		7,656,522		-
In-kind support		-		206,129
Other operating revenues		462,591		-
Total operating revenues		86,257,948		4,379,307
Operating expenses				
Salaries and wages		39,462,866		-
Fringe benefits		19,172,269		-
Travel		538,100		-
Contractual services		12,230,348		-
Commodities		10,692,238		-
Utilities		2,971,141		-
Financial aid		41,344,627		-
Scholarships		-		527,006
Program services general program support		-		429,123
Other		-		41,599
In-kind services		-		206,129
Depreciation		5,975,561		14,137
Total operating expenses		132,387,150		1,217,994
Operating gain/loss		(46,129,202)		3,161,313
Non-operating revenues (expenses)				
State appropriations (current funds)		28,416,688		-
Local appropriations (current funds)		9,861,062		-
Investment income		530,791		152,900
Insurance proceeds		69,817		-
Interest expense on indebtedness		(1,944,298)		-
Deferred loss on refunding amortization		(42,069)		-
Bond premium amortization		345,701		-
Bond issue cost		(989,065)		-
Other		7,130		-
Net gain on investments		-		405,918
Arbitrage/cash management		(4,819)		-
Net non-operating revenues		36,250,938		558,818
Income (loss) before other revenues, expenses, gains and losses		(9,878,264)		3,720,131
State appropriations for capital purposes		3,715,125		-
Local appropriations for capital purposes		10,095,409		-
Grants and contracts for capital purposes		6,603,039		-
Contribution of real estate and equipment		75,900		-
Gain from capital assets sold or retired		(110,246)		-
Miscellaneous revenue-sale of timber		46,945		
Additions to permanent endowments		-		211,786
Total other revenue (expenses)		20,426,172		211,786
Change in net position		10,547,908		3,931,917
Net position:				
Net position, beginning of year		132,477,050		8,773,112
Net position, end of year	$	143,024,958	$	12,705,029

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

June 30, 2017		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Cash flows from operating activities:				
Tuition and fees	$	25,305,448	$	-
Contributions received		-		4,211,357
Grants and contracts		52,306,035		-
Sales and services of educational departments		395,247		-
Payments to suppliers and students		(12,716,377)		(1,036,297)
Payments to employees for salaries and benefits		(51,535,910)		-
Payments for contractual services		(12,257,797)		-
Payments for travel		(538,100)		-
Payments for utilities		(2,971,141)		-
Payments for scholarships		(41,344,627)		-
Auxiliary enterprise sales and services		8,014,849		-
Other receipts		557,570		-
Net cash provided by (used in) operating activities		(34,784,803)		3,175,060
Cash flows from non-capital financing activities:				
State appropriations		28,783,915		-
Local appropriations		9,870,450		-
Federal loan program receipts		18,769,156		-
Federal loan program disbursements		(18,769,156)		-
Net cash provided by (used in) non-capital financing activities		38,654,365		-
Cash flows from capital and related financing activities:				
Cash received for additions to permanent endowments		-		211,786
Proceeds from disposal of capital assets		7,130		-
Cash paid for capital assets		(13,220,390)		-
Capital appropriations received		13,852,209		-
Grants and contracts received for capital purposes		5,805,857		-
Other receipts		111,943		-
Cash paid for bond issuance costs		(989,065)		-
Deferred loss on bond issuance		(188,765)		-
Premium on issuance of long-term debt		4,714,857		-
Proceeds on issuance of long-term debt		73,620,000		-
Principal paid on capital debt and leases		(8,791,863)		-
Interest paid on capital debt and leases		(1,957,678)		-
Net cash provided by (used in) capital and related financing activities		72,964,235		211,786

(Continued)

June 30, 2017	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	$ 3,500,000	$ 2,767,105
Interest and dividends received on investments	208,528	160,837
Purchases of investments	(48,000,000)	(5,418,928)
Net cash provided by (used in) investing activities	(44,291,472)	(2,490,986)
Net increase (decrease) in cash and cash equivalents	32,542,325	895,860
Cash and cash equivalents -- beginning of the year	47,762,329	2,101,185
Cash and cash equivalents -- end of the year	$ 80,304,654	$ 2,997,045
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (46,129,202)	3,161,313
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	5,975,561	14,137
Pension expense	12,932,603	-
Amortization expense	-	-
(Increase) decrease in assets:		
Receivables, net	(32,971)	-
Inventories	358,013	-
Prepaid expenses	(27,449)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(2,080,284)	(390)
Deferred revenues	(3,841)	-
Deferred outflow - contributions made to pension after measurement date	(5,906,467)	-
Accrued leave liability	129,234	-
Total adjustments	11,344,399	13,747
Net cash provided by (used in) operating activities	$ (34,784,803)	$ 3,175,060
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	$ 37,750,273	$ 2,997,045
Non-current assets - restricted cash and cash equivalents	42,554,381	-
Cash and cash equivalents - end of year	$ 80,304,654	$ 2,997,045

(Concluded)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The Governmental Accounting Standards Board ("GASB") requires that the financial reporting entity consist of the primary government and its component units.

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

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

A separate financial statement of the Foundation can be obtained by contacting the Executive Vice President for Administration and Finance of the Foundation, P.O. Box 99, Perkinston, MS 39573.

The Foundation pays tuition on behalf of students attending the College. For the year ended June 30, 2017, total scholarships expensed by the Foundation were $527,006, of which approximately $510,000 was due and payable to the College at year-end. During 2017, the Foundation incurred expenses of approximately $127,000 in educational and general support services paid to or on behalf of the College. In-kind services with an estimated value of $206,129 were provided to the Foundation by the College during 2017. Also, during 2017, the Foundation donated vehicles to the College with an estimated acquisition value of $75,900, which will be used as educational training equipment.

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 GASB. The College follows the "business-type activities" reporting requirements of GASB.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Cash Equivalents

For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents that are externally restricted as to their use are classified as non-current assets in the Statement of Net Position.

