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MISSISSIPPI DELTA COMMUNITY COLLEGE
FINANCIAL AUDIT REPORT
YEAR ENDED JUNE 30, 2019

MISSISSIPPI DELTA COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of and for the year ended June 30, 2019, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mississippi Delta Community College Development Foundation, Inc. as of and for the year ended June 30, 2019, which represents 100 percent of the assets, net assets and revenues of Mississippi Delta Community College's discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included in the aforementioned component unit, is based solely upon the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Mississippi Delta Community College Development 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 13, the Schedules of the Proportionate Share of Net Pension Liability and PERS Contributions on pages 62 and 63, the Schedules of the Proportionate Share of Net OPEB Liability and OPEB Contributions on pages 64 and 65, and the notes related to these schedules on pages 66 through 68 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.

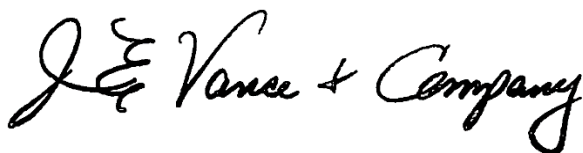
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mississippi Delta Community 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 reported dated March 17, 2020, on our consideration of Mississippi Delta Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mississippi Delta Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi Delta Community College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. E. Vance + Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
March 17, 2020

MISSISSIPPI DELTA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

Statement of Net Position

Net position is divided into three major categories:

- **Net Investment in Capital Assets** – represents the equity in property, plant and equipment owned by the College.
- **Restricted Net Position** – represents those assets that are not available for spending as a result of legislative requirements, donor agreements or grant requirements.
- **Unrestricted Net Position** – represents those assets that are available for any lawful purpose.

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

- the assets available to continue the operations of the College,
- the liabilities of the College, which includes the amounts owed to vendors and lending institutions, and
- the net position available for expenditure by the College.

Current assets total \$17,772,159, and consist primarily of cash and cash equivalents, short-term investments, and net receivables. Current liabilities total \$2,209,032, and consist primarily of accounts payable, accrued liabilities, unearned revenues, and short-term bond and note obligations.

Non-current assets total \$44,723,507, and primarily includes capital assets, net of accumulated depreciation, in the amount of \$44,225,726. Other non-current assets include cash and investments that are restricted externally by endowment arrangements, or internally by management so as to maximize investment earnings.

Non-current liabilities total \$34,091,150, which includes faculty housing deposits in the amount of \$1,992, funds held for the Department of Corrections for vocational night instructional payroll in the amount of \$30,000, the General Obligation Note in the amount of \$940,197, the net pension liability in the amount of \$31,602,645 and the other post-employment benefits liability of \$1,516,316.

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

The College's total net position of \$27,456,720 is made up of the net investment in capital assets of \$43,189,529, restricted expendable net positions of \$2,450,622, which included resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, a GASB Statement No. 68 net pension liability of (\$30,261,912) and a GASB Statement No. 75 net other post-employment benefits liability of (\$1,667,324). The College's total net position and unrestricted net position without the effects of GASB Statement No. 68 and GASB Statement No. 75 is \$59,385,956 and \$13,735,805, respectively.

Deferred outflows of resources consist of pension related outflows in the amount of \$2,119,624 and other post-employment benefits outflows in the amount of \$74,744. Deferred inflows of resources consist of pension related inflows in the amount of \$778,891 and other post-employment benefits related inflows in the amount of \$154,241.

Condensed Statements of Net Position for the years ended June 30, 2019 and June 30, 2018 are shown below. There was a prior period adjustment to correct the effects of the net pension liability on the net position, which increased the net position by \$4,671,304.

Condensed Statements of Net Position

	June 30, 2019	June 30, 2018	Change	Percent Change
Assets				
Current Assets	\$ 17,772,159	\$ 16,663,120	\$ 1,109,039	6.66%
Capital Assets, Net	44,225,726	42,415,476	1,810,250	4.27%
Other Assets	497,781	465,662	32,119	6.90%
Total Assets	<u>62,495,666</u>	<u>59,544,258</u>	<u>2,951,408</u>	4.96%
Deferred Outflows				
Pensions	2,119,624	10,261,048	(8,141,424)	-79.34%
Other Post-Employment Benefits	74,744	70,161	4,583	6.53%
Total Deferred Outflows	<u>2,194,368</u>	<u>10,331,209</u>	<u>(8,136,841)</u>	-78.76%
Liabilities				
Current Liabilities	2,209,032	3,645,438	(1,436,406)	-39.40%
Noncurrent Liabilities	34,091,150	34,230,943	(139,793)	-0.41%
Total Liabilities	<u>36,300,182</u>	<u>37,876,381</u>	<u>(1,576,199)</u>	-4.16%
Deferred Inflows				
Pensions	778,891	10,568,849	(9,789,958)	-92.63%
Other Post-Employment Benefits	154,241	95,771	58,470	61.05%
Total Deferred Inflows	<u>933,132</u>	<u>10,664,620</u>	<u>(9,731,488)</u>	-91.25%
Net Position				
Net Investment in Capital Assets	43,189,529	41,286,279	1,903,250	4.61%
Restricted - Nonexpendable	10,000	10,000	-0-	0.00%
Restricted - Expendable	2,450,622	2,351,523	99,099	4.21%
Unrestricted	(18,193,431)	(22,313,336)	4,119,905	18.46%
Total Net Position	<u>\$ 27,456,720</u>	<u>\$ 21,334,466</u>	<u>\$ 6,122,254</u>	28.70%

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

The SRECNP at June 30, 2019 indicates a net operating loss of \$15,602,127. The net loss does not include the 2019 effects of non-operating items, which included state and local appropriations, gifts or net investment earnings.

Condensed Statements of Revenues, Expense and Changes Net Position for the years ended June 30, 2019 and June 30, 2018 are shown below.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenues and Expenses				
Operating Revenues	\$ 17,565,701	\$ 16,829,459	\$ 736,242	4.37%
Operating Expenses	<u>(33,167,828)</u>	<u>(31,565,545)</u>	<u>(1,602,283)</u>	5.08%
Operating Loss	(15,602,127)	(14,736,086)	(866,041)	5.88%
Non-Operating Revenues	<u>17,053,077</u>	<u>14,908,906</u>	<u>2,144,171</u>	14.38%
Change in Net Position	1,450,950	172,820	1,278,130	739.57%
Net Position at Beginning of Year, As Previously Reported	21,334,466	23,834,051	(2,499,585)	-10.49%
Prior Period Adjustment	<u>4,671,304</u>	<u>(2,672,405)</u>	<u>7,343,709</u>	274.80%
Net Position At Beginning of Year, Restated	<u>26,005,770</u>	<u>21,161,646</u>	<u>4,844,124</u>	22.89%
Net Position at End of Year	\$ <u>27,456,720</u>	\$ <u>21,334,466</u>	\$ <u>6,122,254</u>	28.70%

