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Mississippi Gulf Coast Community College

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2018

CRI CARR RIGGS & INGRAM
CPAs and Advisors
CRIcpa.com

Mississippi Gulf Coast Community College
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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, 2018, 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 opinion.

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, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated for the cumulative effect of the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 21, 2019 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 21, 2019

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, 2018. 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.

During 2018, the College adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). As a result, net position as of July 1, 2017, has been restated to reflect the cumulative effect of this change in accounting principle. The impact of the net OPEB liability and related OPEB deferred outflow resulted in a reduction in net position of $4,471,192 as of the beginning of the fiscal year ended June 30, 2018.

For purposes of comparison to prior years, the College did not deem it practical to restate all periods presented. Therefore, adjustments have not been made to restate 2017 financial information and disclosures for the effects of GASB Statement No. 75.

Condensed Statements of Net Position

June 30,	**2018**	2017
Assets		
Current assets	**$ 58,887,310**	$ 59,401,304
Non-current assets		
Refundable deposits	**500**	500
Restricted cash	**43,632,100**	42,554,381
Restricted investments	**32,000,000**	35,000,000
Capital assets, net	**196,638,493**	184,631,483
Total assets	**$ 331,158,403**	$ 321,587,668
Deferred outflows	**$ 10,062,661**	$ 21,256,369
Liabilities		
Current liabilities	**$ 9,165,838**	$ 10,118,767
Non-current liabilities	**184,592,363**	189,423,602
Total liabilities	**$ 193,758,201**	$ 199,542,369
Deferred inflows	**$ 2,367,903**	$ 276,710
Net position		
Net investment in capital assets	**$ 178,154,671**	$ 167,155,410
Restricted:		
Expendable	**23,546,992**	27,766,327
Unrestricted	**(56,606,703)**	(51,896,779)
Total net position	**$ 145,094,960**	$ 143,024,958

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 $48,435,322 at June 30, 2018 and $50,750,273 at June 30, 2017. This represented a decrease of $2,314,951.

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 $9,087,934 at June 30, 2018 and $6,402,608 at June 30, 2017 which represents an increase of $2,685,326 or 41.9%. The increase included grant receivables related to student financial aid of $1,974,037 as of June 30, 2018 compared to $57,408 at June 30, 2017 resulting from timing of collections. The net receivable increase also includes an increase in the College's allowance for doubtful accounts of $1,281,382. 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 $621,320 at June 30, 2018 and $1,093,646 at June 30, 2017, a decrease of $472,326 or 43.2%. The decrease is related to a reduction in the purchase of new inventory, specifically textbooks, and sales of existing inventory.

Prepaid Expenses

The College prepays certain amounts including advances for construction activities, as related to projects managed by the Mississippi Bureau of Buildings and Grounds, and premiums relating to insurance coverage. Prepaid expenses totaled $433,473 at June 30, 2018 and $827,250 at June 30, 2017, a decrease of $393,777, due to progress on the construction project.

<u>Non-current assets</u>

Capital Assets, Net

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, and construction in progress at June 30, 2018. The amount reported is net of accumulated depreciation. Capital assets, net totaled $196,638,493 at June 30, 2018 and $184,631,483 at June 30, 2017. This represents an increase of $12,007,010 or 6.5% and related principally to new facility construction.

Restricted Cash, Cash Equivalents and Investments

Non-current restricted cash, cash equivalents and investments consist of cash and certificates of deposit restricted for capital projects. Non-current restricted cash, cash equivalents and investments totaled $75,632,100 at June 30, 2018 as compared to $77,554,381 at June 30, 2017, and related principally to bond proceeds received in fiscal year 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, (ii) pension related deferrals as further described in Note 8 to the financial statements and (iii) OPEB related contributions paid subsequent to the measurement date as further described in Note 9 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, 2018 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $4,690,173 at June 30, 2018 and $6,172,863 at June 30, 2017. The decrease from prior year is related primarily to a decrease in construction invoices payable at year end.

Accrued interest payable is presented separately from other accrued liabilities and totaled $234,312 at June 30, 2018 compared to $140,337 at June 30, 2017.

Unearned Revenues

Unearned revenue represents revenue that was received by the College during the fiscal year, but the College did not earn the revenue by the end of the June 30, 2018 fiscal year. The unearned revenue totaled $1,536,488 at June 30, 2018 and $1,398,403 at June 30, 2017.

Annual Leave and Other Postemployment Benefits 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, 2019 fiscal year. The amount of the current portion of compensated absences totaled $375,714 at June 30, 2018 and $338,469 at June 30, 2017. In addition, with the adoption of GASB No. 75, the College recorded a liability related to the current portion of other postemployment benefits which was $182,600 as of June 30, 2018.

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, 2019 fiscal year. The amount of the current portion of long-term debt totaled $2,146,551 at June 30, 2018 and includes $398,388 of future bond premium amortization which will reduce interest costs in the following year. The current portion of long-term debt at June 30, 2017 totaled $2,068,695 and included future bond premium amortization of $391,188.

Non-current Liabilities

Deferred Inflows of Resources

The College has deferred pension inflows resulting from (i) differences between expected and actual experience, which are being amortized over the average expected remaining service lives of participants, (ii) changes in actuarial assumptions which are being amortized over the average expected remaining service lives of participants and (iii) differences between estimated and actual return on pension plan investments, which is being amortized over a five year period using the straight-line method. These deferred inflows totaled $2,121,900 at June 30, 2018 compared to $276,710 at June 30, 2017. In addition with the adoption of GASB No. 75 in 2018, the College has OPEB related deferred inflows resulting from (i) changes in actuarial assumptions and (ii) changes in proportion and differences between the employer’s contributions and the proportionate share of contributions, both of which are being amortized over the average expected remaining service lives of participants. These deferred inflows totaled $246,003 at June 30, 2018.

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 $3,083,541 at June 30, 2018 and $3,109,573 at June 30, 2017.

Net Pension and OPEB Liability

The net pension liability consists of the College's proportionate share of the collective PERS net pension liability and was $97,177,702 at June 30, 2018 and $104,131,480 at June 30, 2017.

The net OPEB liability consists of the College's proportionate share of the collective net OPEB liability for retiree health and life insurance benefits offered through the State of Mississippi State and School Employees' Life and Health Insurance Plan. The net OPEB liability was $4,442,202 as of June 30, 2018 compared to the liability at date of adoption of GASB No. 75 on July 1, 2017 of $4,645,979.

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 $80,071,318 at June 30, 2018 and $82,182,349 at June 30, 2017.

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 $145,094,960 at June 30, 2018 and was $143,024,958 at June 30, 2017, prior to the adoption of GASB No. 75, which reduced net position as of July 1, 2017 by $4,471,192. After the adoption of GASB No. 75, this represents an increase of $6,541,194 or 4.7%.

