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Mississippi Gulf Coast Community College

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2019



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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

Report on the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

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(601) 853-7050 (601) 853-9331 (fax) CRIcpa.com opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, LLC

Ridgeland, Mississippi February 7, 2020

This section of the Mississippi Gulf Coast Community College annual financial report presents our discussion and comparative analysis of the financial performance of the College during the fiscal year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

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

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

The Statement of Net Position

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

The College restated its net position as of the beginning of the year resulting in a net increase to net position by \$289,932. The restatement resulting from the College (i) improperly expensing equipment, which should have been capitalized in a prior year, and which increased net position by \$1,253,519 and (ii) improperly recognizing contract revenue in a prior year, which should have been deferred, and which resulted in a decrease to net position of \$963,587. The prior year Condensed Statement of Position has been recast to reflect the impact of this restatement.

Condensed Statements of Net Position

| June 30, | 2019 | | 2018 |
|----------------------------------|----------------|---|--------------|
| Assets | | | |
| Current assets | \$ 71,351,771 | \$ | 58,887,310 |
| Non-current assets | | | |
| Refundable deposits | 500 | | 500 |
| Restricted cash | 43,602,836 | | 43,632,100 |
| Restricted investments | 10,000,000 | | 32,000,000 |
| Capital assets, net | 215,579,454 | | 197,892,012 |
| | | | |
| Total assets | \$ 340,534,561 | \$ | 332,411,922 |
| Deferred outflows | \$ 7,213,166 | \$ | 10,062,661 |
| | | | |
| Liabilities | Ć 12 F22 70F | ۲. | 10 120 125 |
| Current liabilities | \$ 12,523,785 | | • • |
| Non-current liabilities | 182,662,865 | | 184,592,363 |
| Total liabilities | \$ 195,186,650 | \$ | 194,721,788 |
| Deferred inflows | \$ 2,742,597 | \$ | 2,367,903 |
| Net position | | | |
| Net investment in capital assets | \$ 183,594,476 | \$ | 179,408,190 |
| Restricted: | ÿ 163,394,470 | ڔ | 179,408,190 |
| Expendable | 23,579,107 | | 23,546,992 |
| Unrestricted | (57,355,103 | | (57,570,290) |
| omesticed | (37,333,103 | <u>, </u> | (37,370,290) |
| Total net position | \$ 149,818,480 | \$ | 145,384,892 |

Assets

Current Assets

Cash and Cash Equivalents

Cash, cash equivalents and short-term investments consist of cash in the College's bank accounts, petty cash, and certificate of deposit investments. The total amount of cash, cash equivalents and short-term investments reported as current assets on the College's financial statements were \$60,303,258 at June 30, 2019 and \$48,435,322 at June 30, 2018. This represented an increase of \$11,867,936.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations and student tuition and fees. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's net accounts receivables totaled \$9,478,330 at June 30, 2019 and \$9,087,934 at June 30, 2018, which represents an increase of \$390,396 or 4.3%. The College is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivables and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in a prior year.

Inventories

The College maintains inventories of resale merchandise within the College bookstore. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$992,512 at June 30, 2019 and \$621,320 at June 30, 2018, an increase of \$371,192 or 59.74%. The increase is related to a surge in the purchase of new inventory, specifically textbooks, and sales of existing inventory.

Prepaid Expenses

The College prepays certain amounts including advances for construction activities, as related to projects managed by the Mississippi Bureau of Buildings and Grounds, and premiums relating to insurance coverage. Prepaid expenses totaled \$46,870 at June 30, 2019 and \$433,473 at June 30, 2018, a decrease of \$386,603, due to alignment of the College insurance policies with the fiscal year.

Non-current assets

Capital Assets, Net

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, and construction in progress at June 30, 2019. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$215,579,454 at June 30, 2019 and \$197,892,012 at June 30, 2018, as restated for prior period adjustment of \$1,253,519 for certain equipment incorrectly expensed in a prior year. This represents an increase of \$17,687,442 or 8.99% and related principally to new facility construction.

Restricted Cash, Cash Equivalents and Investments

Non-current restricted cash, cash equivalents and investments consist of cash and certificates of deposit restricted for capital projects. Non-current restricted cash, cash equivalents and investments totaled \$53,602,836 at June 30, 2019 as compared to \$75,632,100 at June 30, 2018. The decrease of \$22,029,264 is related to drawdown of funds spent on construction related projects.

Deferred Outflows of Resources

The College has deferred outflows related to (i) a loss on bond refunding, which is amortized over the remaining life of the bonds, (ii) pension related deferrals as further described in Note 8 to the financial statements, and (iii) OPEB related contributions paid subsequent to the measurement date as further described in Note 9 to the financial statements.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$7,611,729 at June 30, 2019 and \$4,690,173 at June 30, 2018. The increase from prior year is related primarily to an increase in construction invoices payable at year-end.

Accrued interest payable is presented separately from other accrued liabilities and totaled \$228,877 at June 30, 2019, compared to \$234,312 at June 30, 2018.

Unearned Revenues

Unearned revenue represents revenue that was received by the College during the fiscal year, but the College did not earn the revenue by the end of the June 30, 2019 fiscal year. The unearned revenue totaled \$1,900,067 at June 30, 2019 and 1,536,488 at June 30, 2018, before the restatement of an expired state contract that should have been deferred in a prior year of \$963,587.

Annual Leave and Other Postemployment Benefits Liabilities-Current Portion

Annual leave liabilities-current portion represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2020 fiscal year. The amount of the current portion of compensated absences totaled \$381,844 at June 30, 2019 and \$375,714 at June 30, 2018. In addition, with the adoption of GASB No. 75, the College recorded a liability related to the current portion of other postemployment benefits which was \$188,400 as of June 30, 2019 and \$182,600 as of June 30, 2018.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2020 fiscal year. The amount of the current portion of long-term debt

totaled \$2,212,868 at June 30, 2019 and includes \$389,092 of future bond premium amortization, which will reduce interest costs in the following year. The current portion of long-term debt at June 30, 2018 totaled \$2,146,551 and included future bond premium amortization of \$398,388.

Non-current Liabilities

Deferred Inflows of Resources

The College has deferred pension inflows resulting from (i) differences between expected and actual experience, which are being amortized over the average expected remaining service lives of participants, (ii) changes in actuarial assumptions which are being amortized over the average expected remaining service lives of participants and (iii) differences between estimated and actual return on pension plan investments, which is being amortized over a five year period using the straight-line method. These deferred inflows totaled \$2,402,283 at June 30, 2019 compared to \$2,121,900 at June 30, 2018. In addition, with the adoption of GASB No. 75 in 2018, the College has OPEB related deferred inflows resulting from (i) changes in actuarial assumptions and (ii) changes in proportion and differences between the employer's contributions and the proportionate share of contributions, both of which are being amortized over the average expected remaining service lives of participants. These deferred inflows totaled \$340,314 at June 30, 2019 and \$246,003 at June 30, 2018.

Accrued Leave

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid vacation. The total amount of the non-current portion of accrued compensation balances totaled \$3,161,008 at June 30, 2019 and \$3,083,541 at June 30, 2018.

Net Pension and OPEB Liability

The net pension liability consists of the College's proportionate share of the collective PERS net pension liability and was \$97,320,345 at June 30, 2019 and \$97,177,702 at June 30, 2018.

The net OPEB liability consists of the College's proportionate share of the collective net OPEB liability for retiree health and life insurance benefits offered through the State of Mississippi State and School Employees' Life and Health Insurance Plan. The net OPEB liability, excluding the current portion, was \$4,358,584 as of June 30, 2019 and \$4,259,602 as of June 30, 2018.

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the non-current portion of long-term debt, including unamortized bond premiums was \$77,822,928 at June 30, 2019 and \$80,071,318 at June 30, 2018.

Net Position

Net position represents the College's sum of assets and deferred outflows less the sum of liabilities and deferred inflows and is one indicator of whether the College's overall financial position has improved or worsened during the year. Total net position was \$149,818,480 at June 30, 2019 as compared to \$145,384,892 at June 30, 2018, as restated for net prior period adjustments of \$289,932.

Analysis of Net Position

The College's net position related to its net investment in capital assets was \$183,594,476 at June 30, 2019 and \$179,408,190 at June 30, 2018, as restated for a prior period adjustment for unrecorded capitalized equipment of \$1,253,519. This net position represents the College's capital assets, net of accumulated depreciation and any outstanding indebtedness incurred in the acquisition of capital assets. The increase in 2019 of \$4,186,286 resulted from a combination of purchased assets, the retirement of indebtedness paid during the year, current year depreciation expense, capital asset disposals, and the expended portion of new debt related to the Series 2016 bond issue.

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

The following is a breakdown of the restricted net position:

| June 30, | 2019 | 2018 |
|---------------------------------|--|-------------------------|
| Capital projects Other purposes | \$ 16,169,610 \$ 7,409,497 | 15,897,932 7,649,060 |
| Total restricted net position | \$ 23,579,107 \$ | 23,546,992 |

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

The following is a breakdown of the unrestricted net position, including a prior period adjustment related to revenue recognized in a prior year of \$963,587 which should have been deferred:

| June 30, | | 2019 | 2018 |
|---|----|--------------|--------------------|
| | | | |
| Unrestricted - available for operations: | | | |
| General and educational | \$ | 31,892,957 | \$ 30,482,130 |
| Auxiliary enterprises | | 8,285,151 | 7,014,833 |
| Deficit from recognition of net pension liability and related | | | |
| deferred inflows and outflows | | (93,006,683) | (89,604,839) |
| Deficit from recognition of net OPEB liability and related | | | |
| deferred inflows and outflows | | (4,526,528) | (4,498,827) |
| Prior period adjustment | | - | (963,587) |
| | • | | |
| Total unrestricted net position | \$ | (57,355,103) | \$ (57,570,290) |

