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**Mississippi Gulf Coast Community College
Financial Statements and
Supplementary Information
Year Ended June 30, 2006**

**Mississippi Gulf Coast Community College
Financial Statements and Supplementary Information**

June 30, 2006

Table of Contents

Financial Audit Report	1-2
Management’s Discussion and Analysis	3-12
Audited Financial Statements	
Statement of Net Assets	13
Statement of Revenues, Expenses, and Changes in Net Assets.....	14
Statement of Cash Flows	15-16
Notes to Financial Statements.....	17-30
Supplemental Information	
Schedule of Expenditures of Federal Awards.....	31-32
Reports on Compliance and Internal Control	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	35-36
Independent Auditor’s Report on Compliance with State Laws and Regulations	37
Schedule of Findings and Questioned Costs	38-39

**Independent Auditor's Report on the
Basic Financial Statements and Supplemental Information**

Dr. Willis H. Lott, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the accompanying financial statements of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2006, as listed in the table of contents. We have also audited the statement of net assets of the Mississippi Gulf Coast Community College Foundation, Inc., a discretely presented component unit of Mississippi Gulf Coast Community College, as of June 30, 2006, and the related statement of revenues, expenses and changes in net assets for the year ended. These financial statements are the responsibility of Mississippi Gulf Coast Community College's management. Our responsibility is to express an opinion 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. The financial statements of Mississippi Gulf Coast Community College Foundation, Inc., a discretely presented component unit, were not audited in accordance *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Gulf Coast Community College and its discretely presented component unit as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, December 8, 2006, on our consideration of Mississippi Gulf Coast Community College's internal control over financial reporting and 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 reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mississippi Gulf Coast Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Culumber, Fletcher, Harvey & associates, P.A.

Culumber, Fletcher, Harvey & Associates, P.A.
December 8, 2006

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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 years ended June 30, 2006 and June 30, 2005. 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 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. Beginning in 2004, GASB requires that we present comparative data.

One of the most important questions asked is whether the college as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets includes all assets and liabilities. The college's net assets (the difference between assets and liabilities) are one indicator of the college's financial health. Over time, increases or decreases in net assets are 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 Statement of Revenues, Expenses, and Changes in Net Assets 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.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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.

	<u>FY2006</u>	<u>FY2005</u>
Assets		
Current assets	\$ 44,606,096	\$ 41,490,986
Non-current assets		
Bond issuance costs, net	205,213	219,959
Capital, net	<u>87,283,572</u>	<u>73,920,577</u>
Total assets	132,094,881	115,631,522
Liabilities		
Current liabilities	10,067,212	6,909,964
Non-current liabilities	<u>27,887,367</u>	<u>30,940,286</u>
Total liabilities	37,954,579	37,850,250
Net Assets		
Invested in capital assets, net	59,214,236	64,675,700
Restricted:		
Expendable	28,648,953	5,242,687
Unrestricted	<u>6,277,113</u>	<u>7,862,885</u>
Total net assets	<u>\$ 94,140,302</u>	<u>\$ 77,781,272</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the college's bank accounts, petty cash, and CDs. The total amount of cash and cash equivalents reported as current assets on the college financial statements were \$12,542,275 at June 30, 2006 and \$2,418,666 at June 30, 2005.

Accounts Receivable

Accounts Receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The college receivables totaled \$6,053,064 at June 30, 2006 and \$7,243,106 at June 30, 2005.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Inventories

The College maintains inventories of resale merchandise within the college bookstore. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,262,507 at June 30, 2006 and \$1,281,124 at June 30, 2005.

Non-current assets**Capital Assets, Net**

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2006. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$87,283,572 at June 30, 2006 and \$73,920,577 at June 30, 2005.

Liabilities**Current Liabilities****Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at June 30, 2006 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$4,469,207 at June 30, 2006 and \$2,488,750 at June 30, 2005.