Short-term Investments

Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments and generally consist of certificates of deposit. Restricted cash temporary invested in short-term investments are classified as non-current in the Statement of Net Position and consist of certificates of deposit.

Investments and Fair Value Measurements

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

Fair value, as defined by GASB, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Fair Value Measurements (Continued)

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

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

- Level 3 Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

Accounts Receivable, Net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivable are recorded net of an allowance for doubtful accounts.

Inventories

Inventories consist of bookstore supplies, textbooks, and merchandise for resale. Merchandise for resale and bookstore supplies are valued at cost, on the first-in, first-out ("FIFO") basis. Textbooks are valued on a method assuming a three year usage.

Capital Assets, Net of Accumulated Depreciation

Capital assets are recorded at cost at the date of acquisition, or, if donated, at acquisition value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to the construction is capitalized net of interest income earned on resources set aside for this purpose.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 6.67 hours per month for one month to three years of service; 9 hours per month for three to eight years of service; 12 hours per month for eight to fifteen years of service; and for fifteen years of service and over, 13 hours per month are earned. Nine and ten month employees earn annual leave at a rate of 7.11 hours per month of service. Hourly employees earn annual personal leave at a rate of 6.67 hours per month for one month to eight years of service; 9 hours per month for eight to fifteen years of service; and for fifteen years and over, 10.5 hours per month. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave. The liability for accrued leave at June 30, 2017 as reported in the Statement of Net Position is $3,448,042 with $338,469 of this amount estimated as current.

Classification of Revenue

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues

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

Non-operating revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB, such as state appropriations, local appropriations and investment income.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Appropriations

The College receives funds from the State of Mississippi based on the total credit hours generated by all students actually enrolled and in attendance on the last day of the sixth week (or its equivalent) of each semester for the previous year, counting only those students who reside within the State of Mississippi.

Scholarship Discounts and Allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (“NACUBO”). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash.

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Deferred Outflows of Resources

Deferred outflow of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The College has deferred outflows related to a loss on bond refunding, which is amortized over the remaining life of the bonds. In addition, deferred outflows include amounts related to pensions (See Note 8), including contributions to the employee pension plan subsequent to the measurement date of the actuarial valuations for the plan.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the College that is applicable to a future reporting period. The College has deferred pension inflows resulting from (i) changes in actuarial assumptions which are being amortized over the average expected remaining service lives of participants and (ii) the difference between estimated and actual return on pension plan investment, which is being amortized over a five year period using the straight-line method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Liability

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

Net Position

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

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

The unrestricted net position (deficit) balance of $(51,896,779) at June 30, 2017, includes $5,133,481 reserved for inventories, the impact of including the College's proportionate share of the PERS net pension liability and related deferred outflows/inflows of ($83,372,410), and a remaining amount of $26,342,150.

Recent GASB Accounting Pronouncements

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirement of Statement 45 and requires governments to report a liability on the face of the financial statements for the Other Postemployment Benefits (OPEB) that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increase and decreases in the OPEB liability and schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the College's fiscal year end June 30, 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent GASB Accounting Pronouncements (Continued)

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for the College's fiscal year end June 30, 2020.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which will be effective for the College beginning with its year ending June 30, 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to fair value measurement and application, and postemployment benefits.

In May 2017, GAS issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of this statement are effective for the College's fiscal year end June 30, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*, will be effective for the College beginning with its year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

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

NOTE 2: CASH AND SHORT-TERM INVESTMENTS

Cash, Cash Equivalents, and Short-Term Investments

As of June 30, 2017, the College's short-term investments and investments restricted for capital purposes consisted of non-negotiable certificate of deposit in which fair value, measured using Level 2 inputs, approximated carrying values.

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

NOTE 2: CASH AND SHORT-TERM INVESTMENTS (Continued)

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

Custodial Credit Risk – Deposits

Custodial risk is the risk that in the event of a depository failure, the College deposits may not be returned to it. The College does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the College.

Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the College.

The College's only investments as of June 30, 2017 consist of non-negotiable certificates of deposit maturing in less than one year and which are reported at cost. These short-term certificates of deposit have a credit rating of AAA.

Interest Rate Risk

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

NOTE 3: ACCOUNTS RECEIVABLE

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

June 30, 2017		
Students tuition	$	9,968,666
Auxiliary enterprise sales and services		4,822,492
Federal and state grants		2,642,170
Local appropriations		528,619
State appropriations		318,528
Foundation (related party)		513,020
Other		415
Total accounts receivable		18,793,910
Less allowance for doubtful accounts		(12,391,302)
Total	$	6,402,608

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

NOTE 4: CAPITAL ASSETS

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

Year ended June 30, 2017

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Non-depreciable Capital Assets:				
Land	$ 5,036,449	$ -	$ -	**$ 5,036,449**
Construction in Progress	15,267,470	18,780,649	(13,860,626)	**20,187,493**
Total Non-depreciable Capital Assets	20,303,919	18,780,649	(13,860,626)	**25,223,942**
Depreciable Capital Assets:				
Buildings	167,300,855	13,067,428	-	**180,368,283**
Other Structures and Improvements	44,409,834	416,823	-	**44,826,657**
Equipment	17,260,301	729,852	(963,214)	**17,026,939**
Library Books	835,811	75,478	(288,247)	**623,042**
Total Depreciable Capital Assets	229,806,801	14,289,581	(1,251,461)	**242,844,921**
Less Accumulated Depreciation for:				
Buildings	48,644,185	2,962,655	-	**51,606,840**
Other Structures and Improvements	17,327,840	1,719,893	-	**19,047,733**
Equipment	12,206,251	1,220,054	(926,996)	**12,499,309**
Library Books	424,758	72,959	(214,219)	**283,498**
Total Accumulated Depreciation	78,603,034	5,975,561	(1,141,215)	**83,437,380**
Total Depreciable Capital Assets, net	151,203,767	8,314,020	(110,246)	**159,407,541**
Capital Assets, net	$ 171,507,686	$ 27,094,669	$ (13,970,872)	**$ 184,631,483**