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

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

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

| Years Ended June 30, | | 2019 | 2018 |
|---|----|--------------|-------------------|
| | | | |
| Operating Revenues: | | | |
| Tuition and fees, net | \$ | 23,712,894 | \$ 23,655,164 |
| Grants and contracts | | 49,884,521 | 53,179,390 |
| Auxiliary sales and services, net | | 7,163,312 | 7,361,224 |
| Sales & service of educational activities | | 519,939 | 471,067 |
| Other operating revenues | | 583,536 | 488,062 |
| | | | |
| Total operating revenues | | 81,864,202 | 85,154,907 |
| Tatal an austina assurance | | 422 750 505 | 120 016 202 |
| Total operating expenses | | 123,750,585 | 128,816,382 |
| Operating gain (loss) | | (41,886,383) | (43,661,475) |
| | | | |
| Non-Operating revenues (expenses): | | | |
| State appropriations | | 25,900,568 | 25,776,066 |
| Local appropriations | | 10,150,274 | 9,989,224 |
| Investment income, net | | 1,833,633 | 1,113,525 |
| Interest expense on indebtedness | | (2,951,820) | (3,121,885) |
| Bond premium amortization | | 431,176 | 358,401 |
| Loss on bond refunding amortization | | (42,069) | (42,069) |
| Other non-operating revenue (expenses) | | 32,070 | 40,044 |
| | | | |
| Net non-operating revenues | | 35,353,832 | 34,113,306 |
| Income (loss) before other revenues (expenses) | | (6,532,551) | (9,548,169) |
| income (loss) before other revenues (expenses) | | (0,332,331) | (3,348,103) |
| Total other revenue (expenses) | | 10,966,139 | 16,089,363 |
| Change in net position | | 4,433,588 | 6,541,194 |
| • | | | |
| Net position | | 445.004.000 | 4.42.02.4.050 |
| Net position, beginning of year, as previously reported | | 145,094,960 | 143,024,958 |
| Cumulative effect of prior period adjustments | | 289,932 | (4,471,192) |
| Net position, beginning of year, as restated | | 145,384,892 | 138,553,766 |
| Net position, end of year | \$ | 149,818,480 | \$ 145,094,960 |
| | тт | ,, | ,, |

Total operating loss for the fiscal year 2019 was \$41,886,383 and for the fiscal year 2018 was \$43,661,475. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

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

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

Total operating revenues for fiscal year 2019 were \$81,864,202 and for fiscal year 2018 were \$85,154,907; a decrease of \$3,290,705 or 3.86%. Tuition and fees, net, were \$23,712,894 for fiscal year 2019 and \$23,655,164 for fiscal year 2018. Tuition and auxiliary services discounts were \$9,132,363 for fiscal year 2019 and \$8,348,756 for fiscal year 2018. Additionally, the provision for uncollectable accounts, netted against tuition and fee revenue and against auxiliary and sales and services revenue was \$1,552,472 for fiscal year 2019 and \$1,342,508 for fiscal year 2018. Operating expenses for 2019, including depreciation of \$7,213,664, totaled \$123,750,585. Operating expenses for 2018, including depreciation of \$6,303,796, totaled \$128,816,382.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$23,712,894 for fiscal year 2019 and \$23,655,164 for fiscal year 2018. Tuition discounts were \$8,611,432 for 2019 and \$7,892,946 for 2018.

Operating Grants and Contracts

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

The following table details the College's operating grant and contract awards for the fiscal years ended June 30, 2019 and June 30, 2018.

| Years Ended June 30, | 2019 | 2018 |
|---|------------------|------------------|
| Federal sources | \$ 39,425,684 | \$ 42,530,187 |
| State sources | 7,867,996 | 8,639,889 |
| Other | 2,590,841 | 2,009,314 |
| | | |
| Total grants and contracts operating revenues | \$ 49,884,521 | \$ 53,179,390 |

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled \$583,536 for fiscal year ended June 30, 2019 and \$488,062 for fiscal year ended June 30, 2018.

Auxiliary Sales and Services

Auxiliary enterprises sales and services include the college bookstore, food services, and housing totaling \$7,163,312 for fiscal year ended June 30, 2019 and \$7,361,224 for fiscal year ended June 30, 2018. This is net of discounts of \$520,931 for fiscal year ended June 30, 2019 and \$455,810 for fiscal year ended June 30, 2018 and a provision for uncollectible accounts of \$285,560 for fiscal year ended June 30, 2019 and of \$400,380 for fiscal year ended June 30, 2018.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2019 total \$123,750,585 and include salaries and benefits of \$55,797,675, utilities of \$3,307,073, commodity supplies of \$8,931,628, contractual services of \$13,449,597, financial aid of \$34,585,540, travel of \$465,408 and depreciation of \$7,213,664. Operating expenses for fiscal year ended June 30, 2018 total \$128,816,382 and include salaries and benefits of \$57,402,102, utilities of \$3,095,997, commodity supplies of \$10,446,435, contractual services of \$14,380,243, financial aid of \$36,754,943, travel of \$432,866 and depreciation of \$6,303,796.

| Years Ended June 30, | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| | | |
| Expenses by function: | | |
| Instruction | \$ 38,679,207 | \$ 41,379,708 |
| Instructional support | 2,999,056 | 3,052,247 |
| Student services | 9,039,185 | 8,855,345 |
| Institutional support | 14,851,778 | 14,720,286 |
| Operation of plant | 11,324,603 | 12,650,385 |
| Student aid | 31,920,298 | 34,394,435 |
| Auxiliary enterprises | 6,033,530 | 5,914,775 |
| Plant and endowment operations | 8,902,928 | 7,849,201 |
| | | |
| Total operating expenses by function | \$ 123,750,585 | \$ 128,816,382 |

Non-operating Revenues (Expenses)

State Appropriations

The College's largest source of non-operating revenues is the State of Mississippi appropriations. The College received \$25,900,568 for fiscal year 2019 and all was appropriated for operations. The College received \$27,010,960 for fiscal year 2018, of which \$25,776,066 was for operations and \$1,234,894 was appropriated on behalf of the College for capital projects.

Local Appropriations

The College also receives revenue from the four county districts in which the College resides. These counties include Harrison, Jackson, George, and Stone County. The College receives the appropriations in monthly payments beginning in July of each year. The College received \$20,487,062 in fiscal year 2019 of which \$10,150,274 was for operating purposes and \$10,336,788 which was used for capital purposes. The College received \$20,054,696 in fiscal year 2018 of which \$9,989,224 was for operating purposes and \$10,065,472 which was used for capital purposes.

Investment Income, Net

Investment income includes the interest income earned on the College's bank accounts as well as interest earned on certificates of deposit. The investment income for the year ended June 30, 2019 was \$1,833,633 and for fiscal year ended June 30, 2018 was \$1,113,525, which represents an increase of \$720,108 or 64.67%. The increase is directly related to temporary investment of funds from the 2016 bond issue and increases in the yield earned on certificates of deposit.

Other Non-operating Revenues & Expenses

Included in this category is interest expense on bond indebtedness, insurance proceeds, bond premium amortization, deferred loss amortization, arbitrage/cash management, and other expenses totaling \$2,530,643 for the fiscal year 2019, of which \$2,951,820 was gross interest expense on bond indebtedness and totaling \$2,765,509 for the fiscal year 2018, of which \$3,121,885 was gross interest expense on bond indebtedness. Net interest expense for the fiscal year 2019 was \$2,562,713, which included \$2,951,820 of gross interest expense on bond indebtedness and net of amortization of bond premiums and deferred refunding losses of \$389,107.

Other Revenues

State Appropriations for Capital Purposes

This category includes revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets. The College did not draw down any Capital appropriations from the State during fiscal year 2019. Fiscal year 2018 capital appropriations were \$1,234,894 for capital projects.

Local Appropriations for Capital Purposes

This category includes revenue received from the four counties within the College's districts of Harrison, Jackson, George, and Stone Counties. Fiscal year 2019 local appropriations were \$10,336,788, and fiscal year 2018 local appropriations were \$10,065,472, an increase of \$271,316.

Grants, Gifts and Contracts for Capital Purposes

This category includes grants and contracts received from other sources to purchase, construct, renovate, or repair capital assets. Fiscal year 2019 grant and contract awards for capital purposes were \$603,765 compared to \$4,802,854 for fiscal year 2018. This decrease is directly related to the grant and construction of the Bryant Center at Tradition and substantial completion of the project in fiscal year 2018.

Statement of Cash Flows

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

The Statement of Cash Flows also helps users assess:

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

Condensed Statement of Cash Flows (Direct Method)

| Years Ended June 30, | | 2019 | | 2018 |
|--|----|--------------|----|--------------|
| Cash and cash equivalents provided (used) by: | | | | |
| | Ś | (28,830,508) | \$ | (32,405,688) |
| Non-capital financing activities | • | 34,294,677 | т | 35,763,010 |
| Capital and related financing activities | | (17,237,591) | | (8,726,345) |
| Investing activities | | 8,612,094 | | 12,131,791 |
| | | | | |
| Net increase (decrease) in cash and cash equivalents | | (3,161,328) | | 6,762,768 |
| | | | | |
| Cash and cash equivalents, beginning of year | | 87,067,422 | | 80,304,654 |
| | | | | |
| Cash and cash equivalents, end of year | Ş | 83,906,094 | Ş | 87,067,422 |
| | | | | |
| Major sources of funds included in operating activities: | | | | |
| · · · · · · · · · · · · · · · · · · · | \$ | 23,639,067 | \$ | 20,799,510 |
| Auxiliary enterprises | | 6,791,459 | | 7,837,424 |
| Grants and contracts | | 51,048,887 | | 53,128,585 |
| Major uses of funds were payments: | | | | |
| To employees | | (52,326,166) | | (51,194,367) |
| To suppliers and students | | (8,931,628) | | (10,446,435) |
| To contractual services | | (11,798,776) | | (13,216,034) |
| For scholarships | | (34,585,540) | | (36,754,943) |
| For utilities | | (3,307,073) | | (3,095,997) |

The largest inflow of cash in the non-capital financing activities group for fiscal year 2019 is State appropriations of \$25,259,856 and for fiscal year 2018 is \$25,819,829. In addition, local appropriations from the four county districts are \$9,034,821 for fiscal year 2019 and \$9,943,181 for fiscal year 2018.

Significant Capital Asset Transactions

The College incurred the following transactions regarding capital construction projects during the 2019 fiscal year:

District Office Total Construction expenses were \$233,686.

Projects include: Harrison Hall Renovations of \$33,435; and security camera projects of \$200,251.

Perkinston Campus Total Construction expenses were \$7,680,427.

Expenditures include Gym Exterior Upgrades of \$610,813; expenditures for the Childcare Facility of \$187,318; expenditures for the construction and renovation of the New Residence Hall/Student Center and Cafeteria \$6,629,360 and other upgrades around campus of \$252,936.

Jefferson Davis Campus Total Construction expenses were \$6,067,160.

Expenditures include construction of the Performing Arts Center of \$5,837,416; expenditures for Ecosystem Trail of \$135,791; and other upgrades around campus of \$93,953.