Deferred Revenues

Deferred revenue represents revenue that was received by the college during the fiscal year, but the college did not expend the funds by the end of the June 30, 2006 fiscal year. The deferred revenue totaled \$2,292,742 at June 30, 2006 and \$1,232,403 at June 30, 2005.

Annual Leave Liabilities-Current Portion

Annual leave liabilities-current portion represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2006 fiscal year. The amount of the current portion of compensated absences totaled \$270,402 at June 30, 2006 and \$240,549 at June 30, 2005.

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, 2006 fiscal year. The amount of the current portion of long-term debt totaled \$3,034,861 at June 30, 2006 and \$2,948,262 at June 30, 2005.

Non-current Liabilities**Deposits**

Deposits represent the deposits paid by students for reservation for and possible damage to a dorm room for the future semester. The housing deposits are payable to the student upon checkout at the end of the semester. The amount of deposits totaled \$18,575 at June 30, 2006 and \$26,875 at June 30, 2005.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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 \$2,834,317 at June 30, 2006 and \$2,916,796 at June 30, 2005.

Long-Term Liabilities

This liability consists of long-term debt for outstanding notes, and capital leases. The total amount of the non-current portion of long-term debt was \$25,034,475 at June 30, 2006 and \$27,996,615 at June 30, 2005.

Net Assets

Net assets represent the difference between the college's assets and liabilities. Total net assets were \$94,140,302 at June 30, 2006 and \$77,781,272 at June 30, 2005.

Analysis of Net Assets

Restricted expendable net assets consist 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 assets:

	<u>2006</u>	<u>2005</u>
Capital projects	\$ 20,288,440	\$ 4,222,769
Other purposes	8,360,513	1,019,918
Restricted net assets	<u>\$ 28,648,953</u>	<u>\$ 5,242,687</u>

Unrestricted net assets represent 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.

The following is a breakdown of the unrestricted net assets:

	<u>2006</u>	<u>2005</u>
Unrestricted general fund	\$ 4,153,574	\$ 6,029,258
Unrestricted auxiliary fund	<u>2,123,539</u>	<u>1,833,627</u>
Total unrestricted net assets	<u>\$ 6,277,113</u>	<u>\$ 7,862,885</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2006 and June 30, 2005

	<u>FY2006</u>	<u>FY2005</u>
Operating revenues:		
Tuition and fees	\$ 8,074,263	\$ 9,397,264
Grants and contracts	26,104,741	23,500,747
Auxiliary enterprises	3,739,807	3,749,152
Sales & service of education	121,851	120,113
Other operating revenues	<u>442,343</u>	<u>303,302</u>
 Total operating revenues	 <u>38,483,005</u>	 <u>37,070,578</u>
 Operating expenses	 <u>80,261,674</u>	 <u>70,070,178</u>
 Operating loss	 <u>(41,778,669)</u>	 <u>(32,999,600)</u>
Non-operating Revenues:		
State appropriations	31,144,459	20,315,148
Local appropriations	7,501,431	7,211,205
Proceeds from insurance	2,723,128	-
Investment income, net	737,274	218,021
Other non-operating expenses	<u>(898,662)</u>	<u>(220,296)</u>
 Net non-operating revenues	 <u>41,207,630</u>	 <u>27,524,078</u>
 Income before other revenues	 <u>(571,039)</u>	 <u>(5,475,522)</u>
 Capital appropriations, net	 <u>16,930,069</u>	 <u>11,126,516</u>
 Total increase in net assets	 16,359,030	 5,650,994
 Net assets		
Net assets at beginning of year	<u>77,781,272</u>	<u>72,130,278</u>
 Net assets at end of year	 <u>\$ 94,140,302</u>	 <u>\$ 77,781,272</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Total operating loss for the fiscal year 2006 was \$41,778,669 and for fiscal year 2005 \$32,999,600. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the college will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2006 were \$38,483,005 and for fiscal year 2005 \$37,070,578. Tuition and fees were \$8,074,263 for fiscal year 2006 and \$9,397,264 for fiscal year 2005. The tuition discount was \$6,510,750 for fiscal year 2006 and \$7,593,724 for fiscal year 2005. Operating expenses for 2006, including depreciation of \$3,152,838, totaled \$80,261,674. Operating expenses for 2005, including depreciation of \$2,907,596 totaled \$70,070,178.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$8,074,263 for fiscal year 2006 and \$9,397,264 for fiscal year 2005. Tuitions discounts were \$6,510,750 for 2006 and \$7,593,724 for 2005.