Analysis of Net Position

The College's net position related to its net investment in capital assets was $178,154,671 at June 30, 2018 and $167,155,410 at June 30, 2017. 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 2018 of $10,999,261 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,	**2018**	2017
Capital projects	**$ 15,897,932**	$ 20,749,426
Other purposes	**7,649,060**	7,016,901
Total restricted net position	**$ 23,546,992**	$ 27,766,327

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,	**2018**	2017
Unrestricted - available for operations:		
General and educational	**$ 30,482,130**	$ 26,342,150
Auxiliary enterprises	**7,014,833**	5,133,481
Deficit from recognition of net pension liability and related deferred inflows and outflows	**(89,604,839)**	(83,372,410)
Deficit from recognition of net OPEB liability and related deferred inflows and outflows	**(4,498,827)**	-
Total unrestricted net position	**$ (56,606,703)**	$ (51,896,779)

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

Years Ended June 30,	**2018**	2017
Operating Revenues:		
Tuition and fees, net	**$ 23,655,164**	$ 25,297,723
Grants and contracts	**53,179,390**	52,445,865
Auxiliary sales and services, net	**7,361,224**	7,656,522
Sales & service of educational activities	**471,067**	395,247
Other operating revenues	**488,062**	462,591
Total operating revenues	**85,154,907**	86,257,948
Total operating expenses	**128,816,382**	132,387,150
Operating gain (loss)	**(43,661,475)**	(46,129,202)
Non-Operating revenues (expenses):		
State appropriations	**25,776,066**	28,416,688
Local appropriations	**9,989,224**	9,861,062
Investment income, net	**1,113,525**	530,791
Interest expense on indebtedness	**(3,121,885)**	(1,944,298)
Bond issuance cost	**-**	(989,065)
Bond premium amortization	**358,401**	345,701
Loss on bond refunding amortization	**(42,069)**	(42,069)
Other non-operating revenue (expenses)	**40,044**	72,128
Net non-operating revenues	**34,113,306**	36,250,938
Income (loss) before other revenues (expenses)	**(9,548,169)**	(9,878,264)
Total other revenue (expenses)	**16,089,363**	20,426,172
Change in net position	**6,541,194**	10,547,908
Net position		
Net position, beginning of year, as previously reported	**143,024,958**	132,477,050
Cumulative effect of change in accounting principle	**(4,471,192)**	-
Net position, beginning of year, as restated	**138,553,766**	132,477,050
Net position, end of year	**$ 145,094,960**	$ 143,024,958

Total operating loss for the fiscal year 2018 was $43,661,475 and for the fiscal year 2017 was $46,129,202. 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 2018 were $85,154,907 and for fiscal year 2017 were $86,257,948; a decrease of $1,103,041 or 1.3%. Tuition and fees, net, were $23,655,164 for fiscal year 2018 and $25,297,723 for fiscal year 2017. Tuition and auxiliary services discounts were $8,348,756 for fiscal year 2018 and $5,191,670 for fiscal year 2017. Additionally, the provision for uncollectable accounts, netted against tuition and fee revenue and against auxiliary and sales and services revenue was $1,342,508 for fiscal year 2018 and $1,483,172 for fiscal year 2017. Operating expenses for 2018, including depreciation of $6,303,796, totaled $128,816,382. Operating expenses for 2017, including depreciation of $5,975,561, totaled $132,387,150.

Revenues

<u>Operating Revenues</u>

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling $23,655,164 for fiscal year 2018 and $25,297,723 for fiscal year 2017. Tuition discounts were $7,892,946 for 2018 and $4,915,705 for 2017.

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, 2018 and June 30, 2017.

Years Ended June 30,	**2018**	2017
Federal sources	**$ 42,530,187**	$ 43,111,285
State sources	**8,639,889**	7,230,158
Other	**2,009,314**	2,104,422
Total grants and contracts operating revenues	**$ 53,179,390**	$ 52,445,865

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled $488,062 for fiscal year ended June 30, 2018 and $395,247 for fiscal year ended June 30, 2017.

Auxiliary Sales and Services

Auxiliary enterprises sales and services include the college bookstore, food services, and housing totaling $7,361,224 for fiscal year ended June 30, 2018 and $7,656,522 for fiscal year ended June 30, 2017. This is net of discounts of $455,810 for fiscal year ended June 30, 2018 and $275,965 for fiscal year ended June 30, 2017 and a provision for uncollectible accounts of $400,380 for fiscal year ended June 30, 2018 and $491,801 for fiscal year ended June 30, 2017.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2018 total $128,816,382 and include salaries and benefits of $57,402,102, utilities of $3,095,997, commodity supplies of $10,446,435, contractual services of $14,380,243, financial aid of $36,754,943, travel of $432,866 and depreciation of $6,303,796. 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.

Years Ended June 30,	**2018**	2017
Expenses by function:		
Instruction	**$ 41,379,708**	$ 39,526,836
Instructional support	**3,052,247**	3,252,032
Student services	**8,855,345**	8,676,806
Institutional support	**14,720,286**	15,044,236
Operation of plant	**12,650,385**	13,360,668
Student aid	**34,394,435**	39,111,709
Auxiliary enterprises	**5,914,775**	6,585,807
Plant and endowment operations	**7,849,201**	6,829,056
Total operating expenses by function	**$ 128,816,382**	$ 132,387,150

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenues is the State of Mississippi appropriation. The College received $27,010,960 for fiscal year 2018, of which $25,776,066 was for operations and $1,234,894 was appropriated on behalf of the College for capital projects. 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.

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 $20,054,696 in fiscal year 2018 of which $9,989,224 was for operating purposes and $10,065,472 which was used for capital purposes. 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.

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, 2018 was $1,113,525 and for fiscal year ended June 30, 2017 was $530,791, which represents an increase of $582,735 or 109.8%. 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, deferred loss amortization, arbitrage/cash management, and other expenses totaling $2,765,509 for the fiscal year ended 2018, of which $3,121,885 was gross interest expense on bond indebtedness and 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 2018 was $2,805,553, which included $3,121,885 of gross interest expense on bond indebtedness and net of amortization of bond premiums and deferred refunding losses of $316,332.

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 2018 capital appropriations were $1,234,894 for capital projects and fiscal year 2017 capital appropriations were $3,715,125 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 2018 local appropriations were $10,065,472, and fiscal year 2017 local appropriations were $10,095,409, a decrease of $29,937.

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 2018 grant and contract awards for capital purposes were $4,802,854 compared to $6,603,039 for fiscal 2017. This decrease is directly related to the grant and construction of the Bryant Center and substantial completion of the project in fiscal year 2018.