Operating Revenues

Operating revenues for the College totaled \$17,565,701 at June 30, 2019. The following table summarizes the major categories of operating revenues.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	<u>Percent Change</u>
Tuition and Fees, Net	\$ 1,780,686	\$ 1,175,283	\$ 605,403	51.51%
Grants and contracts	13,213,936	13,488,574	(274,638)	-2.04%
Auxiliary Enterprises, Net	1,291,603	1,247,018	44,585	3.58%
Other Revenues	<u>1,279,476</u>	<u>918,584</u>	<u>360,892</u>	39.29%
Total Operating Revenues	\$ <u>17,565,701</u>	\$ <u>16,829,459</u>	\$ <u>736,242</u>	<u>4.37%</u>

Operating Expenses

Operating expenses for the College totaled \$33,167,828 at June 30, 2019. The following table summarizes the major categories of operating expenses and June 30, 2019 and June 30, 2018.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	<u>Percent Change</u>
Operating Expenses				
Salaries and Wages	\$ 13,242,283	\$ 13,071,389	\$ 170,894	1.31%
Fringe Benefits	7,136,407	4,345,654	2,790,753	64.22%
Contractual Services	4,014,400	4,469,865	(455,465)	-10.19%
Commodities	3,272,210	3,136,531	135,679	4.33%
Travel	377,202	306,937	70,265	22.89%
Utilities	973,364	1,016,642	(43,278)	-4.26%
Scholarships and Fellowships	2,371,973	2,381,084	(9,111)	-0.38%
Depreciation	1,360,900	1,474,891	(113,991)	-7.73%
Other Operating Expenses	<u>419,089</u>	<u>1,362,552</u>	<u>(943,463)</u>	<u>-69.24%</u>
Total Operating Expenses	\$ <u>33,167,828</u>	\$ <u>31,565,545</u>	\$ <u>1,602,283</u>	<u>5.08%</u>

As an alternative presentation, the College's fiscal year 2019 and 2018 expenses are shown below by major function. Functional classifications are the traditional categories that Colleges have used. They represent the types of programs and services that Colleges provide.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	<u>Percent Change</u>
Function				
Instruction	\$ 14,102,503	\$ 13,536,386	\$ 566,117	4.18%
Academic Support	635,897	539,782	96,115	17.81%
Student Services	3,449,120	3,182,566	266,554	8.38%
Institutional Support	5,423,950	4,807,445	616,505	12.82%
Operation of Plant	2,864,797	2,973,060	(108,263)	-3.64%
Student Aid	2,370,723	2,371,584	(861)	-0.04%
Auxiliary Enterprises	2,959,938	2,679,831	280,107	10.45%
Depreciation	<u>1,360,900</u>	<u>1,474,891</u>	<u>(113,991)</u>	<u>-7.73%</u>
Total Operating Expenses	\$ <u>33,167,828</u>	\$ <u>31,565,545</u>	\$ <u>1,602,283</u>	<u>5.08%</u>

Capital Assets

At June 30, 2019, the College had invested in a broad range of capital assets. The assets are comprised of land, construction projects, buildings and improvements, equipment and library books. The schedule on the following page shows the cost of the major asset classifications and the accumulated depreciation.

Classification	June 30, 2019	June 30, 2018	Change	Percent Change
Assets Not Depreciated	\$ 6,503,131	\$ 4,232,591	\$ 2,270,540	53.64%
Depreciable Assets				
Intangibles	1,113,228	1,113,228	-0-	0.00%
Improvements Other Than Buildings	2,399,215	2,468,593	(69,378)	-2.81%
Buildings	53,989,027	53,881,207	107,820	0.20%
Equipment	6,597,879	5,891,332	706,547	11.99%
Library Books	857,959	841,057	16,902	2.01%
Total Cost of Capital Assets	71,460,439	68,428,008	3,032,431	4.43%
Less: Accumulated Depreciation	(27,234,713)	(26,012,532)	(1,222,181)	4.70%
Capital Assets, Net	\$ 44,225,726	\$ 42,415,476	\$ 1,810,250	4.27%

The assets that are not depreciated totaling \$6,503,131 consist of land and construction in progress at June 30, 2019.

Statement of Cash Flows

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

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

The following schedule shows the major categories of cash flows for the years ended June 30, 2019 and June 30, 2018.

Condensed Statements of Cash Flows (Direct Method)

	June 30, 2019	June 30, 2018	Change	Percent Change
Cash and Cash Equivalents Provided (Used) by:				
Operating Activities	\$ (15,372,553)	\$ (12,533,674)	\$ (2,838,879)	-22.65%
Noncapital Financing Activities	15,472,480	14,032,571	1,439,909	10.26%
Capital Financing Activities	(2,046,818)	(857,409)	(1,189,409)	-138.72%
Investing Activities	267,522	153,820	113,702	73.92%
Net Increase (Decrease) in Cash and Cash Equivalents	(1,679,369)	795,308	(2,474,677)	-311.16%
Cash and Cash Equivalents - Beginning of the Year	11,015,502	10,220,194	795,308	7.78%
Cash and Cash Equivalents - End of the Year	<u>\$ 9,336,133</u>	<u>\$ 11,015,502</u>	<u>\$ (1,679,369)</u>	<u>-15.25%</u>

The major sources of cash represented in operating activities group include \$415,541 received for student tuition and fees, \$10,707,859 received for grants and contracts, \$1,284,664 received for auxiliary enterprises sales and services, and \$1,382,430 received for other operating revenues. The major uses of cash in operation activities group include \$17,351,265 for payments made to employees for wages and benefits, \$8,466,445 for payments made to suppliers and \$2,371,973 for payments made to students for financial aid.

The largest inflows of cash in the noncapital financing activities group was \$9,877,838 received for state appropriations and \$4,091,667 received for county appropriations. The largest inflow of cash in the capital and related financing activities group was \$1,198,356 of state capital grants for a campus roofing project and an emergency chiller replacement. The largest use of cash in the capital and related financing activities group was \$3,171,150 for the construction and purchase of capital assets.

Economic Outlook

After many years of decreasing enrollment numbers, the College has experienced an increase in enrollment in recent years. The Mississippi Delta region is losing its population to other areas of the state, and, as a result, the College had suffered enrollment decreases for many years. The College has been looking for ways to generate new sources of revenue while still providing an excellent College experience for its vocational, technical and academic students. The College has also invested more resources in recruiting students.