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 grant and contract awards for the fiscal years ended June 30, 2006 and June 30, 2005.

	<u>2006</u>	<u>2005</u>
Federal sources	\$ 15,709,792	\$ 14,648,046
State sources	7,134,486	6,463,046
Other	<u>3,260,463</u>	<u>2,389,655</u>
Total all sources	<u>\$ 26,104,741</u>	<u>\$ 23,500,747</u>

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities and other income that totaled \$121,851 for fiscal year ended June 30, 2006 and \$423,415 for fiscal year ended June 30, 2005.

Sales and Services, Net

Auxiliary enterprises include the College bookstore, food services, and housing.

Operating Expenses

Operating expenses for fiscal year ended June 30, 2006 total \$80,261,674 and include salaries and benefits of \$44,748,719, utilities of \$2,233,409, supplies of \$5,615,980, services of \$14,766,364, scholarships of \$9,321,812, and depreciation of \$3,152,838. Operating expenses for fiscal year ended June 30, 2005 total \$70,070,178 and include salaries and benefits of \$44,848,480, utilities of \$1,678,997, supplies of \$4,488,992, services of \$8,184,378, scholarships of \$7,461,795, and depreciation of \$2,907,596.

	<u>2006</u>	<u>2005</u>
Expenses by function:		
Instruction	\$ 31,958,757	\$ 31,757,125
Instructional support	3,090,698	2,905,374
Student services	5,124,578	5,297,956
Institutional support	7,340,661	7,227,178
Operation of Plant	7,995,403	6,913,096
Student Aid	8,258,640	6,330,425
Auxiliary enterprises	3,816,956	3,633,220
Plant and Endowment Ops.	<u>12,675,981</u>	<u>6,005,804</u>
 Total operating expenses by function	 <u>\$ 80,261,674</u>	 <u>\$ 70,070,178</u>

Non-operating Revenues (Expenses)

State Appropriations

The college's largest source of non-operating revenues is the State of Mississippi appropriation. The College received \$31,762,381 for fiscal year 2006, of which \$31,144,459 was for operations and \$617,922 was spent on behalf of the College for capital projects. The College received \$23,706,674 for fiscal year 2005, of which \$20,315,148 was for operations and \$3,391,526 was spent on behalf of the College for capital projects.

Local Appropriations

The college also receives revenue from the four county district in which the school resides. These counties include Harrison, Jackson, George, and Stone County. The college receives the appropriation in monthly payments beginning in July of each year. The college received \$14,858,729 in fiscal year 2006 of which \$7,501,431 was for operating purposes and \$7,357,298, which was used for capital purposes. The college received \$12,663,877 in fiscal year 2005 of which \$7,211,205 was for operating purposes and \$5,452,672 which was used for capital purposes.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2006 was \$ 737,274 and at June 30, 2005 was \$218,021.

Other Proceeds

Other proceeds for fiscal year ended June 30, 2006 included proceeds from insurance for \$2,723,128 for damage from Hurricane Katrina.

Other Non-operating Expenses

Included in this category is the amortization of bond issue costs of \$14,746, an unrealized investment gain of \$80,130, a realized gain of \$125,506, and the interest on long term indebtedness for fiscal year 2006 totaling \$1,089,552. Interest on long term indebtedness for fiscal year 2005 totaled \$215,424.

Other Revenues**State Appropriations for Capital Purposes**

This is revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the fiscal year. Fiscal year 2006 capital appropriations were \$617,922 and fiscal year 2005 capital appropriations were \$3,391,526.