Jackson County Campus Total Construction expenses were \$8,502,028.

Projects include: Student Center Exterior Renovation of \$425,316; STEM Building Renovation and Expansion of \$8,013,028; and other repairs and upgrades around campus of \$63,684.

George County Center Total Construction expenses were \$567,830.

Project costs are comprised of Instructional Building renovation expenditures.

West Harrison Center Total Construction expenses were \$191,642

Expenditures include construction of truck driving parking lot of \$51,557 and Center repairs and renovations of \$140,085.

Funding sources for these projects included \$149,053 in federal and state grants, \$20,615,596 in state bond and capital expense funds, and \$2,478,124 from other and local sources.

Factors Impacting Future Periods

There are a number of issues that are directly affecting the community college system as a whole. The continuing decline of state revenues and, therefore, state funding, is the main issue which will continue to have an impact on our financial position. State funding makes up approximately 33% of our total current funds budget in fiscal year 2019. This makes the level of state support a key factor in the financial health of the College. Although the state and National economics have improved, state tax collections have remained stagnant. We have been fortunate to have strong support from our local district as they are increasingly bearing more and more of the burden to provide support for the College during the last several years.

One of the internal considerations with each year's budget is the desire to refrain from tuition increases, as this is a major barrier to college education for our local residents. In fiscal year 2019, the College did not have an increase in tuition. Future increases will depend on the economic climate and level of state support that the College receives. A decline in education will result in further decline of future state revenues and quality of life for state citizens if we cannot meet the education and technology demands of businesses and industries.

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

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

Contact Information

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

Mississippi Gulf Coast Community College Statement of Net Position

| June 30, 2019 | | Aississippi Gulf astCommunity College | Component Unit Mississippi Gulf Coast Community College Foundation |
|--|----|---|---|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ | 40,303,258 | \$ 4,402,794 |
| Short-term investments | * | 20,000,000 | , .0_,, 5 . |
| Investments | | - | 5,484,273 |
| Interest receivable | | 530,801 | 50,274 |
| Accounts receivable, net | | 9,478,330 | - |
| Pledge receivable | | - | 63,000 |
| Inventories | | 992,512 | - |
| Prepaid expenses | | 46,870 | - |
| Total current assets | | 71,351,771 | 10,000,341 |
| | | | |
| Non-current assets: | | | |
| Refundable deposits | | 500 | 25 |
| Restricted cash and cash equivalents | | 43,602,836 | - |
| Investments, restricted for capital purposes | | 10,000,000 | - |
| Endowment investments | | - | 4,749,319 |
| Real estate held for investment | | - | 334,151 |
| Capital assets, net of accumulated depreciation | | 215,579,454 | 339,088 |
| Total non-current assets | | 269,182,790 | 5,422,583 |
| Total assets | \$ | 340,534,561 | \$ 15,422,924 |
| Deferred Outflows | | | |
| Loss on debt refunding | \$ | 136,451 | _ |
| Related to pensions | • | 6,715,945 | - |
| Related to other postemployment benefits | | 360,770 | - |
| Total deferred outflows | \$ | 7,213,166 | \$ - |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | \$ | 7,611,729 | \$ 548,794 |
| Accrued interest payable | | 228,877 | - |
| Unearned revenue | | 1,900,067 | - |
| Accrued leave liabilities, current portion | | 381,844 | - |
| Other postemployment benefits liability, current portion | | 188,400 | - |
| Long-term liabilities, current portion | | 2,212,868 | <u>-</u> |
| Total current liabilities | | 12,523,785 | 548,794 |
| Non-current liabilities | | | |
| Accrued leave liabilities | | 3,161,008 | _ |
| Net pension liability | | 97,320,345 | _ |
| Net other postemployment benefits liability, non-current | | 4,358,584 | - - |
| Long-term liabilities | | 77,822,928 | |
| Total non-current liabilities | | 182,662,865 | |
| Total liabilities | \$ | 195,186,650 | \$ 548,794 |

(Continued)

Mississippi Gulf Coast Community College Statement of Net Position

| | | Mississippi Gulf Coast Community | Component Mississippi Coast Commi | Gulf |
|---|----|----------------------------------|---|------|
| June 30, 2019 | | College | College Found | - |
| | | | | |
| Deferred Inflows | | | | |
| Related to pensions | \$ | , , | \$ | - |
| Related to other postemployment benefits | | 340,314 | | |
| Total Deferred Inflows | \$ | 2,742,597 | \$ | |
| Commitments and Contingencies (Notes 11 and 12) | | | | |
| Net Position | | | | |
| Net investment in capital assets | \$ | 183,594,476 | \$ | - |
| Restricted for: | | | | |
| Nonexpendable: | | | | |
| Scholarships and fellowships | | - | 4,744 | ,176 |
| Other purposes | | - | 213 | ,501 |
| Expendable: | | | | |
| Capital projects | | 16,169,610 | | - |
| Other purposes | | 7,409,497 | 72 | ,150 |
| Scholarships and fellowships | | - | 9,301 | ,672 |
| Unrestricted: | | | | |
| Available (deficiency) for operations | | (57,355,103) | 203 | ,543 |
| Invested in capital assets | | - | | ,088 |
| Net Perities | ۲. | 140.010.400 | ć 14.074 | 120 |
| Net Position | \$ | 149,818,480 | \$ 14,874 | ,130 |

(Concluded)

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

| June 30, 2019 | Mississippi Gulf Coast Community College | Component Unit Mississippi Gulf Coast Community College Foundation |
|--|--|---|
| Operating revenues | | |
| Operating revenues Tuition and fees (net of scholarship discount \$8,611,432 | | |
| and provision for uncollectible accounts \$1,266,912) | \$ 23,712,894 | ė . |
| Gifts and contributions | 23,/12,894 | 1,368,577 |
| Federal grants and contracts | 39,425,684 | 1,308,377 |
| State grants and contracts | 7,867,996 | _ |
| Local grants and contracts | 25,000 | _ |
| Private grants and contracts | 2,565,841 | _ |
| Sale and services of educational activities | 519,939 | _ |
| Auxiliary services (net of discount \$520,931 | - | _ |
| and provision for uncollectible accounts \$285,560) | 7,163,312 | _ |
| In-kind support | | 329,774 |
| Other operating revenues | 583,536 | 323,774 |
| Total operating revenues | 81,864,202 | 1,698,351 |
| | | |
| Operating expenses | | |
| Salaries and wages | 39,896,469 | - |
| Fringe benefits | 15,901,206 | - |
| Travel | 465,408 | - |
| Contractual services | 13,449,597 | - |
| Commodities | 8,931,628 | - |
| Utilities | 3,307,073 | - |
| Financial aid | 34,585,540 | - |
| Scholarships | - | 554,786 |
| Program services general program support | - | 477,384 |
| Equipment conveyance | _ | 15,000 |
| In-kind services | _ | 329,774 |
| Depreciation | 7,213,664 | 8,604 |
| Total operating expenses | 123,750,585 | 1,385,548 |
| Operating gain (loss) | (41,886,383) | 312,803 |
| | | |
| Non-operating revenues (expenses) | 25 222 522 | |
| State appropriations (current funds) | 25,900,568 | - |
| Local appropriations (current funds) | 10,150,274 | |
| Investment income | 1,833,633 | 341,478 |
| Insurance proceeds | 33,570 | - |
| Interest expense on indebtedness | (2,951,820) | - |
| Deferred loss on refunding amortization | (42,069) | - |
| Bond premium amortization | 431,176 | |
| Net gain on investments | <u>-</u> | 282,779 |
| Arbitrage/cash management | (1,500) | |
| Net non-operating revenues | 35,353,832 | 624,257 |
| Income (loss) before other revenues, expenses, gains and losses | (6,532,551) | 937,060 |
| Local appropriations for conital nurses | 40.226.700 | |
| Local appropriations for capital purposes | 10,336,788 | - |
| Grants and contracts for capital purposes | 603,765 | (24.001) |
| Loss from capital assets sold or retired | | (24,901) |
| Miscellaneous revenue | 25,586 | - |
| Additions to permanent endowments | 10.000.120 | 175,374 |
| Total other revenue (expenses) | 10,966,139 | 150,473 |
| Change in net position | 4,433,588 | 1,087,533 |
| Net position: | | |
| Net position, beginning of year, as previously reported | 145,094,960 | 13,786,597 |
| Prior Period Adjustments | 289,932 | - |
| Net position, beginning of year, as restated | 145,384,892 | 13,786,597 |
| | | |
| Net position, end of year | \$ 149,818,480 | \$ 14,874,130 |

Mississippi Gulf Coast Community College Statement of Cash Flows

| | t Community College | Mississippi Gulf Coast Community College Foundation |
|---|------------------------|---|
| Cash flows from operating activities: | | |
| Tuition and fees | \$ 23,639,067 | \$ - |
| Contributions received | - | 1,333,077 |
| Grants and contracts | 51,048,887 | - |
| Sales and services of educational departments | 519,939 | - |
| Payments to suppliers and students | (8,931,628) | (1,046,312) |
| Payments to employees for salaries and benefits | (52,326,166) | - |
| Payments for contractual services | (11,798,776) | - |
| Payments for travel | (465,408) | - |
| Payments for utilities | (3,307,073) | - |
| Payments for scholarships | (34,585,540) | - |
| Auxiliary enterprise sales and services | 6,791,459 | - |
| Other receipts | 584,731 | - |
| Net cash provided by (used in) operating activities | (28,830,508) | 286,765 |
| Cash flows from non-capital financing activities: | 25 250 050 | |
| State appropriations | 25,259,856 | - |
| Local appropriations | 9,034,821 | - |
| Federal loan program receipts | 14,883,318 | - |
| Federal loan program disbursements | (14,883,318) | - |
| Net cash provided by (used in) non-capital financing activities | 34,294,677 | <u>-</u> |
| Cash flows from capital and related financing activities: Cash received for additions to permanent endowments | | 175,374 |
| Proceeds from disposal of capital assets | _ | 1/3,3/4 |
| Cash paid for capital assets | (23,577,526) | _ |
| Capital appropriations received | 10,336,788 | _ |
| Grants and contracts received for capital purposes | 603,765 | _ |
| Other receipts | 107,534 | _ |
| Principal paid on capital debt and leases | (1,750,897) | - |
| Interest paid on capital debt and leases | (2,957,255) | - |
| interest paid on capital debt and leases | (2,957,255) | <u> </u> |
| Net cash provided by (used in) capital and | | |
| related financing activities | (17,237,591) | 175,374 |