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)

Years Ended June 30,	**2018**	2017
Cash and cash equivalents provided (used) by:		
Operating activities	**$ (32,405,688)**	$ (34,784,803)
Non-capital financing activities	**35,763,010**	38,654,365
Capital and related financing activities	**(8,726,345)**	72,964,235
Investing activities	**12,131,791**	(44,291,472)
Net increase (decrease) in cash and cash equivalents	**6,762,768**	32,542,325
Cash and cash equivalents, beginning of year	**80,304,654**	47,762,329
Cash and cash equivalents, end of year	**$ 87,067,422**	$ 80,304,654
Major sources of funds included in operating activities:		
Tuition and fees	**$ 20,799,510**	$ 25,305,448
Auxiliary enterprises	**7,837,424**	8,014,849
Grants and contracts	**53,128,585**	52,306,035
Major uses of funds were payments:		
To employees	**(51,194,367)**	(51,535,910)
To suppliers and students	**(10,446,435)**	(12,716,377)
To contractual services	**(13,216,034)**	(12,257,797)
For scholarships	**(36,754,943)**	(41,344,627)
For utilities	**(3,095,997)**	(2,971,141)

The largest inflow of cash in the non-capital financing activities group for fiscal year 2018 is State appropriations of $25,819,829 and for fiscal year 2017 is $28,783,915. In addition, local appropriations from the four county districts are $9,943,181 for fiscal year 2018 and $9,870,450 for fiscal year 2017.

Significant Capital Asset Transactions

The College incurred the following transactions regarding capital construction projects during the 2018 fiscal year:

District Office Total Construction expenses were $6,320,639.

Projects include Harrison Hall Renovations of $1,984,297; computer center renovations of $101,373 and construction of a Nursing and Simulation Center of $4,234,969.

Perkinston Campus Total Construction expenses were $4,989,533.

Expenditures include Softball Stadium Renovations of $1,690,111; Baseball/Soccer Complex and parking lot expenditures of $285,641; Renovations to Hinton Hall of $1,172,042; expenditures for the construction and renovation of the New Residence Hall/Student Center and Cafeteria $1,048,137; Construction of the Arts Center Trail Project $351,354 and other upgrades around campus of $442,248.

Jefferson Davis Campus Total Construction expenses were $3,309,235.

Expenditures include construction of the Performing Arts Center of $1,038,224; Renovation of Career-Tech Education Shop of $1,961,735; and other upgrades around campus, including a new well, of $309,276.

Jackson County Campus Total Construction expenses were $1,782,611.

Projects include: HVAC Renovations of LRC of $748,141; STEM Building Renovation and Expansion of $935,300; and other repairs and upgrades around campus of $99,170.

George County Center Total Construction expenses were $38,950.

Project costs consist of replacement of four air-conditioning units for the Student Services Building of $38,950.

Funding sources for these projects included $4,303,741 in federal and state grants, $1,234,894 in state bond and capital expense funds, and $10,902,333 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 26% of our total current funds budget in fiscal year 2018. This makes the level of state support a key factor in the financial health of the College. Although the state and National economics have improved, state tax collections have remained stagnant. 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 2018, the College did have an increase in tuition and certain fees. 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.

Contact Information

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.

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. Jason Pugh, Mississippi Gulf Coast Community College Foundation, Inc., P.O. Box 99, Perkinston, MS 39573.

June 30, 2018		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Assets				
Current assets:				
Cash and cash equivalents	$	43,435,322	$	3,604,290
Short-term investments		5,000,000		-
Investments		-		5,389,707
Interest receivable		309,261		37,267
Accounts receivable, net		9,087,934		27,500
Inventories		621,320		-
Prepaid expenses		433,473		-
Total current assets		58,887,310		9,058,764
Non-current assets:				
Refundable deposits		500		25
Restricted cash and cash equivalents		43,632,100		-
Investments, restricted for capital purposes		32,000,000		-
Endowment investments		-		4,569,002
Real estate held for investment		-		334,151
Equipment held for future conveyance		-		15,000
Capital assets, net of accumulated depreciation		196,638,493		372,593
Total non-current assets		272,271,093		5,290,771
Total assets	$	331,158,403	$	14,349,535
Deferred Outflows				
Loss on debt refunding	$	178,520		-
Related to pensions		9,694,763		-
Related to other postemployment benefits		189,378		-
Total deferred outflows	$	10,062,661	$	-
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$	4,690,173	$	562,938
Accrued interest payable		234,312		-
Unearned revenue		1,536,488		-
Accrued leave liabilities, current portion		375,714		-
Other postemployment benefits liability, current portion		182,600		-
Long-term liabilities, current portion		2,146,551		-
Total current liabilities		9,165,838		562,938
Non-current liabilities				
Deposits refundable		200		-
Accrued leave liabilities		3,083,541		-
Net pension liability		97,177,702		-
Net other postemployment benefits liability, non-current		4,259,602		-
Long-term liabilities		80,071,318		-
Total non-current liabilities		184,592,363		-
Total liabilities	$	193,758,201	$	562,938

(Continued)

June 30, 2018		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Deferred Inflows				
Related to pensions	$	2,121,900	$	-
Related to other postemployment benefits		246,003		-
Total Deferred Inflows	$	2,367,903	$	-
Commitments and Contingencies (Notes 10 and 11)				
Net Position				
Net investment in capital assets	$	178,154,671	$	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships		-		4,568,802
Other purposes		-		213,501
Expendable:				
Capital projects		15,897,932		-
Other purposes		7,649,060		72,150
Scholarships and fellowships		-		8,260,539
Unrestricted:				
Available (deficiency) for operations		(56,606,703)		299,012
Invested in capital assets		-		372,593
Net Position	$	145,094,960	$	13,786,597

(Concluded)

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

June 30, 2018		Mississippi Gulf Coast Community College		Component Unit Mississippi Gulf Coast Community College Foundation
Operating revenues				
Tuition and fees (net of scholarship discount $7,892,946 and provision for uncollectible accounts $942,128)	$	23,655,164	$	-
Gifts and contributions				1,752,932
Federal grants and contracts		42,530,187		-
State grants and contracts		8,639,889		-
Local grants and contracts		35,240		-
Private grants and contracts		1,974,074		
Sale and services of educational activities		471,067		-
Auxiliary services (net of discount $455,810 and provision for uncollectible accounts $400,380)		7,361,224		-
In-kind support				258,670
Other operating revenues		488,062		-
Total operating revenues		85,154,907		2,011,602
Operating expenses				
Salaries and wages		38,930,633		-
Fringe benefits		18,471,469		-
Travel		432,866		-
Contractual services		14,380,243		-
Commodities		10,446,435		-
Utilities		3,095,997		-
Financial aid		36,754,943		-
Scholarships		-		566,427
Program services general program support		-		52,832
Other		-		478,024
Real estate conveyance		-		96,000
In-kind services		-		258,670
Depreciation		6,303,796		14,137
Total operating expenses		128,816,382		1,466,090
Operating gain (loss)		(43,661,475)		545,512
Non-operating revenues (expenses)				
State appropriations (current funds)		25,776,066		-
Local appropriations (current funds)		9,989,224		-
Investment income		1,113,525		239,932
Insurance proceeds		30,744		-
Interest expense on indebtedness		(3,121,885)		-
Deferred loss on refunding amortization		(42,069)		-
Bond premium amortization		358,401		
Bond issue cost		-		-
Other		21,524		-
Net gain on investments		-		213,516
Arbitrage/cash management		(12,224)		-
Net non-operating revenues		34,113,306		453,448
Income (loss) before other revenues, expenses, gains and losses		(9,548,169)		998,960
State appropriations for capital purposes		1,234,894		-
Local appropriations for capital purposes		10,065,472		-
Grants and contracts for capital purposes		4,802,854		-
Loss from capital assets sold or retired		(20,857)		-
Miscellaneous revenue-sale of timber		7,000		-
Additions to permanent endowments		-		82,608
Total other revenue (expenses)		16,089,363		82,608
Change in net position		6,541,194		1,081,568
Net position:				
Net position, beginning of year, as previously reported		143,024,958		12,705,029
Cumulative effect of change in accounting principle (Note 1)		(4,471,192)		-
Net position, beginning of year , as restated		138,553,766		12,705,029
Net position, end of year	$	145,094,960	$	13,786,597