FINANCIAL STATEMENTS

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 9,336,133
Short-term investments	2,225,000
Accounts receivable, net	5,473,608
Inventories	498,664
Prepaid expenses	<u>238,754</u>
Total current assets	<u>17,772,159</u>

Noncurrent assets:

Other long-term investments	497,781
Capital assets, net of accumulated depreciation	<u>44,225,726</u>
Total noncurrent assets	<u>44,723,507</u>
Total assets	<u><u>62,495,666</u></u>

Deferred outflows of resources:

Deferred pension related outflows	2,119,624
Deferred other post-employment benefits related outflows	<u>74,744</u>
Total deferred outflows of resources	<u><u>2,194,368</u></u>

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	1,579,493
Unearned revenues	254,160
Note payable, current portion	96,000
Net other post-employment benefits liability, current portion	71,511
Other current liabilities	<u>207,868</u>
Total current liabilities	<u>2,209,032</u>

Noncurrent liabilities:

Note payable	940,197
Net pension liability	31,602,645
Net other post-employment benefits liability	1,516,316
Deposits refundable	<u>31,992</u>
Total noncurrent liabilities	<u>34,091,150</u>
Total liabilities	<u><u>\$ 36,300,182</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019

Deferred inflows of resources:

Deferred pension related inflows	\$ 778,891
Deferred other post-employment benefits related inflows	<u>154,241</u>
Total deferred inflows of resources	<u><u>933,132</u></u>

Net Position:

Net investment in capital assets	43,189,529
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Restricted for:

Nonexpendable:	
Scholarships and fellowships	10,000
Expendable:	
Scholarships and fellowships	213,288
Capital projects	2,103,478
Grants	31,031
Unemployment compensation	102,825

Unrestricted	<u>(18,193,431)</u>
Total net position	<u><u>\$ 27,456,720</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

Assets:

Cash	\$	375,074
Certificates of deposit		168,482
Investments		2,050,548
Unconditional promises to give		123,867
Equipment - net of accumulated depreciation		<u>5,674</u>
Total assets		<u><u>2,723,645</u></u>

Liabilities:

Accounts payable	<u>11,752</u>
Total liabilities	11,752

Net Assets:

Net assets without donor restrictions	1,234,716
Net assets with donor restrictions	<u>1,477,177</u>
Total net assets	2,711,893
Total liabilities and net assets	\$ <u><u>2,723,645</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Operating revenues:

Tuition and fees (net of scholarship allowances of \$6,066,444)	\$ 1,780,686
Federal grants and contracts	10,789,303
State grants and contracts	2,424,633

Auxiliary enterprises:

Housing (net of scholarship allowances of \$300,132)	184,051
Food services (net of scholarship allowances of \$655,029)	246,521
Bookstore (net of scholarship allowances of \$390,857)	861,031

Other operating revenues	<u>1,279,476</u>
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Total operating revenues	17,565,701
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Operating expenses:

Salaries and wages	13,242,283
Fringe benefits	7,136,407
Contractual services	4,014,400
Commodities	3,272,210
Travel	377,202
Utilities	973,364
Scholarships and fellowships	2,371,973
Depreciation	1,360,900
Other operating expenses	<u>419,089</u>

Total operating expenses	<u>33,167,828</u>
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Operating loss	\$ <u>(15,602,127)</u>
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The notes to the financial statements are an integral part of this statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Nonoperating revenues (expenses)		
State appropriations	\$	9,980,934
State bond monies		1,198,356
County appropriations		4,103,290
Interest income		267,522
Loss on disposal of assets		(146,876)
Unrealized gain on valuation of stock		32,119
Other nonoperating revenues		<u>1,617,732</u>
Total nonoperating revenues		<u>17,053,077</u>
Change in net position		1,450,950
Net position:		
Net position - beginning of year, as originally reported		21,334,466
Prior period adjustment		<u>4,671,304</u>
Net position - beginning of year, restated		<u>26,005,770</u>
Net position - end of year	\$	<u>27,456,720</u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net assets without donor restrictions:

Revenues and gains without donor restrictions:	
Contributions	\$ 33,588
Investment income:	
Interest	1,964
Dividends	42,583
Realized capital losses	(883)
Net appreciation in fair value of investments	14,671
Investment fees	<u>(9,954)</u>
Total revenues, gains and losses without donor restrictions	81,969
Net assets released from restriction	<u>174,881</u>
Total revenues, gains and other support without donor restrictions	256,850

Expenses:

Program services:	
Scholarship and student support	125,545
College athletics	38,197
Instructional support	45,445
Alumni activities	13,205
College promotions	27,477
Supporting services:	
Management and general	<u>42,464</u>
Total expenses	<u>292,333</u>
Decrease in net assets without donor restrictions	<u>(35,483)</u>

Net assets with donor restrictions:

Contributions	195,934
Investment income:	
Dividends	40,765
Realized capital losses	(845)
Net appreciation in fair value of investments	14,045
Net assets released from restriction	<u>(174,881)</u>
Increase in net assets with donor restrictions	<u>75,018</u>
Increase in net assets	39,535
Net assets at beginning of year	<u>2,672,358</u>
Net assets at end of year	\$ <u><u>2,711,893</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Tuition and fees	\$ 415,541
Grants and contracts	10,707,859
Payments to employees for salaries and benefits	(17,351,265)
Payments to suppliers	(8,466,445)
Payments for utilities	(973,364)
Payments for scholarships and fellowships	(2,371,973)
Auxiliary enterprises charges:	
Housing	184,057
Food services	247,577
Bookstore	853,030
Other operating revenues	<u>1,382,430</u>
Net cash used by operating activities	<u>(15,372,553)</u>
Cash flows from noncapital financing activities:	
State appropriations	9,877,838
County appropriations	4,091,667
Other nonoperating revenues	<u>1,502,975</u>
Net cash provided by noncapital financing activities	<u>15,472,480</u>
Cash flows from capital and related financing activities:	
Cash paid for acquisition and construction of capital assets	(3,171,150)
Capital grants and contracts received	1,198,356
Principal paid on capital debt	(39,000)
Interest paid on capital debt	<u>(35,024)</u>
Net cash used by capital and related financing activities	<u>(2,046,818)</u>
Cash flows from investing activities:	
Interest received on investments	267,522
Sale of investments	2,225,000
Purchase of investments	<u>(2,225,000)</u>
Net cash provided by investing activities	<u>267,522</u>
Net increase in cash and cash equivalents	(1,679,369)
Cash and cash equivalents - beginning of year	<u>11,015,502</u>
Cash and cash equivalents - end of year	<u>\$ 9,336,133</u>

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

**MISSISSIPPI DELTA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ <u>(15,602,127)</u>
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	1,360,900
Loss on disposal of capital assets	146,876
Gain on investments	(32,119)
GASB pension and OPEB expense adjustments	2,950,810
Other payments	(81,663)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable, net	(2,674,940)
Inventories	41,007
Prepaid expenses	(39,756)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(341,549)
Unearned revenues	(1,113,991)
Refundable deposits	<u>13,999</u>
Total adjustments	<u>229,574</u>
Net cash used by operating activities	\$ <u><u>(15,372,553)</u></u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Operating Activities:	
Increase in net assets	\$ 39,535
Adjustments to reconcile increase in net assets	
to cash provided by operating activities:	
Unrealized gains on investments	(28,717)
Realized loss on sale of investments	1,729
Increase in contributions receivable, net of discount	56,378
Increase in accounts payable	11,367
Depreciation	<u>1,891</u>
Net cash provided by operating activities	82,183
Investing Activities:	
Reinvested interest earned on certificate of deposit	(1,120)
Proceeds from sale of securities	308,027
Purchase of securities	<u>(502,225)</u>
Net cash used by investing activities	(195,318)
Net decrease in cash and cash equivalents	(113,135)
Cash and cash equivalents at beginning of year	<u>488,209</u>
Cash and cash equivalents at beginning of year	\$ <u>375,074</u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