Local Appropriations for Capital Purposes

This is revenue received from the four county district of Harrison, Jackson, George, and Stone Counties wherein the College resides. Fiscal year 2006 local appropriations were \$7,357,298 and fiscal year 2005 local appropriations were \$5,452,672.

Federal Appropriations for Capital Purposes

This is federal grant revenue received from the U.S. Corps of Engineers for the Perkinston Campus Infrastructure repairs in FY2006 totaling \$542,384 and in FY2005 totaling \$2,126,048.

Statement of Cash Flows

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

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

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Condensed Statement of Cash Flows (Direct Method)
For the fiscal years ended June 30, 2006 and June 30, 2005

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents provided (used) by:		
Operating activities	\$(35,368,566)	\$(31,325,419)
Non-capital financing activities	38,488,231	27,301,857
Capital and related financing activities	105,475	21,027,809
Investing activities	<u>6,898,469</u>	<u>(18,726,377)</u>
Net increase in cash and cash equivalents	10,123,609	(1,722,130)
Cash and cash equivalents, beginning of year	<u>2,418,666</u>	<u>4,140,796</u>
Cash and cash equivalents, end of year	<u>\$ 12,542,275</u>	<u>\$ 2,418,666</u>
Major sources of funds included in operating activities:		
Tuition and fees	\$ 9,131,376	\$ 8,879,143
Auxiliary enterprises	3,562,865	3,754,427
Grant and contracts	26,843,839	22,132,223
Major uses of funds were payments to:		
Employees	(44,801,345)	(44,303,620)
Suppliers and students	(3,616,906)	(4,288,436)
Services	(14,022,083)	(8,290,353)
Scholarships and fellowships	(9,321,812)	(7,461,795)

The largest inflow of cash in the non-capital financing activities group for FY2006 is the State appropriation of \$31,025,555 and for FY2005 is \$19,878,964. In addition, local appropriations from the four county districts are \$7,452,977 for FY2006 and \$7,422,893 for FY2005.

Significant Capital Asset Transactions

The College engaged in transactions regarding capital construction projects during the 2006 fiscal year. Major improvements involved expenditures of \$3,824,337 for roadway/parking, \$3,953,679 for Hurricane Katrina building repairs, and \$367,966 for energy/mechanical and building upgrades *College-wide*. *Perkinston Campus* expenditures totaled \$3,127,238 for two 90 bed dorms, major repairs and renovations to buildings, and for infrastructure for FY2006. State bond expenditures for a new women's dormitory, Bookstore renovation/addition, and the Maint/Tech/Trans service center totaled \$617,923 for FY2006. *Jefferson Davis Campus* expenditures totaled \$1,785,015 in FY2006 for building repairs and renovations, for Phase III and IV for landscaping, and for a study of underground utilities. FY2006 *Jackson County* capital construction expenditures totaled \$1,045,850 for building repairs and renovations, the new Estuarine Education Center, landscaping, tennis court renovation, and for underground utilities study. *George County Center* had construction expenditures totaling \$58,758 for FY2006 for construction of an Academic classroom building. *West Harrison OTC* had expenditures of \$1,752,480 for repairs and renovations of its culinary arts and electrical tech building for FY2006.

Mississippi Gulf Coast Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Factors impacting Future Periods

Our college is still dealing with the devastation in FY2006 from the largest natural disaster to ever occur in the United States, Hurricane Katrina. However; the college is experiencing a significant rebound in student enrollment; That, in conjunction with our tax base within the district, is recovering at a rate that exceeded our expectations. We feel that within another academic year the college will have fully recovered from this catastrophe.

The college has also received many external grants from private and governmental agencies which have allowed the college to retain all of our employees and at the same time meet our other financial obligations.