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

June 30, 2018	Mississippi Gulf Coast Community College	Component Unit Mississippi Gulf Coast Community College Foundation
Cash flows from operating activities:		
Tuition and fees	$ 20,799,510	$ -
Contributions received	-	1,535,368
Grants and contracts	53,128,585	-
Sales and services of educational departments	471,067	-
Payments to suppliers and students	(10,446,435)	(973,772)
Payments to employees for salaries and benefits	(51,004,989)	-
Payments for contractual services	(13,216,034)	-
Payments for travel	(432,866)	-
Payments for utilities	(3,095,997)	-
Payments for scholarships	(36,754,943)	-
Auxiliary enterprise sales and services	7,837,424	-
Other receipts	498,368	-
Net cash provided by (used in) operating activities	(32,216,310)	561,596
Cash flows from non-capital financing activities:		
State appropriations	25,819,829	-
Local appropriations	9,943,181	-
Federal loan program receipts	16,543,559	-
Federal loan program disbursements	(16,543,559)	-
Net cash provided by (used in) non-capital financing activities	35,763,010	-
Cash flows from capital and related financing activities:		
Cash received for additions to permanent endowments	-	82,608
Proceeds from disposal of capital assets	21,524	-
Cash paid for capital assets	(20,173,925)	-
Capital appropriations received	11,300,366	-
Grants and contracts received for capital purposes	4,802,854	-
Other receipts	25,520	-
Principal paid on capital debt and leases	(1,674,774)	-
Interest paid on capital debt and leases	(3,027,910)	-
Net cash provided by (used in) capital and related financing activities	(8,726,345)	82,608

(Continued)

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

June 30, 2018	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	$ 48,000,000	$ 2,403,696
Interest and dividends received on investments	1,131,791	228,218
Purchases of investments	(37,000,000)	(2,668,873)
Net cash provided by (used in) investing activities	12,131,791	(36,959)
Net increase (decrease) in cash and cash equivalents	6,762,768	607,245
Cash and cash equivalents -- beginning of the year	80,304,654	2,997,045
Cash and cash equivalents -- end of the year	$ 87,067,422	$ 3,604,290
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (43,661,475)	545,512
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	6,303,796	14,137
Pension expense	12,117,341	-
OPEB expense	217,013	-
Non-cash contribution of vehicle	-	(15,000)
(Increase) decrease in assets:		
Receivables, net	(3,030,364)	(27,500)
Inventories	472,326	-
Prepaid expenses	47,980	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	1,052,687	44,447
Deferred revenues	138,085	-
Deferred outflow - contributions made to pension after measurement date	(5,884,912)	-
Accrued leave liability	11,213	-
Total adjustments	11,445,165	16,084
Net cash provided by (used in) operating activities	$ (32,216,310)	$ 561,596
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	$ 43,435,322	$ 3,604,290
Non-current assets - restricted cash and cash equivalents	43,632,100	-
Cash and cash equivalents - end of year	$ 87,067,422	$ 3,604,290

(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 seven 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 statements for differences in accounting principles 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, P.O. Box 99, Perkinston, MS 39573.

The Foundation pays tuition on behalf of students attending the College. For the year ended June 30, 2018, total scholarships expensed by the Foundation were $566,427, of which approximately $557,322 was due and payable to the College at year-end. During 2018, the Foundation incurred expenses of approximately $173,795 in educational and general support services paid to or on behalf of the College. In-kind services with an estimated value of $258,670 were provided to the Foundation by the College during 2018.

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

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 temporarily invested in short-term investments is classified as non-current in the Statement of Net Position and consists 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)

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** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date.

- **Level 2** - Inputs to the valuation methodology include (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in inactive markets; (iii) inputs other than quoted prices that are observable for the asset or liability; and (iv) inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

- **Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

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 the lower of cost, on the first-in, first-out basis, or market. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

See Note 4 for additional details concerning useful lives, salvage values, capitalization thresholds and construction period interest.

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, 2018 as reported in the Statement of Net Position is $3,459,255 with $375,714 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 and other postemployment benefits (See Notes 8 and 9), including contributions to the employee pension plan and OPEB plan subsequent to the measurement date of the actuarial valuations for the plans.

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) differences between expected and actual experience, which are being amortized over the average expected remaining service lives of participants, (ii) changes in actuarial assumptions which are being amortized over the average expected remaining service lives of participants and (iii) differences between estimated and actual return on pension plan investments, which is being amortized over a five year period using the straight-line method. Additionally, the College has deferred inflows relating to other postemployment benefits other than pensions resulting from (i) changes in actuarial assumptions and (ii) changes in proportion and differences between the employer's contributions and the proportionate share of contributions, both of which, are being amortized over the average expected remaining service lives of participants.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The College participates in the Public Employees' Retirement System of Mississippi (PERS) plan, a multiple-employer cost sharing defined benefit pension plan. 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 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.

Other Postemployment Benefits

The College offers retiree health and life insurance benefits through the State of Mississippi State and School Employees' Life and Health Insurance Plan. This plan provides for other postemployment benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The fiduciary net position of this plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from this plan's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

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 ($56,606,703) at June 30, 2018, includes $621,320 reserved for inventories, the impact of including the College's proportionate share of the PERS net pension liability and related deferred outflows/inflows of ($89,604,839), the impact of including the College's proportionate share of the State's OPEB liability and related deferred outflows/inflows of ($4,498,827) and a remaining amount of $36,875,643.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent GASB Accounting Pronouncements

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 ending June 30, 2020.

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.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for College's fiscal year ending June 30, 2019.

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

Cumulative Effect of Change in Accounting Principle

Effective for fiscal year 2018, the College adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This represented a change in accounting principle and the cumulative effect of the change was presented as a restatement to beginning net position for the impact of the net OPEB liability as of July 1, 2017 of $4,645,979 less deferred outflows of resources related to OPEB for contributions made to the OPEB plan subsequent to the measurement date of the beginning net OPEB liability, which was $174,787.