(Continued)

Mississippi Gulf Coast Community College Statement of Cash Flows

| June 30, 2019 | Mississippi Gulf Coast Community College | | |
|---|--|--------------|--------------------|
| 34110 30, 2013 | | College | College Foundation |
| Cash flows from investing activities: | | | |
| Proceeds from sales and maturities of investments | \$ | 37,000,000 | \$ 2,883,816 |
| Interest and dividends received on investments | · | 1,612,094 | 336,203 |
| Purchases of investments | | (30,000,000) | (2,883,654) |
| | | | |
| Net cash provided by (used in) investing activities | | 8,612,094 | 336,365 |
| Net increase (decrease) in cash and cash equivalents | | (3,161,328) | 798,504 |
| Cash and cash equivalents beginning of the year | | 87,067,422 | 3,604,290 |
| Cash and cash equivalents end of the year | \$ | 83,906,094 | \$ 4,402,794 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ | (41,886,383) | 312,803 |
| Adjustments to reconcile net operating income (loss) | | | |
| to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | | 7,213,664 | 8,604 |
| Donation - vehicles conveyed to College | | 7,213,004 | 15,000 |
| Provision for uncollectible accounts | | 1,531,365 | 13,000 |
| Pension expense | | 9,425,028 | |
| OPEB expense | | 27,701 | _ |
| (Increase) decrease in assets: | | 27,701 | |
| Receivables, net | | 156,801 | (35,500) |
| Inventories | | (371,192) | (33,300) |
| Prepaid expenses | | 30,913 | _ |
| Increase (decrease) in liabilities: | | 30,513 | |
| Accounts payable and accrued liabilities | | 1,581,845 | (14,142) |
| Deferred revenues | | (600,008) | (17,172) |
| Deposits | | (200) | _ |
| Deferred outflow - contributions made to pension | | (200) | |
| after measurement date | | (6,023,639) | _ |
| Accrued leave liability | | 83,597 | - |
| Total adjustments | | 13,055,875 | (26,038) |
| | | | |
| Net cash provided by (used in) operating activities | \$ | (28,830,508) | \$ 286,765 |
| Reconciliation of cash and cash equivalents: | | | |
| Current assets - cash and cash equivalents | \$ | 40,303,258 | \$ 4,402,794 |
| Non-current assets - restricted cash and cash equivalents | Ļ | 43,602,836 | |
| Cash and cash equivalents - end of year | \$ | 83,906,094 | \$ 4,402,794 |
| - Class and cash equivalents that of year | <u> </u> | 33,330,034 | 7 7,702,737 |

(Concluded)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Mississippi Gulf Coast Community College Foundation, Inc. (the Foundation), a legally separate, tax-exempt organization supporting the College, is being included as a discretely presented component unit of the College in the College's basic financial statements, in accordance with the criteria outlined by GASB. The Foundation has been organized to promote, encourage and assist in all forms of education and research in the College's districts, campuses and activities. The Foundation's support is primarily provided by contributions from alumni, other individuals and businesses and does not impose a financial burden on the College.

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

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

The Foundation pays tuition on behalf of students attending the College. For the year ended June 30, 2019, total scholarships expensed by the Foundation were \$554,768, of which approximately \$544,000 was due and payable to the College at year-end. During 2019, the Foundation incurred expenses of approximately \$192,000 in educational and general support services paid to or on behalf of the College. In-kind services with an estimated value of \$329,774 were provided to the Foundation by the College during 2019.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The College follows the "business-type activities" reporting requirements of GASB.

Basis of Accounting

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Cash and Cash Equivalents

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

Short-term Investments

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

Investments and Fair Value Measurements

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Fair Value Measurements (Continued)

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access at the measurement date.
- Level 2 Inputs to the valuation methodology include (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in inactive markets; (iii) inputs other than quoted prices that are observable for the asset or liability; and (iv) inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Accounts Receivable, Net

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

Inventories

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

Capital Assets, Net of Accumulated Depreciation

Capital assets are recorded at cost at the date of acquisition, or, if donated, at acquisition value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Net of Accumulated Depreciation (Continued)

incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Interest related to capital projects is not capitalized but is expensed as incurred pursuant to the provisions of GASB No. 89.

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

Unearned Revenues

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

Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 6.67 hours per month for one month to three years of service; 9 hours per month for three to eight years of service; 12 hours per month for eight to fifteen years of service; and for fifteen years of service and over, 13 hours per month are earned. Nine and ten month employees earn annual leave at a rate of 7.11 hours per month of service. Hourly employees earn annual personal leave at a rate of 6.67 hours per month for one month to eight years of service; 9 hours per month for eight to fifteen years of service; and for fifteen years and over, 10.5 hours per month. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated personal leave. The liability for accrued leave at June 30, 2019 as reported in the Statement of Net Position is \$3,542,852 with \$381,844 of this amount estimated as current.

Classification of Revenue

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

Operating revenues

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue (Continued)

Non-operating revenues

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

State Appropriations

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

Scholarship Discounts and Allowances

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

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

Deferred Outflows of Resources

Deferred outflow of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The College has deferred outflows related to a loss on bond refunding, which is amortized over the remaining life of the bonds. In addition, deferred outflows include amounts related to pensions and other postemployment benefits (See Notes 8 and 9), including contributions to the employee pension plan and OPEB plan subsequent to the measurement date of the actuarial valuations for the plans.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

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

Pensions

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

Other Postemployment Benefits

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

The unrestricted net position (deficit) balance of (\$57,355,103) at June 30, 2019, includes \$992,512 reserved for inventories, the impact of including the College's proportionate share of the PERS net pension liability and related deferred outflows/inflows of (\$93,006,683), the impact of including the College's proportionate share of the State's OPEB liability and related deferred outflows/inflows of (\$4,526,528) and a remaining amount of \$39,185,596.

Recent GASB Accounting Pronouncements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Period Adjustment

The College restated its net position as of the beginning of the year resulting in a net increase to net position by \$289,932. The restatement resulted from the College (i) improperly expensing equipment, which should have been capitalized in a prior year, and which increased net position by \$1,253,519 and (ii) improperly recognizing contract revenue in a prior year, which should have been deferred, and which resulted in a decrease to net position of \$963,587.

Subsequent Events

In connection with the preparation of the financial statements, management of the College evaluated subsequent events through February 7, 2020, which was the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

Cash, Cash Equivalents, and Investments

As of June 30, 2019, the College's short-term investments and investments restricted for capital purposes consisted of non-negotiable certificates of deposit in which fair value, measured using Level 2 inputs, approximated carrying values.

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

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

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

Custodial Credit Risk - Deposits

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

NOTE 2: CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits (Continued)

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

The College's only investments as of June 30, 2019 consist of non-negotiable certificates of deposit maturing in less than one year and which are reported at cost. These short-term certificates of deposit have a credit rating of AAA.

Interest Rate Risk

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

Foundation Investments

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

June 30, 2019

| Investment Type | Current Investments | Endowment Investments |
|-----------------------------|------------------------|--------------------------|
| Certificate of deposits | \$ 650,000 | \$ - |
| Debt securities: | | |
| U.S. Government obligations | 188,615 | 230,475 |
| Mortgage-backed securities | 232,586 | 85,329 |
| Municipal obligations | 317,545 | 496,927 |
| Corporate bonds | 1,187,159 | 748,508 |
| Fixed income mutual funds | 13,853 | 36,181 |
| Equity mutual funds | 491,152 | 1,282,749 |
| Equity securities | 2,403,363 | 1,869,150 |
| Total investments | \$ 5,484,273 | \$ 4,749,319 |

NOTE 2: CASH AND INVESTMENTS (Continued)

Foundation Investments (Continued)

The following schedule summarizes the Foundation's investment return and their classification in the statement of revenues, expenses and changes in net position for the year ended June 30, 2019:

| | Without Donor | With Donor | |
|--------------------------|---------------|--------------|------------|
| Year ended June 30, 2019 | Restrictions | Restrictions | Total |
| Interest income | \$ 22,153 | \$ 109,723 | \$ 131,876 |
| Dividend income | - | 209,602 | 209,602 |
| Net gain on investments | - | 282,779 | 282,779 |
| | | | |
| Total investment return | \$ 22,153 | \$ 602,104 | \$ 624,257 |

The fair value measurements and levels within the fair value hierarchy of those measurements for the Foundation's assets reported at fair value on a recurring basis at June 30, 2019 are as follows:

June 30, 2019

| | | | | Fair V | alue | Measureme | nt | | |
|----------------------------|----|------------|----|-----------|------|-----------|----|---------|--|
| Description | | Fair Value | | Level 1 | | Level 2 | | Level 3 | |
| Current Investments | | | | | | | | | |
| Certificates of Deposit | \$ | 650,000 | \$ | - | \$ | 650,000 | \$ | - | |
| Debt Securities: | | | | | | | | | |
| US Government Obligations | | 188,615 | | 107,407 | | 81,208 | | - | |
| Mortgage-Backed Securities | | 232,586 | | - | | 232,586 | | - | |
| Municipal Obligations | | 317,545 | | - | | 317,545 | | - | |
| Corporate Bonds | | 1,187,159 | | - | | 1,187,159 | | - | |
| Fixed Income Mutual Funds | | 13,853 | | 13,853 | | - | | - | |
| Equity Mutual Funds | | 491,152 | | 491,152 | | - | | - | |
| Equity Securities | | 2,403,363 | | 2,403,363 | | - | | - | |
| Total Current Investments | \$ | 5,484,273 | \$ | 3,015,775 | \$ | 2,468,498 | \$ | - | |

NOTE 2: CASH AND INVESTMENTS (Continued)

Foundation Investments (Continued)

June 30, 2019

| | | | Fair Value Measurement | | | | | | | | | | |
|----------------------------------|------------|-----------|------------------------|-----------|----|-----------|----|---------|--|--|--|--|--|
| Description | Fair Value | | | Level 1 | | Level 2 | | Level 3 | | | | | |
| Endowment Investments | | | | | | | | | | | | | |
| Debt Securities: | | | | | | | | | | | | | |
| US Government Obligations | \$ | 230,475 | \$ | 18,383 | \$ | 212,092 | \$ | - | | | | | |
| Mortgage-Backed Securities | | 85,329 | | - | | 85,329 | | - | | | | | |
| Municipal Obligations | | 496,927 | | - | | 496,927 | | - | | | | | |
| Corporate Bonds | | 748,508 | | - | | 748,508 | | - | | | | | |
| Fixed Income Mutual Funds | | 36,181 | | 36,181 | | - | | - | | | | | |
| Equity Mutual Funds | | 1,282,749 | | 1,282,749 | | - | | - | | | | | |
| Equity Securities | | 1,869,150 | | 1,869,150 | | - | | - | | | | | |
| Total Endowment Investments | \$ | 4,749,319 | \$ | 3,206,463 | \$ | 1,542,856 | \$ | - | | | | | |