NOTE 4: CAPITAL ASSETS (Continued)

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

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

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

NOTE 5: LONG-TERM LIABILITIES

Long-term liabilities of the College consist of notes and bonds payable, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2017. Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2017, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

June 30, 2017

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonded Debt:								
MS Development Bank Special Obligation Bonds Series 2007	$ 12,300,000	4.00-5.00%	2024	$ 7,195,000	$ -	$ 7,195,000	$ -	$ -
MGCCC Limited Tax Obligation Refinancing Bonds 2012	$ 9,995,000	4.00-5.00%	2020	6,715,000	-	1,565,000	5,150,000	1,645,000
MS Development Bank Special Obligations Bonds Series 2016	$ 73,620,000	2.00-4.393%	2046	-	73,620,000		73,620,000	-
Premium on bond offerings				829,549	4,714,857	345,701	5,198,705	391,188
Total Bonded Debt				14,739,549	78,334,857	9,105,701	83,968,705	2,036,188
Notes Payable:								
Perkinston Infrastructure Upgrade	$ 613,001	2.00%	2026	314,202		31,863	282,339	32,507
Total Notes Payable				314,202	-	31,863	282,339	32,507
Other Long-term Liabilities:								
Deposits refundable				200	-	-	200	
Accrued leave liabilities				3,318,808	129,234	-	3,448,042	338,469
Net pension liability				89,770,643	14,360,837	-	104,131,480	
Total Other Long-term Liabilities				93,089,651	14,490,071	-	107,579,722	338,469
Total				$ 108,143,402	$ 92,824,928	$ 9,137,564	191,830,766	$ 2,407,164
Due within one year							2,407,164	
Total Long-term Liabilities							$ 189,423,602	

During November 2016, the College issued bonds for facilities construction and debt refinancing totaling $73,620,000 (Mississippi Development Bank Special Obligation Bonds, Series 2016). These bonds were issued to provide funds for certain improvements and capital expenditures and for the current refunding of the College's Series 2007 bonds with and outstanding balance of $7,195,000.

NOTE 5: LONG-TERM LIABILITIES (Continued)

The difference in the reacquisition price and carrying value of the refunded debt resulted in a loss of approximately $189,000 which was deferred and amortized over the remaining maturity of the old debt. The current refunding reduced debt service payments over the next 15 years and resulted in an economic gain of approximately $690,000. Bond issue costs expensed during the year approximated $989,000.

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

June 30, 2017

	Bonded Debt	Notes Payable	Interest	Total
2018	$ 2,036,188	$ 32,507	$ 3,027,910	$ 5,096,605
2019	2,113,388	33,108	2,961,930	5,108,426
2020	2,179,092	33,776	2,892,662	5,105,530
2021	1,948,259	34,458	2,802,980	4,785,697
2022	1,982,642	35,154	2,767,135	4,784,931
2023 - 2027	10,352,932	113,336	13,080,868	23,547,136
2028 - 2032	12,106,203	-	11,064,231	23,170,434
2033 - 2037	14,306,474	-	8,726,269	23,032,743
2038 - 2042	16,762,682	-	6,044,541	22,807,223
2043 - 2047	20,180,845	-	2,265,000	22,445,845
Totals	$ 83,968,705	$ 282,339	$ 55,633,526	$ 139,884,570

NOTE 6: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

Year Ended June 30, 2017

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships & Fellowships	Depreciation Expense	Total
Instruction	$ 23,049,018	$ 11,060,663	$ 176,897	$ 2,563,687	$ 1,334,357	$ 2,175	$ 1,340,039	$ -	$ 39,526,836
Instructional Support	2,024,405	988,921	22,640	29,524	186,542	-	-	-	3,252,032
Student Services	4,523,554	2,055,816	186,293	632,583	476,761	-	801,799	-	8,676,806
Institutional Support	5,591,125	2,736,605	131,383	5,835,682	652,233	6,128	91,080	-	15,044,236
Operation of Plant	3,376,246	1,872,516	7,854	2,283,847	3,450,877	2,369,328	-	-	13,360,668
Student Aid	-	-	-	-	-	-	39,111,709	-	39,111,709
Auxiliary Enterprises	898,518	457,748	13,033	571,369	4,051,629	593,510	-	-	6,585,807
Plant Operations	-	-	-	313,656	539,839	-	-	5,975,561	6,829,056
Total	$ 39,462,866	$ 19,172,269	$ 538,100	$ 12,230,348	$ 10,692,238	$ 2,971,141	$ 41,344,627	$ 5,975,561	$ 132,387,150

NOTE 7: CONSTRUCTION COMMITMENTS AND FINANCING

The College has contracted for the construction of the following projects. At June 30, 2017, estimated costs to complete the projects are $10,042,566. The remaining costs are to be funded as follows:

		Funded By		
June 30, 2017	Total Costs to Complete	Federal Sources	State Sources	Institutional Funds
Local funds:				
District Office:				
Nursing and Simulation Center	$ 3,613,122	$ 3,613,122	$ -	$ -
Perkinston Campus:				
Football Stadium Fencing	46,282	-	-	46,282
Baseball/Softball/Soccer Complex	613,661	-	-	613,661
Hinton Hall Science Lab Renovation	1,179,016	-	-	1,179,016
New Residence Hall/Student Center	761,111	-	-	761,111
Jefferson Davis Campus:				
Career-Tech Education Shop Renovations	1,937,092	-	-	1,937,092
New Access Road	35,002	-	-	35,002
Performing Arts Center	1,110,525	-	-	1,110,525
Jackson County Campus:				
HVAC Renovation - LRC	746,755	-	-	746,755
Total	$ 10,042,566	$ 3,613,122	$ -	$ 6,429,444

NOTE 8: PENSION PLAN

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

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

NOTE 8: PENSION PLAN (Continued)

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

Plan Description

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

Benefits Provided

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less.