Subsequent Events

In connection with the preparation of the financial statements, management of the College evaluated subsequent events through January 21, 2019, which was the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

Cash, Cash Equivalents, and Investments

As of June 30, 2018, the College's short-term investments and investments restricted for capital purposes consisted of non-negotiable certificates of deposit in which fair value, measured using Level 2 inputs, approximated carrying values.

Investment policies as set forth by policy and state statute authorizes 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.

In addition, the Foundation is authorized to invest in debt and equity securities.

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's deposits may not be returned to it. The College does not have a formal policy for custodial credit risk. In the event of the failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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, 2018 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 investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2: CASH AND INVESTMENTS (Continued)

Foundation Investments

The Foundation's investments, aggregated by investment type and related liquidity strategy or permanent restriction, were as follows:

June 30, 2018

Investment Type	Current Investments	Endowment Investments
Certificate of deposits	$ 650,000	$ -
Debt securities:		
U.S. Government obligations	230,844	97,769
Mortgage-backed securities	483,446	96,519
Municipal obligations	327,998	585,464
Corporate bonds	976,347	748,662
Fixed income mutual funds	120,468	344,815
Equity mutual funds	321,999	921,656
Equity securities	2,278,605	1,774,117
Total investments	$ 5,389,707	$ 4,569,002

The following schedule summarizes the Foundation's investment return and their classification in the statement of revenues, expenses and changes in net position for the year ended June 30, 2018:

Year ended June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest income	$ 17,837	$ 87,765	$ -	$ 105,602
Dividend income	-	134,330	-	134,330
Net gain on investments	-	213,516	-	213,516
Total investment return	$ 17,837	$ 435,611	$ -	$ 453,448

NOTE 2: CASH AND INVESTMENTS (Continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for the Foundation's assets reported at fair value on a recurring basis at June 30, 2018 are as follows:

June 30, 2018

		Fair Value Measurement		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Current Investments				
Certificates of Deposit	$ 650,000	$ -	$ 650,000	$ -
Debt Securities:				
US Government Obligations	230,844	202,883	27,961	-
Mortgage-Backed Securities	483,446	-	483,446	-
Municipal Obligations	327,998	-	327,998	-
Corporate Bonds	976,347	-	976,347	-
Fixed Income Mutual Funds	120,468	120,468	-	-
Equity Mutual Funds	321,999	321,999	-	-
Equity Securities	2,278,605	2,278,605	-	-
Total Current Investments	$ 5,389,707	$ 2,923,955	$ 2,465,752	$ -

June 30, 2018

		Fair Value Measurement		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Endowment Investments				
Debt Securities:				
US Government Obligations	$ 97,769	$ 17,726	$ 80,043	$ -
Mortgage-Backed Securities	96,519	-	96,519	-
Municipal Obligations	585,464	-	585,464	-
Corporate Bonds	748,662	-	748,662	-
Fixed Income Mutual Funds	344,815	344,815	-	-
Equity Mutual Funds	921,656	921,656	-	-
Equity Securities	1,774,117	1,774,117	-	-
Total Endowment Investments	$ 4,569,002	$ 3,058,314	$ 1,510,688	$ -

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2018:

June 30, 2018	
Students tuition	$ 16,920,737
Auxiliary enterprise sales and services	7,941
Federal and state grants	4,379,989
Local appropriations	566,598
State appropriations	274,765
Foundation (related party)	561,002
Other	49,587
Total accounts receivable	22,760,619
Less allowance for doubtful accounts	(13,672,685)
Total	$ 9,087,934

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, 2018, is presented as follows:

Year ended June 30, 2018

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Non-depreciable Capital Assets:				
Land	$ 5,036,449	$ -	$ -	**$ 5,036,449**
Construction in Progress	20,187,493	16,440,968	(30,188,043)	**6,440,418**
Total Non-depreciable Capital Assets	25,223,942	16,440,968	(30,188,043)	**11,476,867**
Depreciable Capital Assets:				
Buildings	180,368,283	29,130,935	-	**209,499,218**
Other Structures and Improvements	44,826,657	880,975	-	**45,707,632**
Equipment	17,026,939	1,981,656	(484,518)	**18,524,077**
Library Books	623,042	85,172	(18,373)	**689,841**
Total Depreciable Capital Assets	242,844,921	32,078,738	(502,891)	**274,420,768**
Less Accumulated Depreciation for:				
Buildings	51,606,840	3,247,586	-	**54,854,426**
Other Structures and Improvements	19,047,733	1,735,118	-	**20,782,851**
Equipment	12,499,309	1,247,437	(465,098)	**13,281,648**
Library Books	283,498	73,655	(16,936)	**340,217**
Total Accumulated Depreciation	83,437,380	6,303,796	(482,034)	**89,259,142**
Total Depreciable Capital Assets, net	159,407,541	25,774,942	(20,857)	**185,161,626**
Capital Assets, net	$ 184,631,483	$ 42,215,910	$ (30,208,900)	**$ 196,638,493**

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.

During June 2018, GASB issued GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, (GASB No. 89), which establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as a current expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The adoption of GASB No. 89 is effective for periods beginning July 1, 2020, however, early adoption is permitted. The College elected to early adopt GASB No. 89 during fiscal 2018. There was no construction period interest cost capitalized during the year ended June 30, 2018. Further, construction period interest capitalized prior to the adoption of GASB No. 89 was immaterial as of June 30, 2018.

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, 2018. 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, 2018, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonded Debt:								
MGCCC Limited Tax Obligation Refinancing Bonds 2012	$ 9,995,000	4.00-5.00%	2020	$ 5,150,000	$ -	$ 1,645,000	$ 3,505,000	$ 1,715,000
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				5,198,705	-	358,402	4,840,303	398,388
Total Bonded Debt				83,968,705	-	2,003,402	81,965,303	2,113,388
Notes Payable:								
Perkinston Infrastructure Upgrade	$ 613,001	2.00%	2026	282,339		29,773	252,566	33,163
Total Notes Payable				282,339	-	29,773	252,566	33,163
Other Long-term Liabilities:								
Deposits refundable				200	-	-	200	
Accrued leave liabilities				3,448,042	11,213	-	3,459,255	375,714
Net OPEB liability				-	4,442,202		4,442,202	182,600
Net pension liability				104,131,480	-	6,953,778	97,177,702	
Total Other Long-term Liabilities				107,579,722	4,453,415	6,953,778	105,079,359	558,314
Total				$ 191,830,766	$ 4,453,415	$ 8,986,953	187,297,228	$ 2,704,865
Due within one year							2,704,865	
Total Long-term Liabilities							$ 184,592,363	

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 an outstanding balance of $7,195,000.

The difference in the reacquisition price and carrying value of the refunded debt resulted in a loss of approximately $189,000 in 2017 which was deferred and is being amortized over the remaining maturity of the old debt. The unamortized deferred loss on refunding was $178,520 as of June 30, 2018 and was presented as a deferred outflow.