			Program Services			Supporting Services	
	Student Support & Scholarships	Alumni Activities	College Athletics	College Promotions	Instructional Support	Management and General	Total
Emergency student scholarships	\$ 21,717	\$	\$	\$	\$	\$	\$ 21,717
Student scholarships	86,438						86,438
Special events	9,657	13,205		8,152			31,014
Instructional support programs					37,965		37,965
Softball program support			11,820				11,820
Baseball program support			26,377				26,377
Student book loan program	2,944						2,944
Faculty and staff professional development					4,468		4,468
College marketing and publicity				806			806
Faculty and staff recognition					3,012		3,012
Scholarship database subscription support	4,789						4,789
Student recruiting and orientation				18,519			18,519
Operating supplies						8136	8,136
Travel						3708	3,708
Professional fees						7991	7,991
Insurance						3355	3,355
Depreciation						1891	1,891
Dues and memberships						4286	4,286
Postage and communications						3315	3,315
Storage rental						3900	3,900
Utilities						1996	1,996
Bad debts						3886	3,886
Totals	\$ <u>125,545</u>	\$ <u>13,205</u>	\$ <u>38,197</u>	\$ <u>27,477</u>	\$ <u>45,445</u>	\$ <u>42,464</u>	\$ <u>292,333</u>

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

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

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

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 29, *Determining Whether certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, the Mississippi Delta Community College Development Foundation, Inc. (the Foundation) is deemed a component unit of the institution and is included as a discretely presented component unit in the financial statements. The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising organization to supplement the resources of Mississippi Delta Community College in support of its programs.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

During the year ended June 30, 2019, the Foundation distributed \$292,333 to the College. The complete financial statements of the Foundation can be obtained by writing to P.O. Box 668, Moorhead, MS 38761.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999, respectively. Mississippi Delta Community College now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College’s financial activities.

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

Beginning June 30, 2018, the College was required to implement GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures for other post-employment benefits. For defined benefit OPEBs, these statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or a contractual obligation to pay.

Cash Equivalents

For purposes of the Statement of Cash Flows, the College considers cash on hand, demand deposits and short-term investments with an original maturity of three months or less to be cash equivalents.

Short Term Investments

Short term investments consist of certificates of deposits held at a local bank.

Accounts Receivable, Net

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

Inventories

Inventories consist of bookstore merchandise and supplies. Inventories are stated at cost, with cost being determined principally on the first-in, first-out (FIFO) basis.

Prepaid Expenses

Prepaid expenses include payments made to various agencies and reflect costs applicable to a subsequent accounting period.

Endowment Investments

Endowment investments are generally subject to the restrictions of donor gift instruments. Mrs. James W. Lucas, Jr. of Jackson, Mississippi established the James W. Lucas, Jr. Scholarship award in memory of her late husband. She donated \$10,000 with the restriction that only the income earned on the principal is to be utilized.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Other Long-Term Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of Nonoperating Revenues on the Statement of Revenues, Expenses and Changes in Net Position.

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 for all assets, excluding land, using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 7 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until the applicable period.

In addition to liabilities, the Statement of Net Position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until the applicable period.

The Statement of Net Position will report deferred outflows and inflows of resources as they relate to the pension reporting requirements of GASB Statement Nos. 68 and 71 and other post-employment benefit reporting requirements of GASB Statement No. 75.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenues

Unearned revenues consist of amounts received for tuition and fees prior to the end of the fiscal year but relate to the subsequent accounting period.

Compensated Absences

Mississippi Delta Community College does not provide for the accumulation of annual leave or major medical leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

Long-Term Notes Payable

Long-term notes payable is the unmatured principal of General Obligation notes held by the College.

Pensions

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

Post-Employment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. OPEB investments are reported at fair value as determined by the state.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as “Net Position” rather than “Net Assets.” Net position is classified in three categories:

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 balance 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. Restricted nonexpendable net position is noncapital investment assets that must be approved by the College board of trustees before they can be used.

Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted – expendable.

The net position balance of \$27,456,720 at June 30, 2019, includes \$43,189,529 invested in capital assets, net of depreciation and debt, \$10,000 reserved for endowment, \$213,288 reserved for scholarships, \$2,103,478 reserved for capital projects, \$31,031 reserved for grants, \$102,285 reserved for unemployment compensation, and an unrestricted net deficit of (\$18,193,431).

Restricted resources are used first to fund appropriations.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating 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.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues (Continued)

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, such as state appropriations, county appropriations and investment income.

State Appropriations

Mississippi Delta Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the state of Mississippi. Beginning with the 2004 fiscal year, a new funding formula was phased in over a 5-year period which shifted the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special considerations given only to high cost programs.

Local Appropriations

Mississippi Delta Community College receives funds from taxes levied by the counties in the district for general support, maintenance and capital improvements.

Scholarship Discounts and Allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). All aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenue. 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-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates. Accordingly, actual results could differ from those estimates.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value as follows:

Level 1 – Unadjusted price quotations in active market/exchanges for identical assets or liabilities that each fund has the ability to access.

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

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

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

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 2: Prior Period Adjustment

The prior period adjustment of \$4,671,304 was made to correct the cumulative effect of unamortized deferred outflows and inflows related to pensions and correct the beginning net pension liability for those unamortized amounts.

Note 3: Cash and Cash Equivalents and Investments

Cash and Cash Equivalents and Short-Term Investments:

Investment policies as set forth by policy and state statute authorize the College to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. For the year ending June 30, 2019, the College had \$9,336,133 in cash and cash equivalents and \$2,225,000 in short-term investments.

The collateral pledged for the College deposits in financial institutions is 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 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 those 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 (FDIC).

Custodial Credit Risk – Deposits – Custodial credit risk is defined as risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a formal deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. As of June 30, 2019, none of the College's bank balance of \$10,014,171 was exposed to custodial credit risk.

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 3: Cash and Cash Equivalents and Investments (Continued)

At June 30, 2019, the College had the following certificates of deposits with a local bank.

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	0.75%	October 26, 2019	\$ 1,000,000
Certificate of Deposit	0.75%	October 26, 2019	<u>1,225,000</u>
Total Short-Term Investments			<u>\$ 2,225,000</u>

Investment policies as set forth by board policy and by Section 37-101-15, Miss. Code Ann. (1972), which authorize the College to invest in equity securities, bonds and other securities. Investments are reported at fair (market) value.

As of June 30, 2019, Mississippi Delta Community College held the following long-term investments:

<u>Classification</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 5,146	\$	\$	\$ 5,146
Mutual Funds	<u>492,635</u>			<u>492,635</u>
Total Long-Term Investments	<u>\$ 497,781</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 497,781</u>

Interest Rate Risk – Interest rate risk is the risk that the College may face should interest rate variances affect the fair value of its investments. Mississippi Delta Community 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.