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

NOTE 8: PENSION PLAN (Continued)

Benefits Provided (Continued)

A cost-of-living adjustment payment is made to eligible retirees and beneficiaries equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions

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

The PERS Board of Trustees implemented a revised funding policy aimed at stabilizing the employer contribution rate and for fiscal 2017 and 2016, the employer contribution rate was 15.75 percent for both years.

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

At June 30, 2017 the College reported a liability of $104,131,480 for its proportionate share of the collective net pension liability. The collective 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 June 30, 2016. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating PERS employers. At June 30, 2016 the College's proportion was 0.582962% (used to determine its collective share of the net pension liability as of June 30, 2017) as compared to its proportion measured at June 30, 2015 of 0.580738% or an increase of 0.0022%.

NOTE 8: PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the College recognized pension expense of $12,932,603. 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	$ 2,904,507	$ -
Changes of assumptions	4,908,979	276,710
Net difference between projected and actual earnings on pension plan investment	7,069,266	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	246,562	-
Employer contributions subsequent to the measurement date	5,906,466	-
Total	$ 21,035,780	$ 276,710

Deferred outflows of resources related to pensions resulting from College contributions subsequent to June 30, 2016 (the measurement date) were $5,906,466 and will be recognized as a reduction of 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,	Net Deferred Outflows/ Inflows of Resources
2018	$ 5,213,987
2019	3,888,780
2020	3,692,698
2021	2,057,139
Total	$ 14,852,604

NOTE 8: PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return	7.75%, net of pension plan investment expenses
Projected salary increases	3.75% - 19.00%, average, including inflation

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

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

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

Mortality rates for PERS were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with mortality improvements based on Scale BB to 2017, with male rates set forward one year.

NOTE 8: PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8: PENSION PLAN (Continued)

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of collective net pensions liability	$ 133,519,905	$ 104,131,480	$ 79,748,614

Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and Changes in Assumptions

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average expected remaining service life of active and inactive members. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%. Additionally, effective July 1, 2016, the interest rate on employee contributions was calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 2016. The supporting actuarial information is included in the GASB Statement No. 67 Report for the PERS prepared as of June 30, 2016. The auditor's report dated December 21, 2016 on the net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and total pension expense included in an accompanying schedule of collective pension amounts as of June 30, 2016 and for the year then ended is also available. The additional financial and actuarial information is available at www.pers.ms.gov.

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

Except for the Schedule of Expenditures of Federal Awards, the date of which is April 9, 2018, the College has evaluated subsequent events through January 31, 2018, which is the date the financial statements were available to be issued.

NOTE 10: CONTINGENCIES

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

The College participates in federal and state funded assistance programs. These programs are subject to program compliance audits by the grantor agencies or their representatives. Accordingly, the College's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined currently, although management of the College expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

Mississippi Gulf Coast Community College
Schedule of Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
For the Three Years Ended June 30, 2017

Year Ended June 30,	**2017**	2016	2015
Last Ten Fiscal Years: *			
College's proportion of the net pension liability	**$ 104,131,480**	$ 89,770,643	$ 70,777,664
College's proportionate share of the net pension liability	**0.5829620%**	0.5807380%	0.5830710%
College's covered-employee payroll	**$ 37,293,440**	$ 36,281,175	$ 35,629,885
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**281.53%**	247.43%	198.65%
Plan fiduciary net position as a percentage of the total pension liability	**57.47%**	61.70%	67.21%

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

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, until a full ten-year trend is compiled, the College has only presented information for the years in which the information is available as required by GASB.

Schedule of Required Supplementary Information
Schedule of the College's Contributions
Last Ten Years Ended June 30, 2017

June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	**$ 5,906,466**	$ 5,873,719	$ 5,714,277	$ 5,611,512	$ 5,034,585	$ 4,407,299	$ 4,248,572	$ 4,330,414	$ 4,430,613	$ 4,377,343
Contributions in relation to the contractually required contribution	**5,906,466**	5,873,719	5,714,277	5,611,512	5,034,585	4,407,299	4,248,572	4,330,414	4,430,613	4,377,343
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	**$ 37,501,342**	$ 37,293,440	$ 36,281,175	$ 35,629,885	$ 35,305,691	$ 35,352,841	$ 35,404,719	$ 36,086,902	$ 37,389,130	$ 36,939,261
Contributions as a percentage of the covered-employee payroll	**15.75%**	15.75%	15.75%	15.75%	14.26%	12.47%	12.00%	12.00%	11.85%	11.85%

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

NOTE 1: SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

The College's proportionate share of the net pension liability was determined based on the College's allocation percentage of actual contributions to the Public Employees' Retirement System of Mississippi System's (PERS) total actual contributions as of and for the year ended June 30, 2016. The total pension liabilities used in the development of the ratio of the plan fiduciary net position to total pension liabilities presented in the schedule was provided by the Public Employees' Retirement System of Mississippi System's (PERS) actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position for PERS as of and for the year ended June 30, 2016.