NOTE 5: LONG-TERM LIABILITIES (Continued)

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

June 30, 2018

	Bonded Debt	Notes Payable	Interest	Total
2019	$ 2,113,388	$ 33,163	$ 2,962,296	$ 5,108,847
2020	2,179,092	33,833	2,892,605	5,105,530
2021	1,948,259	34,516	2,802,922	4,785,697
2022	1,982,642	35,212	2,767,076	4,784,930
2023	2,026,664	35,923	2,721,315	4,783,902
2024 - 2028	10,583,663	79,919	12,744,741	23,408,323
2029 - 2033	12,515,494	-	10,633,481	23,148,975
2034 - 2038	14,784,174	-	8,207,584	22,991,758
2039 - 2043	17,347,774	-	5,403,244	22,751,018
2043 - 2047	16,484,153	-	1,470,350	17,954,503
Totals	$ 81,965,303	$ 252,566	$ 52,605,614	$ 134,823,483

NOTE 6: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The College's operating expenses by functional classification were as follows for the year ended June 30, 2018:

Year Ended June 30, 2018

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Commodities	Utilities	Scholarships & Fellowships	Depreciation Expense	Total
Instruction	$ 22,756,059	$ 10,677,272	$ 149,710	$ 4,222,832	$ 2,123,643	$ 2,138	$ 1,448,054	$ -	$ 41,379,708
Instructional Support	1,937,354	911,145	19,543	13,829	169,890	486	-	-	3,052,247
Student Services	4,577,265	2,058,464	109,431	785,734	489,397	100	834,954	-	8,855,345
Institutional Support	5,381,154	2,583,994	143,446	6,102,691	425,910	5,591	77,500	-	14,720,286
Operation of Plant	3,382,647	1,823,455	1,205	2,197,879	2,733,268	2,511,931	-	-	12,650,385
Student Aid	-	-	-	-	-	-	34,394,435	-	34,394,435
Auxiliary Enterprises	896,154	417,139	9,531	579,027	3,437,173	575,751	-	-	5,914,775
Plant Operations	-	-	-	478,251	1,067,154	-	-	6,303,796	7,849,201
Total	$ 38,930,633	$ 18,471,469	$ 432,866	$ 14,380,243	$ 10,446,435	$ 3,095,997	$ 36,754,943	$ 6,303,796	$ 128,816,382

NOTE 7: CONSTRUCTION COMMITMENTS AND FINANCING

The College has contracted for the construction of the following projects. At June 30, 2018, estimated costs to complete the projects are $68,304,633. The remaining costs are to be funded as follows:

		Funded By			
June 30, 2018	Total Costs to Complete	Federal Sources	State Sources	Bond Issue Sources	Institutional Funds
Local funds:					
Perkinston Campus:					
Softball Stadium Renovation	$ 49,840	$ -	$ -	$ -	$ 49,840
Rooftop Chiller - Moran Hall	34,333	-	-	-	34,333
Weathers/Wentzel Gym Exterior and Electrical	610,813	-	-	-	610,813
Arts Center Trail	22,101	22,101	-	-	-
New Residence Hall	14,311,850	-	-	14,311,850	-
Student Center/Cafeteria	7,578,301	-	-	7,578,301	-
Mutipurpose Arena	8,553,415	-	-	8,553,415	-
Jefferson Davis Campus:					
Health Information Technology Renovation	40,686	-	-	-	40,686
New Access Road	1,204,791	-	-	-	1,204,791
Tidelands GC History Ecosystem Trail	195,000		195,000		
Performing Arts Center	18,952,195	-	-	18,952,195	-
Campus Infrastructure	127,405	-	-	-	127,405
Jackson County Campus:					
Respiratory Therapy Renovations	15,876	-	-	-	15,876
STEM Building Expansion	16,395,385			16,395,385	
Campus Infrastructure	212,642	-	-	-	212,642
Total	$ 68,304,633	$ 22,101	$ 195,000	$ 65,791,146	$ 2,296,386

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.

NOTE 8: PENSION PLAN (Continued)

The executive director is designated by the Board to lead and conduct all business for PERS. PERS operates under legislative mandate with respect to administrative budgets, human resources, and purchasing guidelines.

The financial statements of PERS are prepared using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to legal requirements; investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. 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 2018 and 2017, the employer contribution rate was 15.75 percent for both years.

Subsequent to year end, the PERS Board voted to increase the amount of employer contributions from worker salaries for the pension fund from 15.75% to 17.4% percent, beginning July 1, 2019.

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

At June 30, 2018 the College reported a liability of $97,177,702 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2017 the College's proportion was 0.584584% (used to determine its collective share of the net pension liability as of June 30, 2018) as compared to its proportion measured at June 30, 2017 of 0.582962% or an increase of 0.001622%.

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, 2018, the College recognized pension expense of $12,117,341. At June 30, 2018 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	$ 1,396,133	$ 709,077
Changes of assumptions	2,159,891	165,589
Net difference between projected and actual earnings on pension plan investment	-	1,247,234
Changes in proportion and differences between employer contributions and proportionate share of contributions	253,827	-
Employer contributions subsequent to the measurement date	5,884,912	-
Total	$ 9,694,763	$ 2,121,900

Deferred outflows of resources related to pensions resulting from College contributions subsequent to June 30, 2017 (the measurement date) were $5,884,912 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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
2019	$ 1,828,275
2020	1,632,470
2021	107,009
2022	(1,879,802)
Total	$ 1,687,952

NOTE 8: PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017 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, including inflation
Projected salary increases	3.75% - 18.50%, average, including inflation

The actuarial assumptions used in the actuarial valuation as of June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report was dated April 18, 2017.

Mortality rates for PERS were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with mortality improvements based on Scale BB to 2022, 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:

Investment Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Broad	27.00%	4.60%
International equity	18.00%	4.50%
Emerging markets equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real assets	10.00%	3.50%
Private equity	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

NOTE 8: PENSION PLAN (Continued)

Discount Rate

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

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

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

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of collective net pensions liability	$ 127,455,043	$ 97,177,702	$ 72,040,929

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. 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.

NOTE 8: PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 2017. The supporting actuarial information is included in the GASB Statement No. 67 Report for the PERS prepared as of June 30, 2017. The auditor's report dated December 22, 2017 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, 2017 and for the year then ended is also available. The additional financial and actuarial information is available at www.pers.ms.gov.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The College offers health and life benefits through the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Insurance Plan). The Insurance Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Insurance Plan. The Insurance Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Insurance Plan is maintained solely for the benefit of eligible employees, dependents and retirees. A trust was created June 28, 2018 for the OPEB plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan (the OPEB Plan).