Mississippi Gulf Coast Community College
Statement of Net Assets
June 30, 2006

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,542,275	\$ 914,387
Short-term investments	24,411,621	-
Investments	-	1,534,542
Interest receivable	65,693	16,068
Accounts receivable, net	6,053,064	-
Inventories	1,262,507	-
Prepaid expenses	270,936	-
Total current assets	<u>44,606,096</u>	<u>2,464,997</u>
Non-current assets:		
Utility deposit	-	25
Endowment investments	-	2,143,626
Bond issuance costs, net of amortization	205,213	-
Capital assets, net of accumulated depreciation	<u>87,283,572</u>	<u>680,268</u>
Total non-current assets	<u>87,488,785</u>	<u>2,823,919</u>
Total assets	<u>132,094,881</u>	<u>5,288,916</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	4,469,207	457,489
Due to MSGCCC Alumni Association, Inc.	-	366
Deferred revenues	2,292,742	-
Accrued leave liabilities, current portion	270,402	-
Long-term liabilities, current portion	<u>3,034,861</u>	<u>721</u>
Total current liabilities	<u>10,067,212</u>	<u>458,576</u>
Non-current liabilities:		
Deposits refundable	18,575	-
Accrued leave liabilities	2,834,317	-
Long-term liabilities	<u>25,034,475</u>	<u>375</u>
Total non-current liabilities	<u>27,887,367</u>	<u>375</u>
Total liabilities	<u>37,954,579</u>	<u>458,951</u>
Net assets		
Invested in capital assets, net of related debt	59,214,236	-
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	2,143,626
Expendable:		
Invested in property	-	213,501
Capital projects	20,288,440	-
Other purposes	8,360,513	-
Temporarily restricted	-	1,806,970
Unrestricted:		
Available for operations	6,277,113	199,101
Invested in property and equipment	<u>-</u>	<u>466,767</u>
Total net assets	<u>\$ 94,140,302</u>	<u>\$ 4,829,965</u>

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

Mississippi Gulf Coast Community College
Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2006

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Operating revenues		
Tuition and fees (net of scholarship discount \$6,148,815 and provision for uncollectible accounts \$345,577)	\$ 8,074,263	\$ -
Gifts and contributions	-	1,079,397
Federal grants and contracts	15,709,792	-
State grants and contracts	7,134,486	-
Local grants and contracts	617,569	-
Private grants and contracts	2,642,894	-
Sale and services of educational activities	121,851	-
Auxiliary services (net of discount \$361,935)	3,739,807	-
In-kind support	-	265,849
Other operating revenues	<u>442,343</u>	<u>8,820</u>
Total operating revenues	<u>38,483,005</u>	<u>1,354,066</u>
Operating expenses		
Salary and wage	35,615,957	-
Fringe benefits	9,132,762	-
Travel	422,552	-
Contractuals	14,766,364	3,675
Commodities	5,615,980	-
Utilities	2,233,409	-
Financial aid	9,321,812	-
Scholarships	-	424,540
Program services general program support	-	461,234
Other	-	15,385
In-kind services	-	265,849
Depreciation	<u>3,152,838</u>	<u>1,064</u>
Total operating expenses	<u>80,261,674</u>	<u>1,171,747</u>
Operating gain/loss	(41,778,669)	182,319
Non-operating revenues (expenses)		
State appropriations (current funds)	31,144,459	-
Local appropriations (current funds)	7,501,431	-
Proceeds from insurance for non depreciable capital assets	2,723,128	-
Investment income	737,274	133,194
Amortization of bond issue costs	(14,746)	-
Interest on indebtedness	(1,089,552)	(88)
Unrealized investment gain (loss)	80,130	15,000
Realized investment gain (loss)	<u>125,506</u>	<u>24,921</u>
Net non-operating revenues	<u>41,207,630</u>	<u>173,027</u>
Income (loss) before other revenues, expenses, gains and losses	(571,039)	<u>355,346</u>
State appropriations for capital purposes	617,922	-
Local appropriations for capital purposes	7,357,298	-
Federal appropriations for capital purposes	542,384	-
Plant assets sold/retired	(4,725)	(167,419)
Gain on Hurricane Katrina insurance proceeds for capital assets	1,146,624	-
Miscellaneous income	9,702	-
Gain on impairment of capital assets	7,260,864	-
Additions to permanent endowments	-	<u>42,658</u>
Total other revenues (expenses)	<u>16,930,069</u>	<u>(124,761)</u>
Change in net assets	<u>16,359,030</u>	<u>230,585</u>
Net assets:		
Net assets, beginning of year	<u>77,781,272</u>	<u>4,599,380</u>
Net assets, end of year	<u>\$ 94,140,302</u>	<u>\$ 4,829,965</u>