NOTE 3: ACCOUNTS RECEIVABLE

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

June 30, 2019

| Students tuition | \$ 18,489,508 |
|---|------------------|
| Auxiliary enterprise sales and services | 8,602 |
| Federal and state grants | 2,250,704 |
| Local appropriations | 2,420,789 |
| State appropriations | 915,477 |
| Foundation (related party) | 545,993 |
| Other | 51,306 |
| | |
| Total accounts receivable | 24,682,379 |
| Less allowance for doubtful accounts | (15,204,049) |
| Total | \$ 9,478,330 |
| | |

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

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019, is presented as follows:

Year ended June 30, 2019

| | | Beginning Balance July 1, 2018 | | Additions | | Deletions | Ending Balance June 30, 2019 |
|---------------------------------------|----|--------------------------------------|----|------------|----|-------------|------------------------------------|
| Non-depreciable Capital Assets: | | • • | | | | | • |
| Land | \$ | 5,036,449 | \$ | - | \$ | - | \$ 5,036,449 |
| Construction in Progress | · | 6,440,418 | • | 23,252,772 | • | (5,010,286) | 24,682,904 |
| Total Non-depreciable Capital | | | | | | • | |
| Assets | | 11,476,867 | | 23,252,772 | | (5,010,286) | 29,719,353 |
| Depreciable Capital Assets: | | | | | | | |
| Buildings | | 209,499,218 | | 1,999,160 | | - | 211,498,378 |
| Other Structures and | | | | | | | |
| Improvements | | 45,707,632 | | 2,948,817 | | - | 48,656,449 |
| Equipment | | 20,750,570 | | 1,669,955 | | (589,568) | 21,830,957 |
| Library Books | | 689,841 | | 90,564 | | (72,793) | 707,612 |
| Total Depreciable Capital Assets | | 276,647,261 | | 6,708,496 | | (662,361) | 282,693,396 |
| | | | | | | | |
| Less Accumulated Depreciation for: | | | | | | | |
| Buildings | | 54,854,426 | | 3,794,635 | | - | 58,649,061 |
| Other Structures and | | | | | | | |
| Improvements | | 20,782,851 | | 1,840,696 | | - | 22,623,547 |
| Equipment | | 14,254,623 | | 1,501,680 | | (561,204) | 15,195,099 |
| Library Books | | 340,217 | | 76,653 | | (51,282) | 365,588 |
| Total Accumulated Depreciation | | 90,232,117 | | 7,213,664 | | (612,486) | 96,833,295 |
| Total Depreciable Capital Assets, net | | 186,415,144 | | (505,168) | | (49,875) | 185,860,101 |
| | | | | (333,200) | | (13,373) | |
| Capital Assets, net | \$ | 197,892,011 | \$ | 22,747,604 | \$ | (5,060,161) | \$ 215,579,454 |

NOTE 4: CAPITAL ASSETS (Continued)

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

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

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

NOTE 5: LONG-TERM LIABILITIES

Long-term liabilities of the College consist of notes and bonds payable, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2019.

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

The difference in the reacquisition price and carrying value of the refunded debt resulted in a loss of approximately \$189,000 in a prior year which was deferred and is being amortized over the remaining maturity of the old debt. The unamortized deferred loss on refunding was \$136,451 as of June 30, 2019 and was presented as a deferred outflow.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2019, is listed in the following schedule.

NOTE 5: LONG-TERM LIABILITIES (Continued)

A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

June 30, 2019

| Description and Purpose | Original Issue | Annual Interest Rate | Maturity | | Beginning Balance | Additions | Deletions | Balance June 30, 2019 | Due Within One Year |
|---|-------------------|----------------------------|----------|----|---|-----------------------------------|------------------|---|---------------------------|
| Bonded Debt: MGCCC Limited Tax Obligation Refinancing Bonds 2012 MS Development Bank Special | \$ 9,995,000 | 4.00-5.00% | 2020 | \$ | 3,505,000 | \$ - | \$ 1,715,000 | \$ 1,790,000 | \$ 1,790,000 |
| Obligations Bonds Series 2016 Premium on bond offerings | \$ 73,620,000 | 2.00-4.393% | 2046 | | 73,620,000 4,840,303 | | 431,176 | 73,620,000 4,409,127 | 389,092 |
| Total Bonded Debt | | | | _ | 81,965,303 | - | 2,146,176 | 79,819,127 | 2,179,092 |
| Notes Payable: Perkinston Infrastructure Upgrade Total Notes Payable | \$ 613,001 | 2.00% | 2026 | | 252,566 252,566 | - | 35,897 35,897 | 216,669 216,669 | 33,776 33,776 |
| Other Long-term Liabilities: Deposits refundable Accrued leave liabilities Net OPEB liability Net pension liability | | | | | 200 3,459,255 4,442,202 97,177,702 | - 83,597 104,782 142,643 | 200 | - 3,542,852 4,546,984 97,320,345 | - 381,844 188,400 |
| Total Other Long-term Liabilities | | | | | 105,079,359 | 331,022 | 200 | 105,410,181 | 570,244 |
| Total | | | | \$ | 187,297,228 | \$ 331,022 | \$ 2,182,273 | 185,445,977 | \$ 2,783,112 |
| Due within one year | | | | | | | | 2,783,112 | |
| Total Long-term Liabilities | | | | | | | | \$ 182,662,865 | |

NOTE 5: LONG-TERM LIABILITIES (Continued)

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

June 30, 2019

| | Bonded | Notes | | |
|-----------|------------------|---------------|------------------|-------------------|
| | Debt | Payable | Interest | Total |
| 2020 | \$ 2,179,092 | \$ 33,776 | \$ 2,892,605 | \$ 5,105,473 |
| 2021 | 1,948,259 | 34,516 | 2,802,922 | 4,785,697 |
| 2022 | 1,982,642 | 35,212 | 2,767,076 | 4,784,930 |
| 2023 | 2,026,664 | 35,923 | 2,721,315 | 4,783,902 |
| 2024 | 2,075,330 | 36,648 | 2,674,590 | 4,786,568 |
| 2025-2029 | 10,842,677 | 40,594 | 12,371,531 | 23,254,802 |
| 2030-2034 | 12,941,862 | - | 10,185,131 | 23,126,993 |
| 2035-2039 | 15,262,922 | - | 7,687,309 | 22,950,231 |
| 2040-2044 | 17,982,448 | - | 4,702,013 | 22,684,461 |
| 2045-2047 | 12,577,231 | - | 838,825 | 13,416,056 |
| | | | | |
| Totals | \$ 79,819,127 | \$ 216,669 | \$ 49,643,317 | \$ 129,679,113 |

NOTE 6: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The College's operating expenses by functional classification were as follows for the year ended June 30, 2019:

Year Ended June 30, 2019

| Functional | | Salaries & | | Fringe | | | Contractual | | | | | S | cholarships & | D | epreciation | |
|-----------------------|----|------------|----|------------|---------------|----|-------------|----|------------|----|-----------|----|---------------|----|-------------|-------------------|
| Classification | | Wages | | Benefits | Travel | | Services | C | ommodities | | Utilities | | Fellowships | | Expense | Total |
| Instruction | \$ | 23,202,303 | \$ | 9,115,111 | \$ 192,384 | \$ | 3,002,721 | \$ | 1,579,947 | \$ | 2,447 | \$ | 1,584,294 | \$ | | \$ 38,679,207 |
| Instructional Support | · | 2,007,276 | · | 782,038 | 10,538 | · | 40,113 | · | 158,585 | · | 506 | · | - | · | - | 2,999,056 |
| Student Services | | 4,810,593 | | 1,805,560 | 119,319 | | 897,120 | | 499,898 | | - | | 906,695 | | - | 9,039,185 |
| Institutional Support | | 5,583,171 | | 2,221,342 | 126,470 | | 6,148,426 | | 684,694 | | 6,300 | | 81,375 | | - | 14,851,778 |
| Operation of Plant | | 3,364,841 | | 1,608,137 | 12,376 | | 2,698,814 | | 681,321 | | 2,959,114 | | - | | - | 11,324,603 |
| Student Aid | | - | | - | - | | - | | - | | - | | 31,920,298 | | - | 31,920,298 |
| Auxiliary Enterprises | | 928,285 | | 369,018 | 4,321 | | 612,600 | | 3,687,722 | | 338,706 | | 92,878 | | - | 6,033,530 |
| Plant Operations | | - | | - | - | | 49,803 | | 1,639,461 | | - | | - | | 7,213,664 | 8,902,928 |
| | | | | • | | | • | | | | • | | • | | | • |
| Total | \$ | 39,896,469 | \$ | 15,901,206 | \$ 465,408 | \$ | 13,449,597 | \$ | 8,931,628 | \$ | 3,307,073 | \$ | 34,585,540 | \$ | 7,213,664 | \$ 123,750,585 |

NOTE 7: CONSTRUCTION COMMITMENTS AND FINANCING

The College has contracted for the construction of the following projects. At June 30, 2019, estimated costs to complete the projects are \$57,284,309. The remaining costs are to be funded as follows:

| | | | Funded By | |
|--|---------------|-----------|------------------|--------------|
| | Total Costs | State | District | Local |
| June 30, 2019 | to Complete | Sources | Bonds | Capital |
| Local funds: | | | | |
| Perkinston Campus: | | | | |
| Physical Therapy Assistant Renovations | \$ 40,408 | \$ - | \$ - | \$ 40,408 |
| New Residence Hall/Student Center | 10,149,541 | - | 10,149,541 | - |
| Student Center/Cafeteria | 5,434,422 | - | 5,434,422 | - |
| Multipurpose Arena | 8,547,430 | - | 8,547,430 | - |
| Childcare Facility Perk | 3,812,682 | - | - | 3,812,682 |
| New Cafeteria FF&E | 676,828 | - | = | 676,828 |
| Jefferson Davis Campus: | | | | |
| New Access Road | 1,190,238 | - | = | 1,190,238 |
| Performing Arts Center | 16,229,631 | - | 16,229,631 | = |
| Performing Arts Center - Equipment | 2,019,012 | - | - | 2,019,012 |
| Tidelands GC History Ecosystem Trail | 59,210 | 59,210 | - | = |
| Jackson County Campus: | | | | |
| STEM Building Expansion | 8,509,106 | - | 8,509,106 | - |
| Upgrades to Campus Infastructure | 51,850 | - | - | 51,850 |
| George County Center | | | | |
| Instructional Renovation | 563,952 | - | 563,952 | |
| | | | | |
| Total | \$ 57,284,310 | \$ 59,210 | \$ 49,434,082 | \$ 7,791,018 |

NOTE 8: PENSION PLAN

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

PERS is administered by a 10-member Board of Trustees that includes: the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent. The Board of Trustees is responsible for the general administration and proper operation of PERS.