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

Custodial Credit Risk – Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mississippi Delta Community College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$497,781 investment, \$329,610 is invested in Lord Abbet Affiliated Fund, \$162,973 is invested in the Columbia Balanced Fund with the balance invested other mutual funds and individual stocks that are held by investment companies in the name of the College.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 3: Cash and Cash Equivalents and Investments (Continued)

Concentration of Credit Risk – Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. Mississippi Delta Community College does not have a formal investment policy that addresses concentration of credit risk. As of June 30, 2019, the College did not have any investments requiring disclosure in accordance with the disclosure requirements described above.

Note 4: Accounts Receivable

Accounts receivable consisted of the following at June 30, 2019:

	Balance 06/30/19
Student tuition	\$ 658,140
Auxiliary enterprises and other operating activities	35,896
Federal, state, and private grants and contracts	4,443,989
State appropriations	198,187
County appropriations	84,832
Other receivables	<u>287,651</u>
Total accounts receivable	5,708,695
Less: Allowance for doubtful accounts	<u>(235,087)</u>
Net accounts receivable	<u>\$ 5,473,608</u>

Note 5: Inventory

Inventory consists of bookstore inventory, which includes, books, clothing, supplies, memorabilia and refreshments. Total bookstore inventory at June 30, 2019 was \$498,664.

Note 6: Prepaid Expenses

Prepaid expenses consist primarily of insurance and service contracts paid in the current year that will not be expensed until future years. Prepaid expenses at June 30, 2019 were \$238,754.

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 7: Capital Assets

A summary of the College's changes in capital assets for the year ended June 30, 2019, is shown below.

	Balance 07/01/18	Additions	Deletions	Adjustments	Balance 06/30/19
Nondepreciable capital assets					
Land	\$ 285,247	\$	\$	\$	\$ 285,247
Construction in progress	3,947,344	2,340,252	(107,820)	38,108	6,217,884
Total cost of nondepreciable capital assets	4,232,591	2,340,252	(107,820)	38,108	6,503,131
Depreciable capital assets					
Intangibles	1,113,228				1,113,228
Improvements other than buildings	2,468,593		(69,378)		2,399,215
Buildings	53,881,207	100,000		7,820	53,989,027
Equipment	5,891,332	560,253	(58,247)	204,541	6,597,879
Library books	841,057	37,661	(20,759)		857,959
Total depreciable capital assets	64,195,417	697,914	(148,384)	212,361	64,957,308
Less accumulated depreciation for:					
Intangibles	1,113,228				1,113,228
Improvements other than buildings	1,302,056	48,140	(50,694)		1,299,502
Buildings	18,247,268	890,594		(349)	19,137,513
Equipment	4,527,919	413,523	(55,839)	(31,837)	4,853,766
Library books	822,061	8,643			830,704
Total accumulated depreciation	26,012,532	1,360,900	(106,533)	(32,186)	27,234,713
Total depreciable capital assets - net	38,182,885	(662,986)	(41,851)	244,547	37,722,595
Total capital assets, net	\$ 42,415,476	\$ 1,677,266	\$ (149,671)	\$ 282,655	\$ 44,225,726

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 7: Capital Assets (Continued)

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

Classification	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 Years	20%	\$50,000
Improvements Other Than Buildings	20 Years	20%	\$25,000
Equipment	3 to 15 Years	1% to 10%	\$5,000
Library Books	10 Years	0%	\$0
Intangibles	5 Years	0%	\$100,000

Note 8: Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities of the College primarily consist of amounts due to outside vendors for products, services, payroll related liabilities and sales taxes. Accrued liabilities includes amounts due to employees. The total amount of accounts payable and accrued liabilities at June 30, 2019 was \$1,579,493.

Note 9: Deposits Refundable

Deposits refundable represent faculty housing deposits of \$1,992 and funds held on deposit for the Department of Corrections from vocational night instructional payroll in the amount of \$30,000.

Note 10: Other Current Liabilities

Other current liabilities consist of agency fund monies in the amount of \$178,338 and interest payable in the amount of \$29,530.

Note 11: Operating Leases

The College leases a building in Greenwood, Mississippi. The lease expense for the year was \$122,882. The current lease agreement, which became effective on July 1, 2014, has a termination date of June 30, 2021. The remaining payments under the lease are shown on the following page.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 11: Operating Leases (Continued)

<u>Fiscal Year Ending</u>	<u>Lease Obligation</u>
June 30, 2020	\$ 122,822
June 30, 2021	<u>122,822</u>
Total lease obligation	<u>\$ 245,644</u>

Note 12: Notes Payable

Notes payable consist of a general obligation note. General obligation notes are direct obligations and pledge the full faith and credit of the College. General obligation notes currently outstanding is as follows:

	<u>Balance 07/01/18</u>	<u>Reductions</u>	<u>Balance 06/30/19</u>
General Obligation Note			
Series 2013	\$ 1,129,197	\$ (93,000)	\$ 1,036,197
Less: Amount due within one year			<u>(96,000)</u>
Long-term general obligation note			<u>\$ 940,197</u>

The General Obligation Note, Series 2013 was issued on August 9, 2013 in the amount of \$1,550,000. The GO Note was financed over a period of 15 years at 3.2192296 percent interest. The purpose of the note was to provide funding for the construction, equipping and furnishing of a student activity center, the Vandiver Student Union, on the main campus of the Mississippi Delta Community College and the payment of the issuance cost of the note. The amounts due and the dates due are shown below.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 9, 2019	\$ 96,000	\$ 36,199	\$ 132,199
August 9, 2020	99,000	34,038	133,038
August 9, 2021	102,000	31,613	133,613
August 9, 2022	106,000	28,910	134,910
August 9, 2023	109,000	25,836	134,836
August 9, 2024 to 2028	<u>524,197</u>	<u>67,036</u>	<u>591,233</u>
Totals	<u>\$ 1,036,197</u>	<u>\$ 223,632</u>	<u>\$ 1,259,829</u>

Total interest expense for all College debt the year ended June 30, 2019 was \$41,048.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 13: Pension Plan

General Information About the Pension Plan

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

Benefits Provided – Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior Colleges, and teachers and employees of the public-school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entities participation in PERS by the PERS’ Board of Trustees. If approved, membership for the entity’s employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with 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 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 a 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. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual allowance for each full 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 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 13: Pension Plan (Continued)

Contributions – PERS members are required to contribute 9.0% of their annual covered salary, and the College are required to contribute at an actuarial determined rate. The employer's contribution rate as of June 30, 2019, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the years ending June 30, 2019, 2018, and 2017, were \$1,962,434, \$1,935,101, and \$1,997,306, respectively, which equaled the required contributions for each year.