Benefits Provided

Retiree health benefits offered through the Insurance Plan are available to most State of Mississippi retirees and their eligible dependents. Participants must have participated in the Insurance Plan for at least 4 years, participate in the PERS retirement plan, and must be participating in the Insurance Plan on the day before the effective date of the participant's retirement. The OPEB Plan provides self-funded group health (medical and prescription drug) benefits for eligible retirees and their dependents. For non-Medicare eligible retirees and their dependents, the OPEB Plan offers two coverage choices as the primary health coverage. For Medicare eligible retirees and their dependents, Medicare is considered the primary coverage and the OPEB Plan becomes secondary coverage. In addition, the OPEB Plan offers fully insured group term life insurance policy for eligible retirees.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions

No contributions towards postemployment benefits are made while in active service. At retirement, contributions vary based on plan election, dependent coverage, Medicare eligibility and date of hire. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The implicit subsidy for the period subsequent to the measurement date as of June 30, 2018 was $189,378 and has been presented as a deferred outflow.

The Board has the sole authority for setting life and health insurance premiums for the Insurance Plan. Per Section 25-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from the retiree's state retirement plan check or be direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Insurance Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006.

For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year. Participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Insurance Plan. If the assets of the Insurance Plan were to be exhausted, participants would not be responsible for the Insurance Plan's liabilities.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018 the College reported an OPEB liability of $4,442,202 for its proportionate share of the collective net OPEB liability measured and determined by actuarial valuation at June 30, 2017. The College's proportion of the collective net OPEB liability was determined by comparing the College's average monthly employees participating in the Insurance Plan with the total average employees participating in the plan in the fiscal year for all employers. As of June 30, 2017, the Insurance Plan provided health coverage to 334 employer units. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. If the employer had no employees participating during the fiscal year, their proportionate share will be set to zero and the employer will not be allocated a proportionate share of OPEB amounts.

At June 30, 2017 the College's proportion was 0.56616762% (used to determine its collective share of the net OPEB liability as of June 30, 2018) as compared to its proportion measured at July 1, 2017 (date of effective adoption) of 0.56901918% or a decrease of 0.00285156%.

For the year ended June 30, 2018, the College recognized OPEB expense of $217,013. At June 30, 2018 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 226,195
Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	-	19,808
Employer implicit subsidy subsequent to measurement date	189,378	-
Total	$ 189,378	$ 246,003

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Deferred outflows of resources related to OPEB resulting from the College's implicit rate subsidy contribution or cost subsequent to June 30, 2017 (the measurement date) was $189,378 and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		**Net Deferred Outflows/ Inflows of Resources**
2019	$	43,158
2020		43,158
2021		43,158
2022		43,158
2023		43,158
Thereafter		30,213
Total	$	246,003

Actuarial Assumptions

The net OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Inflation rate	3.00%
Investment rate of return	N/A
Discount rate	3.56%
Projected salary increases	3.25% - 18.50%
Healthcare cost trend rates	7.75% decreasing to 5.00% by 2023

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of the last actuarial experience study, dated April 18, 2017. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Long-term Expected Rate of Return - Since no trust was set up as of June 30, 2017, there is no projection of cash flows for the OPEB Plan and no long-term expected rate of return on plan assets.

Mortality - Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rate

The following table presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 3.56%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	1% Decrease (2.56%)	Current Rate (3.56%)	1% Increase (4.56%)
College's proportionate share of collective net OPEB liability	$4,559,518	$4,442,202	$4,354,837

The following table presents the College's proportionate share of the net OPEB liability calculated using the current assumed health care trend rates (7.75% decreasing to 5.00% by 2023), as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a 1% change in the current assumed health care trend rates:

	1% Decrease	Current Rate	1% Increase
College's proportionate share of collective net pension liability	$4,102,672	$4,442,202	$4,829,812

Collective Deferred Inflows of Resources Related to OPEB and Changes in Assumptions

Annual changes to the net OPEB liability resulting from changes in assumptions, other inputs, changes in proportion and differences between employer OPEB benefit payments and its proportionate share of OPEB benefit payments are deferred and amortized over the average expected remaining service life of active and inactive members which approximates 6.7 years for the current measurement period.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

The fiduciary net position for the OPEB Plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB Plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration website.

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 Four Years Ended June 30, 2018

Year Ended June 30,	**2018**	2017	2016	2015
Last Ten Fiscal Years: *				
College's proportion of the net pension liability	**$ 97,177,702**	$ 104,131,480	$ 89,770,643	$ 70,777,664
College's proportionate share of the net pension liability	**0.5845840%**	0.5829620%	0.5807380%	0.5830710%
College's covered payroll	**$ 37,501,342**	$ 37,293,440	$ 36,281,175	$ 35,629,885
College's proportionate share of the net pension liability as a percentage of its covered payroll	**259.13%**	281.53%	247.43%	198.65%
Plan fiduciary net position as a percentage of the total pension liability	**61.49%**	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.

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

Mississippi Gulf Coast Community College
Schedule of Required Supplementary Information
Schedule of the College's Contributions for Pensions
Last Ten Years Ended June 30, 2018

June 30,	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Contractually required contribution	**$ 5,884,912**	$ 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
Contributions in relation to the contractually required contribution	**5,884,912**	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
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	**$ 37,380,639**	$ 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
Contributions as a percentage of the covered payroll	**15.75%**	15.75%	15.75%	15.75%	15.75%	14.26%	12.47%	12.00%	12.00%	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, 2017. 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, 2017.

NOTE 2: SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS FOR PENSIONS

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, 2018.

NOTE 3: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CALCULATIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NOTE 4: CHANGES IN ASSUMPTIONS

In 2017, changes in actuarial assumptions included (i) the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 and with small adjustments made to the Mortality Table for disabled lives; (ii) the wage inflation assumption was reduced from 3.75% to 3.25%; (iii) adjustments to withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates to more closely reflect actual experience; and (iv) the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

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.

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

Mississippi Gulf Coast Community College
Schedule of Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
For the Two Years Ended June 30, 2018

Year Ended June 30,	**2018**	2017
Last Ten Fiscal Years: *		
College's proportion of the net OPEB liability	**$ 4,442,202**	$ 4,645,979
College's proportionate share of the net OPEB liability	0.56616762%	0.56901918%
College's covered payroll	**$ 37,501,342**	$ 37,293,440
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	**11.85%**	12.46%
Plan fiduciary net position as a percentage of the total OPEB liability	**0.00%**	0.00%

** 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.

Mississippi Gulf Coast Community College
Schedule of Required Supplementary Information
Schedule of the College's Contributions for OPEB
Last Three Years Ended June 30, 2018

June 30,		**2018**		2017		2016
Contractually required contribution	**$**	**189,378**	$	174,789	$	183,627
Contributions in relation to the contractually required contribution		**189,378**		174,789		183,627
Contribution deficiency (excess)	**$**	**-**	$	-	$	-
College's covered payroll	**$**	**37,380,639**	$	37,501,342	$	37,293,440
Contributions as a percentage of the covered payroll		**0.51%**		0.47%		0.49%

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.

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

The College’s proportionate share of the net OPEB liability reported at June 30, 2018 was determined based on the College’s allocation percentage of average monthly employees participating in the Insurance Plan with the total average employees participating in the Insurance Plan for all employers as of June 30, 2017.