NOTE 8: PENSION PLAN (Continued)

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

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

Plan Description

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

Benefits Provided

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

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

NOTE 8: PENSION PLAN (Continued)

Benefits Provided (Continued)

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

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

Contributions

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

The PERS Board of Trustees implemented a revised funding policy aimed at stabilizing the employer contribution rate and for fiscal 2019 and 2018, the employer contribution rate was 15.75 percent for both years.

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

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

At June 30, 2019, the College reported a liability of \$97,320,345 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total

NOTE 8: PENSION PLAN (Continued)

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

employer contributions of all participating PERS employers. At June 30, 2018 the College's proportion was 0.585105% (used to determine its collective share of the net pension liability as of June 30, 2019) as compared to its proportion measured at June 30, 2018 of 0.584584% or an increase of 0.000521%. For the year ended June 30, 2019, the College recognized pension expense of \$9,425,028.

At June 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 426,647 | \$ 410,252 |
| Changes of assumptions | 57,434 | 57,434 |
| Net difference between projected and actual earnings on pension plan investment | - | 1,934,597 |
| Changes in proportion and differences between employer | | |
| contributions and proportionate share of contributions | 208,225 | - |
| Employer contributions subsequent to the measurement date | 6,023,639 | |
| | | |
| Total | \$ 6,715,945 | \$ 2,402,283 |

Deferred outflows of resources related to pensions resulting from College contributions subsequent to June 30, 2018 (the measurement date) were \$6,023,639 and will be recognized as a reduction of the net pension liability in the year ended 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 follows:

| | Net Deferred Outflows/ Inflows |
|---------------------|--------------------------------|
| Year ended June 30, | of Resources |
| 2020 | \$1,214,148 |
| 2021 | (217,087) |
| 2022 | (2,269,379) |
| 2023 | (437,659) |
| Total | \$ (1,709,977) |

NOTE 8: PENSION PLAN (Continued)

Actuarial Assumptions

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

| Inflation | 3.00% |
|----------------------------|---|
| Investment rate of return | 7.75%, net of pension plan investment expenses, including inflation |
| Projected salary increases | 3.25% - 18.50%, including inflation |

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

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

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

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

NOTE 8: PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | 1% Decrease | Current Rate | 1% Increase |
|-----------------------------------|----------------|---------------|---------------|
| | (6.75%) | (7.75%) | (8.75%) |
| College's proportionate share of | | | |
| collective net pensions liability | \$ 128,142,968 | \$ 97,320,345 | \$ 71,702,675 |

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

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average expected remaining service life of active and inactive members. Effective July 1, 2017, the interest rate on employee contributions was calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the PERS prepared as of June 30, 2018. The auditor's report dated December 21, 2018 on the net pension liability, total

NOTE 8: PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position (Continued)

deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and total pension expense included in an accompanying schedule of collective pension amounts as of June 30, 2018 and for the year then ended is also available. The additional financial and actuarial information is available at www.pers.ms.gov.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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 plan (OPEB Plan). A trust was created June 28, 2018 for the OPEB. 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

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

Benefits Provided (Continued)

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.

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 \$200,958 for the year ended June 30, 2019.

No contributions towards postemployment benefits are made while in active service. At retirement, contributions vary based on plan election, dependent coverage, Medicare eligibility and date of hire. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The implicit subsidy for the period subsequent to the measurement date as of June 30, 2019 was \$200,958 and has been presented as a deferred outflow.

Net OPEB Liability, 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 \$4,546,984 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of 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 proportion 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 June 30, 2018 the College's proportion was 0.58780743% (used to determine its collective share of the net OPEB liability as of June 30, 2019) as compared to its proportion measured at June 30, 2017 of 0.56616762% or a decrease of 0.02164053%.

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

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

For the year ended June 30, 2019, the College recognized OPEB expense of \$241,776. At June 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows | | | Deferred Inflows | | |
|---|----------------------|--------------|----|---------------------|--|--|
| | of F | of Resources | | | | |
| Changes of assumptions | \$ | - | \$ | 323,981 | | |
| Changes in proportion and differences between employer OPEB | | | | | | |
| benefit payments and proportionate share of OPEB benefit | | | | | | |
| payments | | 150,554 | | 16,333 | | |
| Difference between expected and actual experience | | 9,258 | | - | | |
| Employer implicit subsidy subsequent to measurement date | | 200,958 | | - | | |
| Total | \$ | 360,770 | \$ | 340,314 | | |

Deferred outflows of resources related to OPEB resulting from the College's implicit rate subsidy contribution or cost subsequent to June 30, 2018 (the measurement date) was \$200,958 and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | Net Deferred Outflows/ Inflows |
|---------------------|-----------------------------------|
| Year ended June 30, | of Resources |
| 2020 | \$ (39,219) |
| 2021 | (39,219) |
| 2022 | (39,219) |
| 2023 | (39,219) |
| 2024 | (25,816) |
| Thereafter | 2,190 |
| Total | \$ (180,502) |

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

Actuarial Assumptions

The net OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method Entry Age Normal

Projected salary increases 3.25% - 18.50%, including wage inflation

Inflation rate 3.00%

Investment rate of return, net of

OPEB investment expense,

including inflation 4.50%

Municipal Bond Index Rate:

Measurement Date 3.89% Prior Measurement Date 3.56%

Year FNP is projected to be depleted:

Measurement Date 2018 Prior Measurement Date 2017

Single Equivalent Interest Rate, net of OPEB plan investment expenses,

including inflation:

Measurement Date 3.89% Prior Measurement Date 3.56%

Healthcare cost trend rates 7.25% for 2018 decreasing to an ultimate

rate of 4.75% by 2028

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.

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

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

Actuarial Assumptions (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89%. 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.

Long-term Expected Rate of Return – The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

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

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

The following table presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 3.89%, 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 rate:

| | 1% Decrease | Current Rate | 1% Increase | |
|----------------------------------|--------------|---------------------|-------------|--|
| | (2.89%) | (3.89%) | (4.89%) | |
| College's proportionate share of | | | | |
| collective OPEB liability | \$ 5,040,220 | \$ 4,546,984 \$ | 4,122,787 | |

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

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

The following table presents the College's proportionate share of the net OPEB liability calculated using the current assumed health care trend rates (7.25% decreasing to 4.75% by 2028), as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a 1% change in the current assumed health care trend rates:

| | 1% Decrease | C | urrent Rate | 1% Increase |
|-----------------------------------|-----------------|----|-------------|-----------------|
| | (6.25%) | | (7.25%) | (8.25%) |
| College's proportionate share of | | | | |
| collective net pensions liability | \$ 4,212,012 | \$ | 4,546,984 | \$ 4,927,419 |

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

Annual changes to the net OPEB liability resulting from changes in assumptions, other inputs, changes in proportion and differences between employer OPEB benefit payments and its proportionate share of OPEB benefit payments are deferred and amortized over the average expected remaining service life of active and inactive members which approximates 6.4 years for the current measurement period.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position and the supporting actuarial information is included in the GASB Statement No. 74 and GASB No. 75 Report for the Insurance Plan prepared as of June 30, 2018. The auditor's report dated May 6, 2019 on the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and total OPEB expense included in an accompanying schedule of collective OPEB amounts as of June 30, 2018 for financial reporting as of June 30, 2019 is also available. This additional financial and actuarial information may be found on the Insurance Plan's website http://knowyourbenefits.dfa.ms.gov/.

NOTE 10: FOUNDATION ENDOWMENT FUNDS

At June 30, 2019, the Foundation has 171 individual donor-restricted endowment funds totaling \$4,744,176 established for a variety of purposes to support the College. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Further, U. S. generally acceptable accounting principles provide guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted legislation adopting UPMIFA during 2012.

NOTE 10: FOUNDATION ENDOWMENT FUNDS (Continued)

The Foundation's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined that its donor agreements for permanent endowments provide for the preservation of the original gift of the donor-restricted endowment funds. As a result, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation classifies as net assets with donor restrictions all investment income, inclusive of interest and dividends, and realized and unrealized gains and losses, earned on the invested assets within the endowment fund, and the investment income earned has been restricted as to its use by donors. These amounts are released from restriction once they are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The intent of the donors of the endowment fund
- The terms of the applicable gift instrument
- The long-term and short-term needs of the Foundation to carry out its purpose
- The general economic conditions
- The possible effect of inflation or deflation
- The other resources of the Foundation
- The investment policies of the Foundation

The Foundation has informal investment policies to ensure the endowment assets of the Foundation are managed in a prudent fashion in accordance with sound investment principles and UPMIFA. The Foundation's Board of Directors sets and approves the investment policies and charges the Finance and Investment Committee with implementation and subsequent ongoing monitoring of the policies. In considering the investment management and expenditures of endowment funds, the Board utilizes the reasonable care, skill and caution of a prudent investor.

The Foundation's investment objectives for endowments are to provide a real total return that preserves the purchasing power of the endowment's assets while generating an income stream to the College. The primary performance objective of the endowment is to earn a total return, net of investment fees, within prudent levels of risk, equal to or greater than the spending rate plus administrative fees and the desired rate of growth.