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

At June 30, 2019, the College reported a liability of \$31,602,645 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The College's portion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, as actuarially determined. The College's proportionate share used to calculate the June 30, 2019 net pension liability was .19 percent, which was based on a measurement date of June 30, 2018. There was no change from its proportionate share of .19 percent used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$3,040,967. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the next page.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 13: Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,543	\$ 133,221
Net difference between expected and actual earnings on pension plan investments		628,215
Changes of assumptions	18,647	17,455
College and high school contributions subsequent to the measurement date	<u>1,962,434</u>	
Total	<u>\$ 2,119,624</u>	<u>\$ 778,891</u>

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

The \$1,962,434 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

Year ended June 30:

2020	\$ 365,554
2021	(102,285)
2021	(742,850)
2023	<u>(142,120)</u>
Total	<u>\$ (621,701)</u>

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 13: Pension Plan (Continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial evaluation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

Asset Class	Target Allocation	Long-Term Expected Real 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 Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-0- %
Total	<u>100.00 %</u>	

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 13: Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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 College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.75%	Current Discount Rate (7.75%)	1% Increase 8.75%
College's proportionate share of net pension liability	\$ 41,425,113	\$ 31,602,645	\$ 23,414,559

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 14: Other Post-Employment Benefits

General Information About the OPEB Plan

Plan Description – State law mandates that all state, public education, library, junior and community College and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The 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 Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, the plan is considered a cost-sharing multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov>.

Benefits Provided – The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior Colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the 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 are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are 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. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 14: Other Post-Employment Benefits (Continued)

Contributions – The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$71,511 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the College reported a liability of \$1,587,827 for its proportionate share of the net OPEB liability. The net OPEB liability was measured at June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's portion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The 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 the employee. At the measurement date of June 30, 2018, the College's proportionate share was .20526490 percent, a decrease of .00448953 percent from the College's proportionate share of .20975443 percent as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized OPEB expense of \$68,025. At June 30, 2019 the College reported the deferred outflows of resources and deferred inflows of resources related to OPEB from the sources shown on the following page:

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 14: Other Post-Employment Benefits (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,233	\$
Net difference between expected and actual earnings on OPEB plan investments		
Changes of assumptions		113,136
Changes in proportion and differences between contributions and proportionate share of contributions		41,105
Contributions subsequent to the measurement date	<u>71,511</u>	
Total	\$ <u>74,744</u>	\$ <u>154,241</u>

The \$71,511 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as shown on the following page:

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 14: Other Post-Employment Benefits (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources related to OPEB (Continued)**

Year ended June 30:

2020	\$ (30,102)
2021	(30,102)
2022	(30,102)
2023	(30,102)
2024	(25,155)
Thereafter	<u>(5,445)</u>
Total	\$ <u>(151,008)</u>

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment Expense, including inflation	4.50 percent
Municipal Bond Index Rate	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 14: Other Post-Employment Benefits (Continued)

Actuarial Assumptions (Continued)

Health Care Cost Trends

Medicare Supplement Claims	7.75 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75 percent by 2028

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.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount Rate – The discount rate used to measure the OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the discount rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 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 Bond Buyer.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 14: Other Post-Employment Benefits (Continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net OPEB liability, 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 (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease <u>2.89%</u>	Current Discount Rate (3.89%)	1% Increase <u>4.89%</u>
Net OPEB Liability	\$ 1,760,066	\$ 1,587,827	\$ 1,439,695

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u> </u>	Healthcare Cost Trend Rates - Current	1% Increase <u> </u>
Net OPEB Liability	\$ 1,470,852	\$ 1,587,827	\$ 1,720,676

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be obtained at <http://knowyourbenefits.dfa.ms.gov>.

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 15: Effect of Deferred Amounts on Net Position

The unrestricted net deficit amount of (\$18,193,431) includes the effect of deferring the recognition of expenses resulting from deferred outflows of resources from the College's pension and other post-employment benefits (OPEB) plans. A portion of the deferred outflows of resources related to pensions is in the amount of \$1,962,434 and resulted from the College's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Another portion of the deferred outflows of resources related to OPEB and is in the amount of \$71,511 and resulted from plan contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

The unrestricted net position also includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the pension and OPEB plans. The \$5,322 net balance of the deferred outflows and inflows of resources at June 30, 2019 relating to the pension plan will be recognized as expense and decrease unrestricted net position over the next three years. The \$3,233 net balance of the deferred outflows of resources at June 30, 2019 relating to the OPEB plan and will be recognized as expense and decrease unrestricted net position over the remaining six years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between expected and actual earnings on the pension plan investments. The \$628,215 balance of the net deferred inflows of resources at June 30, 2019, relating to the pension plan will be recognized as income and increase the unrestricted net position over the remaining four years.

Unrestricted net position also includes the effect of deferring the recognition of the changes in actuarial assumptions utilized in developing the net pension and OPEB liabilities. The \$1,192 net balance of the deferred outflows and inflows of resources at June 30, 2019 for the pension plan will be recognized as expense and decrease unrestricted net position over the remaining two years. The \$113,136 balance of the deferred inflows of resources related to other post-employment benefits will be recognized as income and increase the unrestricted net position over the remaining six years.

Unrestricted net position also includes the effect of the changes in the proportionate share of OPEB plan investments. The \$41,105 balance of the net deferred inflows of resources at June 30, 2019, relating to the OPEB plan will be recognized as income and increase the unrestricted net position over the remaining six years.

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 16: Natural Classifications with Functional Classifications

The following table lists the College's operating expenses by natural and functional classifications as of June 30, 2019:

Functional Classification	Year Ended June 30, 2019									
	Natural Classification									
	Salaries & Wages	Fringe Benefits	Contractual Services	Commodities	Travel	Utilities	Scholarships & Fellowships	Depreciation	Other	Total
Instruction	\$ 7,944,223	\$ 4,115,037	\$ 758,782	\$ 897,418	\$ 181,957	\$ 121,050	\$ 1,250	\$ -0-	\$ 82,786	\$ 14,102,503
Academic Support	334,815	192,982	42,803	28,387	1,691	-0-	-0-	-0-	35,219	635,897
Student Services	1,754,860	951,351	200,396	323,129	125,530	-0-	-0-	-0-	93,854	3,449,120
Institutional Support	2,214,033	1,260,772	1,188,348	483,406	66,391	189,122	-0-	-0-	21,878	5,423,950
Operation of Plant	736,434	462,771	759,095	281,094	1,633	486,522	-0-	-0-	137,248	2,864,797
Student Aid	-0-	-0-	-0-	-0-	-0-	-0-	2,370,723	-0-	-0-	2,370,723
Auxiliary Enterprises	257,918	153,494	1,064,976	1,258,776	-0-	176,670	-0-	-0-	48,104	2,959,938
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,360,900	-0-	1,360,900
Total Operating Expenses	\$ <u>13,242,283</u>	\$ <u>7,136,407</u>	\$ <u>4,014,400</u>	\$ <u>3,272,210</u>	\$ <u>377,202</u>	\$ <u>973,364</u>	\$ <u>2,371,973</u>	\$ <u>1,360,900</u>	\$ <u>419,089</u>	\$ <u>33,167,828</u>

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 17: Greenville Higher Education Center

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

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

Note 18: Unemployment Compensation Trust Fund

The College maintains a self-funded unemployment compensation fund. The fund exists to provide a mechanism for the College to fund and budget the cost of providing unemployment benefits to eligible former employees. The fund does not pay benefits directly to these former employees; rather it reimburses the Mississippi Department of Employment Security for benefits it pays directly to these individuals. The fund is required to be maintained at a level of 2% of the first \$6,000 of salary for each full-time employee of the College. At June 30, 2019, the fund was adequately funded with a balance of \$102,825.