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

Mississippi Gulf Coast Community College
Statement of Cash Flows
For the Year Ended June 30, 2006

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Cash flows from operating activities:		
Tuition and fees	\$ 9,131,376	\$ -
Contributions received	-	1,076,744
Grants and contracts	26,843,839	-
Sales and services of educational departments	121,851	-
Payments to suppliers and students	(3,616,906)	(809,271)
Payments to employees for salaries and benefits	(44,801,345)	-
Payments to contractual services	(14,022,083)	-
Payments to travel	(422,552)	-
Payments for utilities	(2,233,409)	-
Payments for scholarships	(9,321,812)	-
Auxiliary enterprise charges	3,562,865	-
Other receipts (payments)	<u>(610,390)</u>	<u>8,820</u>
Net cash provided (used) by operating activities	<u>(35,368,566)</u>	<u>276,293</u>
Cash flows from non-capital financing activities:		
State appropriations	31,025,555	-
Local appropriations	7,452,977	-
Proceeds from other receipts	9,699	-
Federal loan program receipts	2,568,557	-
Federal loan program disbursements	<u>(2,568,557)</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>38,488,231</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	74,013	-
Proceeds from disposal of capital assets	9,814	12,020
Proceeds from insurance	12,039,878	-
Cash received for additions to permanent endowments	-	42,658
Cash paid for capital assets	(17,439,635)	(4,906)
Capital appropriations received	8,431,934	-
Federal grants and contracts received	(280,863)	-
Other	1,309,440	-
Principal paid on capital debt and leases	(2,949,554)	(684)
Interest paid on capital debt and leases	<u>(1,089,552)</u>	<u>(88)</u>
Net cash provided (used) by capital and related financing activities	<u>105,475</u>	<u>49,000</u>

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

Mississippi Gulf Coast Community College
Statement of Cash Flows
For the Year Ended June 30, 2006
(Continued)

	<u>Mississippi Gulf Coast Community College</u>	<u>Component Unit Mississippi Gulf Coast Community College Foundation</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	\$ 32,170,648	\$ 1,522,757
Interest and dividends received on investments	695,025	119,752
Purchases of investments	<u>(25,967,204)</u>	<u>(1,741,632)</u>
Net cash provided (used) by investing activities	<u>6,898,469</u>	<u>(99,123)</u>
Net increase (decrease) in cash and cash equivalents	10,123,609	226,170
Cash and cash equivalents – beginning of the year	<u>2,418,666</u>	<u>688,217</u>
Cash and cash equivalents – end of the year	<u>\$ 12,542,275</u>	<u>\$ 914,387</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$(41,778,669)</u>	<u>\$ 182,319</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Stock contribution received	-	(2,219)
Depreciation expense	3,152,838	1,064
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	414,497	-
Inventories	18,617	-
Prepaid expenses	(155,719)	-
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities	1,980,457	95,563
Due to Mississippi Gulf Coast Community College Alumni Association, Inc.	-	(434)
Deferred revenues	1,060,339	-
Deposits refundable	(8,300)	-
Accrued leave liability	<u>(52,626)</u>	<u>-</u>
Total adjustments	<u>6,410,103</u>	<u>93,974</u>
Net cash provided (used) by operating activities	<u>\$ (35,368,566)</u>	<u>\$ 276,293</u>

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

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies

- (a) Reporting Entity – Mississippi Gulf Coast Community 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. This institution has a central office, three campuses and four centers which provide academic and/or vocational-technical training.