The Foundation's spending policy is designed to promote positive growth in the market value of the endowment sufficient to offset reasonable spending over an extended period of time. The spending policy is approved annually by the Foundation's Board of Directors. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the

NOTE 10: FOUNDATION ENDOWMENT FUNDS (Continued)

uses and purposes for which the endowment fund was established. The spending rate was approximately 5% for the year ended June 30, 2019. No portion of the original gift value of permanent endowments is allocated for spending.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund perpetual duration. There were no deficiencies of this nature to be reported in net assets without donor restrictions as of June 30, 2019.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

Changes in endowment net assets given in perpetuity for the year ended June 30, 2019 are as follows:

June 30, 2019

| Endowment net assets, beginning of year Contributions received during the year | \$ 4,568,802 175,374 |
|--|-------------------------|
| Endowment net assets, end of year | \$ 4,744,176 |

Net assets related to endowments given in perpetuity as of June 30, 2019 are related to funds contributed to the Foundation that are restricted for endowment and land that is restricted for investment purposes.

NOTE 11: FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions are comprised of the following:

| June 30, | 2019 |
|------------------------------------|---------------|
| Expiring Purpose Restricted: | |
| Scholarship and grant funds | \$ 9,301,672 |
| Real estate investments | 72,150 |
| Endowments Given in Perpetuity: | |
| Original cash contributions | 4,744,176 |
| Original real estate contributions | 213,501 |
| | \$ 14,331,499 |

NOTE 11: FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with expiring purpose donor restrictions as of June 30, 2019 are related to funds contributed to the Foundation that are restricted for scholarships and grants and land restricted for future development. During a prior year, the Foundation received a restricted legislative contribution relating to the funds appropriated for the benefit of the College to be used in the establishment of a scholarship fund. These funds totaling \$3,000,000 were designated by the State of Mississippi legislation through a senate bill to create a special fund from proceeds received by the State relating to the BP oil spill. These funds were deposited through the Foundation in order to establish a restricted quasi-endowment fund with the income to be used for scholarship support to the College. The net assets relating to these funds are classified as net assets with donor restrictions until such time as they are expended for support of scholarships for the College's students.

These funds were granted pursuant to a memorandum of understanding between the College and the Office of the State Treasurer wherein the College was allowed to directly administer the investment and expenditures of the funds. As a result, the funds were directly deposited into the Foundation for investment. Pursuant to the memorandum of understanding, periodic reporting of expenditures and investment status of the funds is required.

NOTE 12: CONTINGENCIES

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

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

| REQUIRED SUPPLEMENTARY INFORMATION | N |
|------------------------------------|---|
| | |
| | |

Mississippi Gulf Coast Community College Schedule of Required Supplementary Information Schedule of the College's Proportionate Share of the Net Pension Liability For the Five Years Ended June 30, 2019

| Year Ended June 30, | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------------|---------------|----------------|---------------|------------|
| Last Ten Fiscal Years: * | | | | | |
| College's proportion of the net pension liability | \$ 97,320,345 \$ | 97,177,702 \$ | 104,131,480 \$ | 89,770,643 \$ | 70,777,664 |
| College's proportionate share of the net pension liability | 0.5851050% | 0.5845840% | 0.5829620% | 0.5807380% | 0.5830710% |
| College's covered payroll | \$ 37,380,639 \$ | 37,501,342 \$ | 37,293,440 \$ | 36,281,175 \$ | 35,629,885 |
| College's proportionate share of the net pension liability as a percentage of its covered payroll | 260.35% | 259.13% | 279.22% | 247.43% | 198.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

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

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

Mississippi Gulf Coast Community College Schedule of Required Supplementary Information Schedule of the College's Contributions for Pensions Last Ten Years Ended June 30, 2019

| June 30, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| Contractually required contribution | \$ 6,023,639 \$ | 5,884,912 \$ | 5,906,466 \$ | 5,873,719 \$ | 5,714,277 \$ | 5,611,512 \$ | 5,034,585 \$ | 4,407,299 \$ | 4,248,572 \$ | 4,330,414 |
| Contributions in relation to the contractually required contribution | 6,023,639 | 5,884,912 | 5,906,466 | 5,873,719 | 5,714,277 | 5,611,512 | 5,034,585 | 4,407,299 | 4,248,572 | 4,330,414 |
| Contribution deficiency (excess) | \$ - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - |
| College's covered payroll | \$ 38,263,366 \$ | 37,380,639 \$ | 37,501,342 \$ | 37,293,440 \$ | 36,281,175 \$ | 35,629,885 \$ | 35,305,691 \$ | 35,352,841 \$ | 35,404,719 \$ | 36,086,902 |
| Contributions as a percentage of the covered payroll | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% | 14.26% | 12.47% | 12.00% | 12.00% |

Mississippi Gulf Coast Community College Notes to Required Supplementary Information for Pensions For the Year Ended June 30, 2019

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

The College's proportionate share of the net pension liability was determined based on the College's allocation percentage of actual contributions to the Public Employees' Retirement System of Mississippi System's (PERS) total actual contributions as of and for the year ended June 30, 2018. The total pension liabilities used in the development of the ratio of the plan fiduciary net position to total pension liabilities presented in the schedule was provided by PERS actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position for PERS as of and for the year ended June 30, 2018.

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

The employer contribution rate for the College was 9.75 percent in fiscal year 2005 with an increase in fiscal year 2006 to 10.75 percent. Beginning in fiscal year 2007, the employer contribution rate increased from 10.75 percent in .55 percent increments until the target rate was met in fiscal year 2008. Use of the phased-in employer contribution rate increase resulted in an annual contribution deficit for fiscal year 2007. The purpose of the phased-in approach was to moderate the impact to the State of Mississippi of a contribution rate increase. A slight increase in the employer contribution rate was implemented in fiscal year 2010, from 11.85 percent to 12.0 percent. In fiscal year 2010, the actuary's recommended employer contribution rate was to increase from 12.0 percent to a projected 13.56 percent for fiscal year 2011. In lieu of the employer contribution rate increase, the member contribution rate was increased to 9.0 percent for fiscal year 2011, which produced a decrease in employer normal cost. The reduction in normal cost, coupled with favorable investment experience, resulted in a revised recommended employer contribution rate from 13.56 percent to 12.93 percent, which became effective January 1, 2012. The employer contribution rate increased in fiscal year 2013 to 14.26 percent and in fiscal year 2014, the Board implemented a revised funding policy aimed at stabilizing the employer contribution rate, which was set at 15.75 percent. The employer contribution rate remained at 15.75% for each of the three years ending June 30, 2019. The PERS Board of Trustees approved an increase in the employer contribution rate from 15.75% to 17.40% for the fiscal year beginning July 1, 2019. The Board also adopted a new funding policy, which sets the funding goals, objectives and metrics for possible changes in the contribution rate for future valuations.

Mississippi Gulf Coast Community College Notes to Required Supplementary Information for Pensions For the Year Ended June 30, 2019

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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 valuation method 5-year smoothed market

Price inflation 3.00 percent

Salary increase 3.75 percent to 19.00 percent, including inflation 19.00 percent, including inflation 7.75 percent, net of pension plan investment expense,

including inflation

NOTE 4: CHANGES IN ASSUMPTIONS

In 2018, there were no changes in assumptions and methods since the last valuation.

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

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

In 2015, the expectation of 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 Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate

Mississippi Gulf Coast Community College Notes to Required Supplementary Information for Pensions For the Year Ended June 30, 2019

NOTE 4: CHANGES IN ASSUMPTIONS (Continued)

of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively, in 2015. Differences between projected and actual earnings on person plan investments are amortized over a closed period of 5 years.

Mississippi Gulf Coast Community College Schedule of Required Supplementary Information Schedule of the College's Proportionate Share of the Net OPEB Liability For the Three Years Ended June 30, 2019

| Year Ended June 30, | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|
| Last Ten Fiscal Years: * | | | |
| College's proportion of the net OPEB liability | \$ 4,546,984 | \$ 4,442,202 | \$ 4,645,979 |
| College's proportionate share of the net OPEB liability | 0.58780743% | 0.56616762% | 0.56901918% |
| College's covered - employee payroll | \$ 37,380,639 | \$ 37,501,342 | \$ 37,293,440 |
| College's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll | 12.16% | 11.85% | 12.46% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.13% | 0.00% | 0.00% |

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

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

Mississippi Gulf Coast Community College Schedule of Required Supplementary Information Schedule of the College's Contributions for OPEB Last Four Years Ended June 30, 2019

| June 30, | 2019 | 2018 | 2017 | 2016 |
|--|----------------------------|---------------|---------------|------------|
| Actuarially determined contribution | \$ 200,958 \$ | 189,378 \$ | 174,789 \$ | 183,627 |
| Contributions in relation to the actuarially determined contribution | 200,958 | 189,378 | 174,789 | 183,627 |
| Contribution deficiency (excess) | \$ - \$ | - \$ | - \$ | _ |
| College's covered - employee payroll | \$ 38,263,366 \$ | 37,380,639 \$ | 37,501,342 \$ | 37,293,440 |
| Contributions as a percentage of the covered - employee payroll | 0.53% | 0.51% | 0.47% | 0.49% |

This schedule is presented to illustrate the requirement to disclose information for the last ten-year period. However, GASB Statement No.75 was implemented in fiscal year ended June 30, 2018, and, until a full ten-year trend is compiled, the College has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

Mississippi Gulf Coast Community College Notes to Required Supplementary Information for OPEB For the Year Ended June 30, 2019

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

The College's proportionate share of the net OPEB liability reported at June 30, 2019 was determined based on the College's allocation percentage of average monthly employees participating in the Insurance Plan with the total average employees participating in the Insurance Plan for all employers as of June 30, 2018.

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

The total OPEB liabilities used in the development of the ratio of the plan fiduciary net position to total OPEB liabilities presented in the schedule was provided by the Insurance Plan's actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position for the Insurance Plan as of June 30, 2018. The fiduciary net position was projected to be depleted immediately.

There were no changes in benefit provisions for 2018 or 2017.

Mississippi Gulf Coast Community College Notes to Required Supplementary Information for OPEB For the Year Ended June 30, 2019

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

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

| Actuarial cost method | Entry Age |
|---|------------------------|
| Amortization method | Level dollar |
| Remaining amortization period | 30 years, open |
| Asset valuation method | Market value of assets |
| Price inflation | 3.00% |
| Salary increase, including inflation | 3.25% to 18.50% |
| Initial health care cost trend rates | |
| Medicare supplement claims – pre-Medicare | 7.75% |
| Ultimate health care cost trend rates | |
| Medicare supplement claims – pre-Medicare | 5.00% |
| Year of Ultimate trend rates | |
| Medicare supplement claims – pre-Medicare | 2023 |
| Long-term investment rate of return | 3.89% |

NOTE 3: CHANGES IN ASSUMPTIONS

The Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for purposes of the OPEB discount rate. For 2018, the OPEB discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date. For 2017, the OPEB discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.