Note 19: Insurance Recoveries

Mississippi Delta Community College received total insurance recoveries in the amount of \$1,614,679 during the year; of this amount \$1,547,645 was received as reimbursement for fire damage to the Stauffer-Wood Administration Building, \$16,218 was received as reimbursement for water damage to the Horton Building and \$49,106 was received as reimbursement for roof damage to the Vocational-Technical Building and \$1,710 was received as reimbursement for damage to College vehicles. These amounts are included as part of Other Nonoperating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 20: Concentrations

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

Note 21: Risk Management

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

Note 22: Contingencies

Federal, State and Private Grants – Mississippi Delta Community College receives federal and state and private grants for specific purposes that are subject to audit by grantor agencies. Entitlements to those resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from a grantor audit may become a liability of the College.

Note 23: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Mississippi Delta Community College evaluated the activity of the College through March 17, 2020 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

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

Reporting Entity

The accounting policies of Mississippi Delta Community College Development Foundation, Inc. conform to the accounting principles generally accepted in the United States of America applicable to nonprofit organizations. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Foundation's financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC 958, the Foundation is required to report the information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions, and net assets with donor restrictions. Net assets without donor restrictions represents resources over which the Foundation's Board of Directors has discretionary control and are used to carry out the operations of the Foundation in accordance with its bylaws. Net assets with donor restrictions represent resources that are restricted by the donor to be used only for the specific purpose designated by the donor.

Use of Estimates

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions

All contributions received by the Foundation are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted contributions are reported as net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Promises to Give

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

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

Property and Equipment

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

Income Taxes

The Foundation is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code. The State of Mississippi's income tax laws also recognize the Foundation as a tax-exempt organization for Mississippi income tax purposes.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Foundation considers cash and all unrestricted highly liquid investments purchased with an initial maturity date of three months or less to be cash equivalents.

Note 2: Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes:

Student scholarships	\$ 1,228,308
Athletic programs	21,188
Phi Theta Kappa	5,804
Faculty development	78,781
Various academic and administration departments	53,362
Contribution pledges receivable	<u>89,734</u>
Total	<u>\$ 1,477,177</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 3: Investments

The Foundation's investments at June 30, 2019 consisted of the following:

Mutual funds:	
Stock funds	\$ 537,883
Bond funds	<u>618,363</u>
Total mutual funds	1,156,246
Exchange traded products:	
Equity exchange traded products	717,385
Other exchange traded products	<u>176,917</u>
Total exchange traded products	<u>894,302</u>
Total investments	<u><u>\$ 2,050,548</u></u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2019:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest income	\$ 1,964	\$ 1,964	\$ 1,964
Dividend income	42,583	40,765	83,348
Realized capital losses	(883)	(846)	(1,729)
Increase in unrealized capital gains	<u>14,671</u>	<u>14,045</u>	<u>28,716</u>
Total investment return	58,335	53,964	112,299
Less: Investment fees expense	<u>(9,954)</u>		<u>(9,954)</u>
Net investment return	<u><u>\$ 48,381</u></u>	<u><u>\$ 53,964</u></u>	<u><u>\$ 102,345</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 4: Fair Value Measurements

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Mutual Funds – Mutual funds are valued at the closing price quoted in the active markets in which the individual securities are traded.

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 4: Fair Value Measurements (Continued)

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

The following schedule sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2019.

	Level 1	Level 2	Level 3	Total
Mutual Funds and				
Exchange Traded Funds	\$ <u>2,050,548</u>	<u> </u>	<u> </u>	\$ <u>2,050,548</u>

Note 5: Promises to Give

Unconditional promises to give consist of the following at June 30, 2019:

Unconditional promises to give	\$ 132,750
Less: unamortized discount	<u>(8,883)</u>
Net unconditional promises to give	\$ <u>123,867</u>

Amounts due in:

Less than one year	\$ 68,250
One to five years	61,500
More than five years	<u>3,000</u>
Net amount	\$ <u>132,750</u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Note 6: Equipment

Equipment at June 30, 2019 consists of the following:

Vehicle	\$ 9,456
Less: Accumulated depreciation	<u>(3,782)</u>
Net	\$ 5,674

Note 7: Concentration of Credit Risk

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

Note 8: Subsequent Events

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of Mississippi Delta Community College Development Foundation, Inc. has evaluated the activity of the Foundation through March 17, 2020 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**MISSISSIPPI DELTA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Proportionate Share of Net Pension
Liability for the Last Ten Fiscal Years***

	2019	2018	2017	2016	2015
Proportion of net pension liability	0.19%	0.19%	0.19%	0.21%	0.22%
Proportionate share of net pension liability	\$ 31,602,645	\$ 31,584,448	\$ 33,938,745	\$ 32,461,859	\$ 26,703,971
Covered payroll	\$ 12,277,346	\$ 12,681,346	\$ 12,375,919	\$ 13,031,194	\$ 13,583,913
Proportionate share of net pension liability (asset) as percentage of covered payroll	257.41%	249.06%	274.23%	249.11%	196.59%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show the data presented for the past ten years. However, GASB Statement No. 68 was implemented for the fiscal year ending June 30, 2015 and, until the full ten-year trend is compiled, the information is only presented for the years in which the information is available.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of PERS Contributions for the Last Ten Fiscal Years					
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 1,962,434	\$ 1,935,101	\$ 1,997,306	\$ 1,952,308	\$ 2,052,413
Contributions in relation to the contractually required contribution	<u>\$ (1,962,434)</u>	<u>\$ (1,935,101)</u>	<u>\$ (1,997,306)</u>	<u>\$ (1,952,308)</u>	<u>\$ (2,052,413)</u>
Contribution deficiency (excess)	-0-	-0-	-0-	-0-	-0-
Covered payroll	\$ 12,459,884	\$ 12,277,346	\$ 12,681,617	\$ 12,375,919	\$ 13,031,194
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show the data presented for the past ten years. However, GASB Statement No. 68 was implemented for the fiscal year ending June 30, 2015, and, until the full ten-year trend is compiled, the information is only presented for the years in which the information is available.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Proportionate Share of Net OPEB
Liability for the Last Ten Fiscal Years**

	2019	2018
Proportion of net OPEB liability	0.21%	0.21%
Proportionate share of net OPEB liability	\$ 1,587,827	\$ 1,645,752
Covered-employee payroll	\$ 9,345,571	\$ 9,423,690
Proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.99%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

The amounts used to calculate the covered-employee payroll were based on the College's proportionate share of the plan's covered employee payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show the data presented for the past ten years. However, GASB Statement No. 75 was implemented for the fiscal year ending June 30, 2018, and, until the full ten-year trend is compiled, the information is only presented for the years in which the information is available.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of OPEB Contributions
for the Last Ten Fiscal Years**

	2019	2018
Actuarially determined contributions	\$ 71,511	\$ 70,161
Contributions in relation to the actuarially determined contributions	<u>\$ (71,511)</u>	<u>\$ (70,161)</u>
Contribution deficiency (excess)	-0-	-0-
Covered-employee payroll	\$ 9,345,571	\$ 9,423,690
Contributions as a percentage of covered-employee payroll	0.77%	0.74%

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

The amounts used to calculate the covered-employee payroll were based on the College's proportionate share of the plan's covered employee payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show the data presented for the past ten years. However, GASB Statement No. 75 was implemented for the fiscal year ending June 30, 2018, and, until the full ten-year trend is compiled, the information is only presented for the years in which the information is available.