NOTE 2: SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

The employer contribution rate for the College was 9.75 percent in fiscal year 2005 with an increase in fiscal year 2006 to 10.75 percent. Beginning in fiscal year 2007, the employer contribution rate increased from 10.75 percent in .55 percent increments until the target rate was met in fiscal year 2008. Use of the phased-in employer contribution rate increase resulted in an annual contribution deficit for fiscal year 2007. The purpose of the phased-in approach was to moderate the impact to the State of Mississippi of a contribution rate increase. A slight increase in the employer contribution rate was implemented in fiscal year 2010, from 11.85 percent to 12.0 percent. In fiscal year 2010, the actuary's recommended employer contribution rate was to increase from 12.0 percent to a projected 13.56 percent for fiscal year 2011. In lieu of the employer contribution rate increase, the member contribution rate was increased to 9.0 percent for fiscal year 2011, which produced a decrease in employer normal cost. The reduction in normal cost, coupled with favorable investment experience, resulted in a revised recommended employer contribution rate from 13.56 percent to 12.93 percent, which became effective January 1, 2012. The employer contribution rate increased in fiscal year 2013 to 14.26 percent and in fiscal year 2014, the Board implemented a revised funding policy aimed at stabilizing the employer contribution rate, which was set at 15.75 percent. The employer contribution rate has remained at 15.75% for each of the two years ending June 30, 2017.

NOTE 3: CHANGES IN ASSUMPTIONS

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%. Additionally, effective July 1, 2016, the interest rate on employee contributions was calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTAL INFORMATION

Year ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Student Financial Aid-Cluster				
U.S. Department of Education				
Federal Pell Grant Program	84.063		$	21,324,692
Federal Supplemental Educational Opportunity Grants	84.007			174,787
Federal Direct Student Loans	84.268			18,769,156
Federal Work-Study Program	84.033			187,909
Total Student Financial Aid Cluster			$	40,456,544
Other Programs				
U.S. Department of Education				
Pass-through Programs from:				
State Board of Community and Junior Colleges Adult Education - Basic Grants to States	84.002		$	875,312
State Department of Education - Career and Technical Education - Basic Grants to States	84.048	E-V048A020024		932,988
Tech-Prep Education	84.243	E-V243A01002		15,000
Total U.S. Department of Education			$	1,823,300
U.S. Department of Housing & Urban Development				
Pass-through Programs from:				
Mississippi Development Authority Katrina Supplemental Community Development Block Grant (See Note 2)	14.228		$	7,907,205
Total U.S. Department of Housing & Urban Development			$	7,907,205
U.S. Department of Health & Human Services				
Mississippi INBRE	93.859		$	40,387
Pass-through Programs from:				
State Board of Community and Junior Colleges Early Childhood Academy (See Note 2)	93.575			81,724
Total U.S. Department of Health & Human Services			$	122,111

(Continued)

See the notes to the schedule of expenditures of federal awards.

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Other Programs (continued)				
U.S. Department of the Treasury				
Pass-through Programs from:				
Mississippi Department of Environmental Quality				
Work-Ready Community Program	21.015		$	175,982
Total U.S. Department of Treasury			$	175,982
National Aeronautics and Space Administration				
Pass-through Program From:				
University of Mississippi - Science	43.008		$	4,950
NASA Scholarship Grant	43.008			17,320
Total National Aeronautics and Space Administration			$	22,270
U.S. Department of Labor				
WIA Cluster				
Pass-through Programs from:				
Mississippi Department of Employment Services				
South Mississippi Planning & Development District	17.278		$	345,884
Total U.S. Department of Labor			$	345,884
U.S. Department of Commerce				
Pass-through Program from:				
Mississippi Technology Alliance - Manufacturing Extension Partnership	11.611		$	81,134
Total U.S. Department of Commerce			$	81,134

(Continued)

Year ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Other Programs (continued)			
U.S. Department of Justice			
Pass-through Program From:			
Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		$ 11,154
Total U.S. Department of Justice			$ 11,154
National Science Foundation			
Education and Human Resources	47.076		$ 88,497
Total National Science Foundation			$ 88,497
Corporation for National and Community Service			
Non-Trade Gaming Summit	84.048A		$ 4,582
Total Corporation for National and Community Service			$ 4,582
Total Other Programs			10,582,119
Total Expenditures of Federal Awards			$ 51,038,663

(Concluded)

See the notes to the schedule of expenditures of federal awards.

NOTE 1: BASIS OF PRESENTATION

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

The federal programs included in the accompanying SEFA are accounted for using the accrual basis of accounting and the SEFA was prepared using the same significant accounting policies, where applicable, as those used for the basic financial statements, with the following exception:

- For purposes of the SEFA, loans made to students under the Federal Direct Student Loans Program (CFDA #84.268) are presented as federal expenditures. The outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.
- For purposes of the SEFA, expenditures for the Katrina Supplemental Community Development Block Grant (CFDA #14.228) include expenditures incurred in prior years as follows:
  - Incurred for the fiscal year ended June 30, 2016 - $1,608,675
  - Incurred for the fiscal year ended June 30, 2015 - $177,390

Expenditures presented on the SEFA are recognized following the cost principles as found in the Uniform Guidance. The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 2: RESTATED SEFA DUE TO GRANT OMISSIONS

Subsequent to the issuance of the SEFA for the year ended June 30, 2017, it was discovered that two federally awarded pass-through grants had been misclassified as state funded program awards. As a result, the College revised the SEFA previously reported to reflect the correction of these omissions.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
400 West Parkway Place
Suite 300
Ridgeland, MS 39157

Mailing Address:
P.O. Box 2418
Ridgeland, MS 39158-2418

(601) 853-7050
(601) 853-9331 (fax)
CRIcpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 31, 2018, except for Note 9 and our opinion on the schedule of expenditures of federal awards (SEFA), for which the date is April 9, 2018. The financial statements of the Mississippi Gulf Coast Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-003 through 2017-005.

Emphasis of Matters

As more fully described in Note 2 to the SEFA, the College has revised and reissued the SEFA, previously issued on January 31, 2018, due to the omission of certain federal pass-through programs. As a result, the previously issued auditors' report dated January 31, 2018, is not to be relied upon and is replaced by this report. Our audit opinion is not modified with respect to this matter.