Mississippi Gulf Coast Community College Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Year ended June 30, 2019

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Througl Entity / Gran Identifyin _l Numbe | t g | Passed Through to Subrecipients | | Federal Expenditures |
|---|---------------------------|---|----------|---------------------------------------|----------|-------------------------|
| Student Financial Assistance Cluster | | | | | | |
| U.S. Department of Education | | | | | | |
| Federal Pell Grant Program | 84.063 | | \$ | - | \$ | 20,920,053 |
| Federal Supplemental Educational | | | , | | 7 | |
| Opportunity Grants | 84.007 | | | - | | 329,232 |
| Federal Direct Student Loans | 84.268 | | | - | | 14,883,318 |
| Federal Work-Study Program | 84.033 | | | - | | 263,712 |
| Total Student Financial Aid Cluster | | | \$ | - | \$ | 36,396,315 |
| December and Development Charter | | | | | | |
| Research and Development Cluster | | | | | | |
| National Science Foundation | | | | | | |
| Pass-through Programs from: | | | | | | |
| Tidewater Community College: | 47.076 | 1501440 | Ļ | | Ļ | 7 500 |
| Education & HR - Southeast Maritime Ctr Total Research and Development Cluster | 47.076 | 1501449 | \$ \$ | <u>-</u> | \$ \$ | 7,599 7,599 |
| Total Research and Development Cluster | | | ٠ | | ٧ | 7,555 |
| WIA/WIOA Cluster | | | | | | |
| U.S. Department of Labor | | | | | | |
| Pass-through Programs from: | | | | | | |
| Mississippi Department of Employment | | | | | | |
| Services through South Mississippi Planning | | | | | | |
| & Development District | | | | | | |
| WIA/WIOA Dislocated Worker | | | | | | |
| Formula Grants | 17.278 | 079448973 | \$ | - | \$ | 625,058 |
| WIA/WIOA Youth Program | 17.259 | 079448973 | | - | | 140,858 |
| Total WIA/WIOA Cluster | | | \$ | - | \$ | 765,916 |
| Other Programs | | | | | | |
| U.S. Department of Education | | | | | | |
| Pass-through Programs from: | | | | | | |
| State Board of Community and Junior | | | | | | |
| Colleges: Adult Education - | | | | | | |
| Basic Grants to States | 84.002 | V002A180025 | \$ | - | \$ | 844,975 |
| State Department of Education: | | | • | | • | - , |
| Career and Technical Education - | | | | | | |
| Basic Grants to States | 84.048 | V048A180024 | | - | | 721,909 |
| Total U.S. Department of Education | | | \$ | | \$ | 1,566,884 |

(Continued)

Mississippi Gulf Coast Community College Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Year ended June 30, 2019

| Federal Grantor/Pass-through | Federal CFDA | Pass-Through Entity / Grant Identifying | | Passed Through to | | Federal |
|--|------------------|---|----------|----------------------|----------|--------------------|
| Grantor/Program or Cluster Title | Number | Number | | Subrecipients | | Expenditures |
| Other Programs (continued) | | | | | | |
| U.S. Department of Health & | | | | | | |
| Human Services | | | | | | |
| Pass-through Programs from: | | | | | | |
| University of Southern Mississippi | | | | | | |
| MS INBRE Research | 93.859 | USM-8006038-05 | \$ | - | \$ | 33,302 |
| MS Community Education Center | | | | | | |
| CCDF Cluster - Families First for Mississippi | 93.575 | 6012989 | | - | | 75,030 |
| State Board of Community and | | | | | | |
| Junior Colleges : | 02.550 | | | | | 25.000 |
| TANF Cluster - Complete to Compete CCDF Cluster - Early Childhood Academy | 93.558 93.575 | FY19-42 | | - | | 25,000 470,965 |
| Total U.S. Department of Health & | 33.373 | 1113-42 | | <u> </u> | | 470,303 |
| Human Services | | | \$ | _ | \$ | 604,297 |
| Pass-through Programs from: Mississippi Department of Environmental Quality: Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States - Work-Ready Community Total U.S. Department of Treasury | 21.015 | RDCGR470018-01 | \$ \$ | <u>-</u> | \$ \$ | 634,835 634,835 |
| Notice of Assessmentias and | | | | | | |
| National Aeronautics and Space Administration | | | | | | |
| Pass-through Program From: | | | | | | |
| University of Mississippi: | | | | | | |
| NASA Education - Scholarships | 43.008 | 19-04-051 | \$ | - | \$ | 6,914 |
| Total National Aeronautics | | | | | | |
| and Space Administration | | | \$ | - | \$ | 6,914 |
| II.S. Donartment of Commission | | | | | | |
| U.S. Department of Commerce Pass-through Program from: | | | | | | |
| Mississippi Technology Alliance - | | | | | | |
| Manufacturing Extension | | | | | | |
| Partnership | 11.611 | 70NANB17H017 | \$ | - | \$ | 85,906 |
| Total U.S. Department of Commerce | | | \$ | - | Ś | 85,906 |

(Continued)

Mississippi Gulf Coast Community College Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Year ended June 30, 2019

| Federal Grantor/Pass-through | Federal CFDA | Pass-Through Entity / Grant Identifying | Passed Through to | Federal |
|---|-----------------|---|----------------------|------------------|
| Grantor/Program or Cluster Title | Number | Number | Subrecipients | Expenditures |
| Other Programs (continued) | | | | |
| U.S. Department of Justice | | | | |
| Pass-through Program From: | | | | |
| Mississippi Department of Public Safety | | | | |
| Edward Byrne Memorial Justice | | | | |
| Assistance Grant Program | 16.738 | 2017-MU-BX-0062 | \$ - | \$ 11,077 |
| Total U.S. Department of Justice | | | \$ | \$ 11,077 |
| Corporation for National and | | | | |
| Community Service | | | | |
| Training and Technical Assistance | 94.009 | | \$ - | \$ 4,205 |
| Total Corporation for National | | | | |
| and Community Service | | | \$ - | \$ 4,205 |
| Total Other Programs | | | \$ - | \$ 2,914,118 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 40,083,948 |

(Concluded)

Mississippi Gulf Coast Community College Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

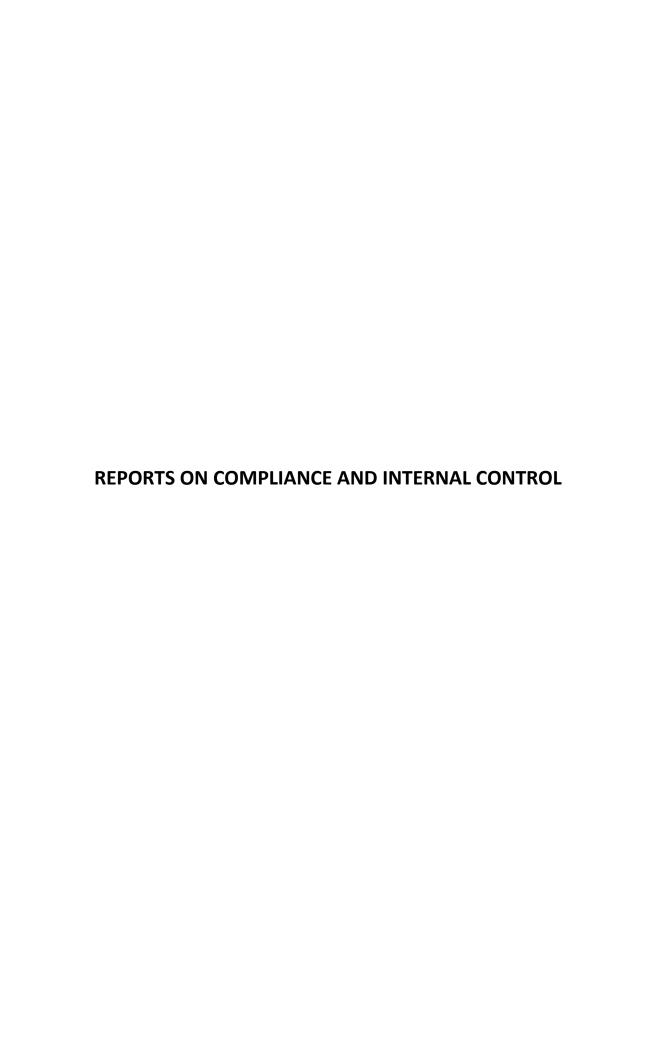
NOTE 1: BASIS OF PRESENTATION

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

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

• For purposes of the SEFA, loans made to students under the Federal Direct Student Loans Program (CFDA #84.268) are presented as federal expenditures.

Expenditures presented on the SEFA are recognized following the cost principles as found in the Uniform Guidance. The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. The College did not receive any federal noncash assistance for the year ended June 30, 2019.





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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the College), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 7, 2020. The financial statements of the Mississippi Gulf Coast Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Mississippi Gulf Coast Community College Foundation, Inc.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CARR, RIGGS & INGRAM, LLC

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

Ridgeland, Mississippi February 7, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Gulf Coast Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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

Ridgeland, Mississippi February 7, 2020

Mississippi Gulf Coast Community College Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section I: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements: Unmodified

2. Material noncompliance relating to the financial statements? No

3. Internal control over financial reporting:

a. Material weakness(es) identified?

b. Significant deficiency(ies) identified that are not None reported

considered to be material weakness(es)

Federal Awards:

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

5. Internal control over major programs:

a. Material weakness(es) identified?

b. Significant deficiency(ies) identified that are not considered to be material weaknesses?
 None reported

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

7. Federal programs identified as major programs:

a. Student Financial Assistance Cluster:

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

8. The dollar threshold used to distinguish between Type A and Type B programs:

and Type B programs: \$1,202,518

Auditee qualified as a low-risk auditee under §200.516
 Criteria for a low-risk auditee?

No

Section II: Financial Statement Findings

No items were reported.

Section III: Federal Award Findings

No items were reported.

Section IV: Prior Findings and Questioned Costs

N/A



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Dr. Mary Graham, President and

Mississippi Gulf Coast Community College

Board of Trustees

Perkinston, Mississippi

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

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We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the Mississippi Gulf Coast Community College (the College) as of and for the year ended June 30, 2019 which collectively comprise the College's basic financial statements and have issued our report thereon dated February 7, 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. The financial statements of the Mississippi Gulf Coast Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

CARR, RIGGS & INGRAM, LLC

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

Ridgeland, Mississippi February 7, 2020