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Pension Schedules

Note 1: Changes of Benefit Terms

There are no changes of benefit terms to report.

Note 2: Changes of Assumptions

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

Pension Schedules (Continued)

Note 3: Changes in Benefit Provisions

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

Note 4: Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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, 2016 valuation for the June 30, 2018 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	36.6 years
Asset evaluation 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

OPEB Schedules

Note 1: Changes of Benefit Terms

There are no changes of benefit terms to report.

Note 2: Changes of Assumptions

- 2018
 - The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.
- 2017
 - The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

OPEB Schedules (Continued)

Note 3: Changes in Benefit Provisions

There are no changes of benefit provisions to report for 2017 or 2018.

Note 4: Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from June 30, 2017 actuarial valuation) were used to determine contribution rates reported in the schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset evaluation method	Market Value of Assets
Price inflation	3.00 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2023
Long-term investment rate of return,	
Net of pension plan investment	
Expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

**MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity/Grant Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants	P007A182252	84.007	\$ 64,242
Federal Work-Study Program	P033A182252	84.033	103,252
Federal Pell Grant Program	P063P181711	84.063	<u>8,178,230</u>
Total Student Financial Assistance Cluster:			<u>8,345,724</u>
Other U.S. Department of Education Programs:			
Strengthening Minority Serving Institutions	P382A150005	84.382	764,837
Pass-Through Programs From:			
Mississippi Community College Board - Adult Education - Basic Grants to States	2019-210-046	84.002	286,468
Mississippi Department of Education - Career and Technical Education - Basic Grants to States	None Assigned	84.048	<u>188,822</u>
Total Other U.S. Department of Education Programs			<u>1,240,127</u>
Total U.S. Department of Education			<u>9,585,851</u>
<u>U.S. Department of Agriculture</u>			
Pass-Through Programs From:			
Mississippi Department of Human Services - Pilot Projects to Reduce Dependency and to Increase Requirements and Work Efforts Under SNAP	None Assigned	10.596	<u>598,685</u>
Total U.S. Department of Agriculture			<u>598,685</u>
<u>U.S. Department of Labor</u>			
WIOA Cluster:			
Pass-Through Programs From:			
Mississippi Department of Employment Security- Various WIOA Programs	None Assigned	17.XXX	<u>197,126</u>
South Delta Planning and Development District:			
WIOA Adult Program	18-511-200	17.258	24,487
WIOA Adult Program	18-551-201	17.258	75,505
WIOA Adult Program	18-VR-100	17.258	<u>35,083</u>
Total WIOA Adult Program			\$ <u>135,075</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity/Grant Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Labor (Continued)</u>			
WIOA Cluster (Continued)			
Pass-Through Programs From:			
South Delta Planning and Development District:			
WIOA Dislocated Worker Formula Grants	18-511-200	17.278	\$ 19,239
WIOA Dislocated Worker Formula Grants	18-551-201	17.278	59,326
WIOA Dislocated Worker Formula Grants	18-VR-100	17.278	27,566
WIOA Dislocated Worker Formula Grants	MFG 18-511	17.278	<u>2,754</u>
Total WIOA Dislocated Worker Formula Grants			108,885
Total WIOA Cluster			<u>441,086</u>
Total U.S. Department of Labor			<u>441,086</u>
<u>U.S. Department of Veterans Affairs</u>			
Post-Vietnam Era Veterans' Education Assistance	None Assigned	64.120	<u>645</u>
Total U.S. Department of Veterans Affairs			<u>645</u>
<u>Delta Regional Authority</u>			
Delta Area Economic Development	None Assigned	90.201	<u>126,785</u>
Total Delta Regional Authority			<u>126,785</u>
Total Expenditures of Federal Awards			\$ <u><u>10,753,052</u></u>

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

**MISSISSIPPI DELTA COMMUNITY COLLEGE
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mississippi Delta Community College under programs of the federal and state governments for the year ended June 30, 2019. 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). Because the Schedule presents only a selected portion of the operations of the Mississippi Delta Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mississippi Delta Community College.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Entire program costs, including the College's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3: Indirect Cost Rate

The College has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mississippi Delta Community College's basic financial statements, and have issued our report thereon dated March 17, 2020. The financial statements of Mississippi Delta Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

MEMBER OF PCPS THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS ALLIANCE FOR CPA FIRMS

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 might be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "J & E Vance + Company". The script is cursive and fluid, with the letters "J" and "E" being particularly large and stylized.

Tupelo, Mississippi
March 17, 2020

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Mississippi Delta Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mississippi Delta Community College's major federal programs for the year ended June 30, 2019. Mississippi Delta Community College's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Mississippi Delta Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Mississippi Delta Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mississippi Delta Community 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 Mississippi Delta Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such as 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.

J&E Vance + Company

Tupelo, Mississippi
March 17, 2020

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

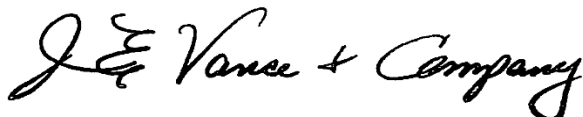
To the President and Board of Trustees
Mississippi Delta Community College
P.O. Box 668
Moorhead, Mississippi 38761

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Mississippi Delta Community College as of and for the year ended June 30, 2019, which collectively comprise Mississippi Delta Community College's basic financial statements and have issued our report thereon dated March 17, 2020. 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all 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 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 the College's board and 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. However, this report is a matter of public record and its distribution is not limited.



Tupelo, Mississippi
March 17, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's 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 weaknesses? | None Reported |

Federal Awards:

- | | |
|--|---|
| 4. Type of auditor's report issued on compliance for major 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) reported as required by 2 CFR 200.516(a)? | No |
| 7. Federal programs identified as major programs: | |
| a. Student Financial Assistance Cluster: | |
| CFDA 84.007 | Federal Supplemental Educational Opportunity Grants |
| CFDA 84.033 | Federal Work-Study Program |
| CFDA 84.063 | Federal Pell Grant Program |
| b. Strengthening Minority Serving Institutions | |
| CFDA 84.382 | |

**MISSISSIPPI DELTA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

- | | |
|---|-----------|
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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