The College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
April 9, 2018

CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
400 West Parkway Place
Suite 300
Ridgeland, MS 39157

Mailing Address:
P.O. Box 2418
Ridgeland, MS 39158-2418

(601) 853-7050
(601) 853-9331 (fax)
CRIcpa.com

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

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

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Gulf Coast Community College's (the "College') compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Emphasis of Matters

As more fully described in Note 2 to the schedule of expenditures of federal awards (SEFA), the College has revised and reissued the SEFA, previously issued on January 31, 2018, due to the omission of certain federal pass-through programs. As a result, the previously issued auditors' report dated January 31, 2018, is not to be relied upon. Our audit opinion is not modified with respect to this matter.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying auditee's corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-003 to be a significant deficiency.

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

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying auditee's corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
April 9, 2018

Section I: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements:	Unmodified
2. Material noncompliance relating to the financial statements?	No
3. Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)	Yes

Federal Awards:

4. Type of auditors' report issued on compliance for major federal programs:	Unmodified
5. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR §200.516(a) ?	Yes
7. Federal programs identified as major programs:	
a. Student Financial Aid Cluster:	
CFDA#: 84.063	
CFDA#: 84.007	
CFDA#: 84.268	
CFDA#: 84.033	
b. Katrina Supplemental Community Development Block Grant:	
CFDA#: 14.228	
8. The dollar threshold used to distinguish between type A and type B programs:	$1,531,160
9. Auditee qualified as a low-risk auditee under §200.516 Criteria for a low-risk auditee?	Yes

Section II: Financial Statement Findings

Finding:

Finding #: 2017-001: Accounting for Deferred Loss on Bond Refunding

Finding Type: Significant Deficiency

Criteria:
GASB requires that the difference between the reacquisition price and the net carrying amount of the old debt be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Further, where material, the amortization of debt discount and premiums should be amortized using the effective-yield method.

Condition:
During our review of the College's accounting for the current refunding of its Series 2007 bond issue, we noted that the College did not properly defer the loss on the bond refunding as required by GASB.

Context and Cause:
The current refunding of debt is not a routine transaction at the College and there was not sufficient research conducted to determine the proper accounting treatment for such a non-routine transaction.

Effect:
As a result, interest expense was overstated, and a post-closing adjustment of approximately $165,000 was made to properly defer the loss. Further and although immaterial for the current year, premium amortizations relating to the new bond issue were adjusted from the straight-line method to the level-yield method.

Recommendation:
We recommend that management develop a more formal methodology for determining the proper accounting treatment for newly issued debt, including a formal evaluation of the accounting treatment for any bond refunding and the proper amortization of related deferred inflows or outflows, including the proper amortization of new debt premiums or discounts.

Section II: Financial Statement Findings (Continued)

Finding:

Finding #: 2017-002: Preparation of Schedule of Expenditures of Federal Awards

Finding Type: Material Weakness

Criteria:
Under the Uniform Guidance, the College is required to prepare and present a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). Section 2 CFR 200.510 requires that total federal expenditures for each individual federal program (that is, all awards with the same CFDA number) be shown on the SEFA. In addition, CFR 200.302(b)(1) states that the nonfederal entity must identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, the federal award identification number and year, the name of the federal agency, and the name of the pass-through entity, if any. This information enables the auditee to reconcile amounts presented in the financial statements to related amounts in the SEFA.

Condition:
The College's SEFA omitted expenditures for certain pass-through federal funds and was therefore incomplete.

Context:
The College receives funding through awards of various federal, state, local and private sources. In some cases, federal funds are passed through other entities in the form of sub-grants to the College. These funds retain their characteristics as federal funds and should therefore be included on the SEFA. In other cases, state, local or private entities award grants directly to the College that do not include federal funds. Therefore, the College must assess each award received in order to determine any portion representing federal funds. Diversity in the nature of grants received by the College and the related projects funded by those grants requires operational involvement by various departments. Further, certain non-recurring, non-routine, or project-specific grants may be managed outside the standard grant administration and reporting framework of the College. Due to technical or specialized specifications or aspects of some projects and programs, such as construction projects, expertise available in separate departments or through third party consultants is necessary to properly administer and accomplish the project objectives.

Section II: Financial Statement Findings (Continued)

Finding:

Finding #: 2017-002: Preparation of Schedule of Expenditures of Federal Awards (Continued)

Cause:
The College's process for initial determination of whether grants received from non-federal entities included federal funds was insufficient to identify pass-through awards of federal funds for certain awarded amounts. Since the College relies on the initial classification of the funding source as the primary trigger for identification of federal expenditures, subsequent program expenditures were not adequately assessed for inclusion of federal funds.

Effect:
In the initial classification of the source of funds for two grants, the College mischaracterized federal pass-through funding as direct funding by the State of Mississippi. Since initial classification provided the basis for determining whether project expenditures were federally funded, expenditures related to those grants were omitted from the College's SEFA. As a result, material adjustments were proposed by the auditor and recorded by the College to properly include omitted expenditures in the SEFA. In addition, an uncorrected misstatement was proposed as an adjustment to the financial statements of approximately $369,000 resulting from the understatement of accrued federal grants revenue for reimbursement of expenditures incurred relating to one of the federal grants.

Recommendation:
We recommend that management enhance its grant administration policies and procedures for identifying funding sources of grants. Management should consider formalizing policies for review of grant documents and verification of funding sources through communications with responsible departmental personnel and/or funding agency representatives as warranted. In addition, the College should establish a policy to formally reconcile reimbursable grant expenditures with funding source revenues to insure a proper cut-off is obtained.