This allocation methodology was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. If an employer had no employees participating during the fiscal year, their proportionate share was set to zero and the employer was not allocated a proportionate share of OPEB amounts.

The total OPEB liabilities used in the development of the ratio of the plan fiduciary net position to total OPEB liabilities presented in the schedule was provided by the Insurance Plan’s actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position for the Insurance Plan as of June 30, 2017. The trust was established on June 28, 2018 and since there were no assets in a trust as of the measurement date, the fiduciary net position was projected to be depleted immediately.

NOTE 2: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CALCULATIONS

The actuarially determined contribution rates, as a percentage of payroll, in the schedule of employer contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (form the June 30, 2016 actuarial valuation) were used to determine the contribution rates reported in that schedule for the year ended June 30, 2017:

Actuarial cost method	Entry Age
Amortization method	Level dollar
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Price inflation	3.00%
Salary increase, including inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare supplement claims – pre-Medicare	7.75%
Ultimate health care cost trend rates	
Medicare supplement claims – pre-Medicare	5.00%
Year of Ultimate trend rates	
Medicare supplement claims – pre-Medicare	2022
Long-term investment rate of return	3.56%

NOTE 3: CHANGES IN ASSUMPTIONS

The Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for purposes of the OPEB discount rate. The OPEB discount rate was changed from 3.01% as of June 30, 2017 (using the prior measurement date as of July 1, 2016) to 3.56% for reporting as of June 30, 2018 (using the current measurement date as of June 30, 2017).

SUPPLEMENTARY INFORMATION

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Year ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity / Grant Identifying Number		Passed Through to Subrecipients		Federal Expenditures
Student Financial Assistance Cluster						
U.S. Department of Education						
Federal Pell Grant Program	84.063		$	-	$	21,280,780
Federal Supplemental Educational Opportunity Grants	84.007			-		395,149
Federal Direct Student Loans	84.268			-		16,543,559
Federal Work-Study Program	84.033			-		197,244
Total Student Financial Aid Cluster			$	-	$	38,416,732
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	V002A180025	$	-	$	970,942
State Department of Education: Career and Technical Education - Basic Grants to States	84.048	V048A180024		-		973,933
Total U.S. Department of Education			$	-	$	1,944,875
U.S. Department of Housing & Urban Development						
Pass-through Programs from:						
Mississippi Development Authority:						
Supplemental Community Development Block Grant - States' Program (Katrina)	14.228	R-103-160-01-KED	$	-	$	4,092,795
Total U.S. Department of Housing & Urban Development			$	-	$	4,092,795
U.S. Department of Health & Human Services						
Pass-through Programs from:						
Mississippi Department of Health and Human Services:						
TANF Cluster - Unplanned Pregnancy	93.558	1701MSTANF	$	-	$	39,352
State Board of Community and Junior Colleges :						
TANF Cluster - Complete to Compete	93.558	16-S90-33-6726-1		-		20,469
CCDF Cluster - Early Childhood Academy	93.575	1801MSCCDF		-		165,959
Total U.S. Department of Health & Human Services			$	-	$	225,780

(Continued)

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

Year ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity / Grant Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Other Programs (continued)				
U.S. Department of the Treasury				
Pass-through Programs from:				
Mississippi Department of Environmental Quality:				
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States - Work-Ready Community	21.015	RDCGR470018-01	$ -	$ 878,776
Total U.S. Department of Treasury			$ -	$ 878,776
National Aeronautics and Space Administration				
Pass-through Program From:				
University of Mississippi:	43.008	17-06-038	$ -	$ 4,250
NASA Education - Science				
NASA Education - Scholarships	43.008	NNX15AH78H	-	3,000
Total National Aeronautics and Space Administration			$ -	$ 7,250
U.S. Department of Labor				
WIA/WIOA Cluster				
Pass-through Programs from:				
Mississippi Department of Employment Services through South Mississippi Planning & Development District				
WIA/WIOA Dislocated Worker Formula Grants	17.278	079448973	$ -	$ 648,331
WIA/WIOA Youth Program	17.259	079448973	-	213,848
Total U.S. Department of Labor			$ -	$ 862,179
U.S. Department of Commerce				
Pass-through Program from:				
Mississippi Technology Alliance - Manufacturing Extension Partnership	11.611	70NANB17H017	$ -	$ 76,276
Total U.S. Department of Commerce			$ -	$ 76,276

(Continued)

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

Year ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity / Grant Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Other Programs (continued)				
U.S. Department of Transportation				
Pass-through Program From:				
Mississippi Department of Transportation:				
Highway Planning and Construction Cluster - Recreational Trails	20.219	STP-006-00(023)LPA /	$ -	$ 311,351
Total U.S. Department of Transportation			$ -	$ 311,351
U.S. Department of Justice				
Pass-through Program From:				
Mississippi Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-MU-BX-0179	$ -	$ 11,082
Total U.S. Department of Justice			$ -	$ 11,082
Corporation for National and Community Service				
Training and Technical Assistance	94.009		$ -	$ 5,162
Total Corporation for National and Community Service			$ -	$ 5,162
Total Other Programs			$ -	$ 8,415,526
Total Expenditures of Federal Awards			$ -	$ 46,832,258

(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.

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. The College did not receive any federal noncash assistance for the year ended June 30, 2018.

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, 2018, 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 21, 2019. The financial statements of the Mississippi Gulf Coast Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Mississippi Gulf Coast Community College Foundation, Inc.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
January 21, 2019

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 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, 2018. 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, 2018.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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
January 21, 2019

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

4. Type of auditors' report issued on compliance for major federal programs:	Unmodified
5. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR §200.516(a) ?	No

7. Federal programs identified as major programs:
   a. Student Financial Assistance Cluster:
      CFDA#: 84.063
      CFDA#: 84.007
      CFDA#: 84.268
      CFDA#: 84.033
   b. Community Development Block Grant – States' Program (Katrina Supplemental):
      CFDA#: 14.228
   c. Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States:
      CFDA#: 21.015

8. The dollar threshold used to distinguish between Type A and Type B programs:	$1,404,967
9. Auditee qualified as a low-risk auditee under §200.516 Criteria for a low-risk auditee?	No

Section II: Financial Statement Findings

No items were reported.

Section III: Federal Award Findings

No items were reported.

Section IV: Prior Findings and Questioned Costs

The status of the corrective action plans relating to prior audit findings identified in the 2017 audit report by the reference number were as follows:

- Financial reporting finding 2017-01 has been satisfactorily resolved and the College's corrective action plan has been implemented.
- Financial reporting finding 2017-02 has been substantially resolved with additional enhancements ongoing and expected to be completed by June 30, 2019.
- Federal award findings identified as items 2017-03, 2017-04 and 2017-05 have been satisfactorily resolved and the College's corrective action plans have been implemented.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the "College") as of and for the year ended June 30, 2018 which collectively comprise the College's basic financial statements and have issued our report thereon dated January 21, 2019. 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 21, 2019