Section III: Federal Award Findings and Questioned Costs

Finding:

Finding #: 2017-003: Outsourced Grant Administration

Finding Type: Significant Deficiency

Program Test: CFDA #14.228 – Katrina Supplemental Community Development Block Grant
U. S. Department of Housing & Urban Development
Pass-Through from Mississippi Development Authority

Criteria:
Pursuant to 2 CFR Section 200.300, non-federal entities receiving federal awards are responsible for complying with all requirements of the federal award. The non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the "*Standards for Internal Control in the Federal Government*" issued by the Comptroller General of the United States and the "*Internal Control Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Condition:
The College outsourced grant administration functions for its Katrina Supplemental Community Development Block Grant (CDBG) Nursing School and Simulation Center sub-grant to a third party professional service provider. However, internal controls of the College did not include procedures for formal active monitoring of the third party grant administrator's internal control and compliance procedures. As part of its services, the grant administrator prepared required reports for the program from approved information provided by the College and from certified information submitted by project contractors and subcontractors. The College did not routinely obtain and review reports prepared by the grant administrator prior to submission of those reports to the pass-through funding agency.

Questioned Costs:
Undetermined

Context:
In a prior year, the College undertook a project to develop and seek funding for construction of a Nursing School and Simulation Center. To assist with identification of available funding sources and programs under which this project could be performed, the College engaged the services of a third party grant administrator with experience and knowledge in such programs. The third party grant administrator assisted in developing the project structure and grant

Section III: Federal Award Findings and Questioned Costs (Continued)

Finding:

Finding #: 2017-003: Outsourced Grant Administration (Continued)

application to meet criteria under the Katrina Supplemental Community Development Block Grant program administered through the Mississippi Development Authority Disaster Recovery Division. Since the project and the funding vehicle were unique in the College's experience, the College determined that utilization of the third party grant administrator was prudent and would mitigate risks of noncompliance with program requirements. While the College maintains active and ongoing communications with the grant administrator, it does not formally oversee and approve certain outsourced functions performed by this grant administrator.

Cause:
The College relies on its third party grant administrator for the Katrina Supplemental CDBG sub-grant to maintain and monitor compliance with program and grant requirements. However, while the College can outsource those functions, it remains responsible for monitoring controls and adherence to compliance requirements. The College did not require formal communications from its third party grant administrator specifying compliance activities performed or results thereof. In addition, the College does not approve program reports completed and submitted by the third party grant administrator or obtain copies of submitted reports. Therefore, records necessary for effective monitoring of outsourced functions are not routinely obtained from the grant administrator by the College.

Effect:
As a result of ineffective monitoring of outsourced grant administration functions, elements of the College's grant administration process are outside its internal control structure. Therefore, deficiencies in the relevant program's internal controls over compliance may not be timely detected and addressed. In addition, ineffective monitoring of outsourced grant administration increases the risk that noncompliance may not be prevented or timely detected and remedied.

Recommendation:
We recommend that management develop formal procedures for performing and documenting oversight of outsourced grant management functions.

Section III: Federal Award Findings and Questioned Costs (Continued)

Finding:

Finding #: 2017-004: Cash Management

Finding Type: Other Matters

Program Test: CFDA #14.228 – Katrina Supplemental Community Development Block Grant
U. S. Department of Housing & Urban Development
Pass-Through from Mississippi Development Authority

Criteria:
Pursuant to 2 CFR section 200.305, for cash management purposes a non-federal entity must minimize the time elapsing between transfer of funds from the United States Treasury or pass-through entity and the disbursement by the non-federal entity. In addition, the non-federal entity must use funds available from interest earned on such funds before requesting additional cash payments.

As required under the state pass-through agency program guidance, program funds may not be held by the recipient for more than 3 business days before disbursement for program expenditures unless delays can be justified by the recipient. In addition, such program guidance requires that any interest earned on Katrina CDBG grant funds exceeding $100 per year must be returned to the State.

Condition:
During the period from grant inception (January 19, 2015) through June 30, 2017, the College failed to timely disburse federal funds to contractors in accordance with program requirements that such disbursements be made within 3 business days of receipt of funds. While no disbursement was made more than 10 business days after receipt of funds, 20 out of 58 invoice expenditures were made after 3 days had lapsed from related receipts.

In addition, federal funds related to this program were directly deposited into an interest-bearing account, but no interest was reported or remitted to the pass-through agency. Interest earned on such federal funds was insignificant.

Questioned Costs:
Undetermined

Section III: Federal Award Findings and Questioned Costs (Continued)

Finding:

Finding #: 2017-004: Cash Management (Continued)

Context:
Upon receipt and approval of vendor invoices for costs incurred under this program, the College submits such costs to its grant administrator for preparation of a request for program funds. The grant administrator submits such requests to the Mississippi Development Authority, the pass-through agency, which then approves and remits payment to the College via electronic transfer of funds into an interest-bearing operating account. The College then processes disbursements to vendors in its next accounts payable cycle batch of disbursements. In some cases, the time between receipt of funds and routine batch processing exceeds 3 business days.

Cause:
The College did not actively monitor daily receipt of grant funds to ensure that disbursements were timely made in accordance with program terms. In addition, the College did not consider the program requirements and related consequences of utilizing an interest-bearing account for receipt of and holding funds until their disbursement.

Effect:
While no significant delays in disbursements of federal funds received were noted, releases of funds after the specified time allowed indicates non-compliance with cash management requirements to minimize time elapsing between transfer of funds from the pass-through agency and disbursement by the recipient. In addition, failure to monitor effects of maintaining funds in interest-bearing accounts and to appropriately report and remit excess interest earned on such funds indicates non-compliance with related program requirements. These instances of non-compliance, while monetarily insignificant, also indicate deficiencies in related internal controls over compliance with cash management requirements.

Recommendation:
We recommend that management enhance its procedures for managing disbursements to ensure compliance with federal and grant requirements to minimize time elapsing between receipt and disbursement of program funds. Management should consider the use of formal documentation tracking receipt and disbursement of funds to facilitate monitoring compliance with cash management requirements. In addition, management should review grant requirements to identify responsibilities related to funds held in interest-bearing accounts and should enhance policies and procedures to ensure that controls over related compliance requirements are effective.

Section III: Federal Award Findings and Questioned Costs (Continued)

Finding:

Finding #: 2017-005: Reporting Major Program Expenditures

Finding Type: Other Matters

Program Test: CFDA #14.228 – Katrina Supplemental Community Development Block Grant
U. S. Department of Housing & Urban Development
Pass-Through from Mississippi Development Authority

Criteria:
Under the Uniform Guidance, the College is required to prepare and present a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). Section 2 CFR 200.510 requires that total federal expenditures for each individual federal program (that is, all awards with the same CFDA number) be shown on the SEFA. In addition, CFR 200.302(b)(1) states that the nonfederal entity must identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, the federal award identification number and year, the name of the federal agency, and the name of the pass-through entity, if any. This information enables the auditee to reconcile amounts presented in the financial statements to related amounts in the SEFA.

Condition:
Federal expenditures incurred under the Katrina Supplemental Community Development Block Grant (CDBG) Nursing School and Simulation Center sub-grant were misclassified as state funds and were therefore omitted from the College's SEFA.

See Section II Financial Statement Finding #2017-002.

Questioned Costs:
Undetermined

Context:
The College is responsible for submitting various periodic program-related reports to the Mississippi Development Authority under its Katrina Supplemental Community Development Block Grant (CDBG) Nursing School and Simulation Center sub-grant. Such reports include various performance and economic reports and include project expenditures to date paid with grant funds. These required reports have been submitted for all periods from grant inception through June 30, 2017, and grant expenditures reflected in those reports reconcile properly to underlying financial information. As a result, federal expenditures have been reported to the pass-through agency responsible for administering program funds.

Section III: Federal Award Findings and Questioned Costs (Continued)

Finding:

Finding #: 2017-005: Reporting Major Program Expenditures (Continued)

However, since the College misclassified the source of grant funds as the State of Mississippi rather than as federal funds passed through the State of Mississippi via the Mississippi Development Authority, grant funds expended were omitted from the College's SEFA as initially prepared.

Cause:
See Section II Financial Statement Finding #2017-002.

Effect:
Expended grant funds were properly reported to the pass-through agency. However, misclassification of the funding source resulted in omission of the expenditures from the College's SEFA, which is presented as supplemental financial information. Adjustments to the SEFA were proposed by the independent auditors to correct the omission, and those adjustments were recorded by the College.

Recommendation:
We recommend that management enhance its grant administration policies and procedures for identifying funding sources of grants. Management should consider formalizing policies for review of grant documents and verification of funding sources through communications with responsible departmental personnel and/or funding agency representatives as warranted.

Section IV: Prior Findings and Questioned Costs

The financial reporting finding identified in our 2016 audit report as item FR2016-01 has been satisfactorily resolved and the College's corrective action plan has been implemented.

Financial Statement Finding 2017-001:

Finding #:	2017-001: Accounting for Deferred Loss on Bond Refunding
Status:	Corrective Action Completed February 2, 2018.
Corrective Action:	In the event that the College issues debt in the future, research of the current guidance on recording the transaction will be completed in order to accurately reflect the transaction in the financial statements.

Name(s) of Contact Person(s) Responsible for Corrective Action:
Shelly Ford, Associate Vice President of Finance/Comptroller

Financial Statement Finding 2017-002:

Finding:	2017-002: Preparation of Schedule of Expenditures of Federal Awards
Status:	Corrective action in progress. Anticipated Completion Date: June 30, 2018.
Corrective Action:	As an immediate fix to rectify the existing issue, the College performed a thorough review of all current grants and awards to identify any that were initially misclassified as non-federal to ensure completeness of the 2017 SEFA, as revised. The College will develop formal procedures to determine the nature of external funding and to ensure that Federal funds are properly identified and assimilated into the grants administration and financial reporting processes.

Name(s) of Contact Person(s) Responsible for Corrective Action:
Shelly Ford, Associate Vice President of Finance/Comptroller

Federal Awards Finding 2017-003:

Finding #: 2017-003: Outsourced Grant Administration

Status: Corrective action in progress.
Anticipated Completion Date: June 30, 2018.

Corrective Action: The College has requested that the Grant Administrator provide documentation of their internal controls over compliance. The College will review the documentation and apply additional internal control safeguards if considered necessary. Additionally, the College has requested that the grant administrator send all program reports to the College for review before submittal to the Grantor.

Name(s) of Contact Person(s) Responsible for Corrective Action:
Shelly Ford, Associate Vice President of Finance/Comptroller

Federal Awards Finding 2017-004:

Finding #: 2017-004: Cash Management

Status: Corrective action in progress.
Anticipated Completion Date: June 30, 2018.

Corrective Action: The College has reviewed its cash management policies related to grant awards funded under current needs arrangements and will revise its disbursement procedures to ensure that payments are timely processed and released. Upon approval of submission of requests for funding, the payment process for underlying project costs will be initiated. Receipt of funds and related release of disbursements to vendors/contractors will be formally monitored to ensure that procedures are operating effectively.

Name(s) of Contact Person(s) Responsible for Corrective Action:
Shelly Ford, Associate Vice President of Finance/Comptroller

Federal Awards Finding 2017-005:

Finding #: 2017-005: Reporting Major Program Expenditures

Status: Corrective action in progress.
Anticipated Completion Date: June 30, 2018.

Corrective Action: See response from 2017-002.

Name(s) of Contact Person(s) Responsible for Corrective Action:
Shelly Ford, Associate Vice President of Finance/Comptroller

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
400 West Parkway Place
Suite 300
Ridgeland, MS 39157

Mailing Address:
P.O. Box 2418
Ridgeland, MS 39158-2418

(601) 853-7050
(601) 853-9331 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the "College") as of and for the year ended June 30, 2017, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 31, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Mississippi Gulf Coast Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
January 31, 2018