Governmental Accounting Standards Board Statement No. 14 requires that the financial reporting entity consist of the primary government and its component units.

Discretely Presented Component Unit

For the year ended June 30, 2005, the College implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, and Amendment of GASB Statement No. 14*.

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

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

The foundation is a legally separate, tax-exempt organization supporting the College. The foundation is included in the College's financial statements because it met GASB's criteria for inclusion.

The Mississippi Gulf Coast Community College Foundation, Inc. received donated facilities and services from the College's Perkinston Campus. Additionally, the College paid invoices related to an ongoing construction project for the Foundation that the Foundation later reimbursed the College for those construction costs.

Also, the Mississippi Gulf Coast Community College Foundation pays tuition on behalf of students of the College. For the year ended June 30, 2006, total scholarships expensed were \$424,540, of which, \$418,700, was payable at year-end.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

- (b) **Basis of Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.

Component Unit

The foundation follows the provisions of Statement of Financial Accounting (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes the financial statements and the classifications of resources into three separate classes of net assets as follows:

Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the foundation pursuant to those stipulations.

Permanently Restricted - Net assets whose use by the foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the foundation.

- (c) **Basis of Accounting** - The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- (d) **Cash Equivalents** - For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- (e) **Short-term Investments** - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.
- (f) **Investments** - The College accounts for its investments at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported on the Statement of Revenues, Expenses and Changes in Net Assets.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

- (g) Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- (h) Inventories - Inventories consist of bookstore supplies, textbooks, and merchandise for resale. Merchandise for resale and bookstore supplies are valued at cost, on the first-in, first-out ("FIFO") basis. Textbooks are valued on a method assuming a three year usage. It is also assumed that all sales are from books purchased in the current year.
- (i) Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning, useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to the construction is capitalized net of interest income earned on resources set aside for this purpose.
- (j) Deferred Revenues - Deferred 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- (k) 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 from 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 from fifteen years and over, 9 hours per month. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave. The liability for accrued leave at June 30, 2006 as reported in the Statement of Net Assets is \$3,104,719 with \$270,402 of this amount estimated as current.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

- (l) Classification of Revenues - The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.

- (m) State Appropriations - Mississippi Gulf Coast Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2005 fiscal year, a new funding formula will be phased in over a five year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- (n) 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.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

- (o) Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$6,277,113 at June 30, 2006, includes \$1,262,507, reserved for inventories, \$861,032 reserved for auxiliaries and a remaining amount of \$4,153,574.

Note 2 - Cash and Investments

Policies

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

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

Custodial Credit Risk – Deposits. Custodial risk is the risk that in the event of a depository failure, the College deposits may not be returned to it. The College does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the College. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the College.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 2 - Cash and Investments (continued)

Investments.

The College had the following investments at year end:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
US Treasury Securities	AAA	Various	\$13,032,778
US Government Bonds	AAA	Various	<u>11,378,843</u>
Total			<u>\$24,411,621</u>

Investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

Concentration of Credit Risk. The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments are in US Treasury Securities and US Government Bonds. These are 53.39% and 46.61%, respectively, of the College's total investments. All of the investments reported in the College's financial statements are US Treasury Securities and US Government Bonds.

Note 3 - Accounts Receivable

Accounts receivable consisted of the following at June 30, 2006:

Student tuition	\$ 5,090,659
Federal and state grants	2,407,830
Local appropriations	422,521
State appropriations	726,704
Other	<u>1,252,923</u>
Total Accounts Receivable	\$ 9,900,636
Less allowance for doubtful accounts	<u>(3,847,572)</u>
Net accounts receivable	<u>\$ 6,053,064</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2006, is presented as follows:

	Beginning Balance <u>6/30/05</u>	Additions	Deletions	Ending Balance <u>6/30/06</u>
Non-depreciable Capital Assets:				
Land	\$ 2,019,871	-	-	\$ 2,019,871
Construction in progress	13,302,699	16,536,246	(12,433,813)	17,405,132
Total Non-depreciable Capital Assets	15,322,570	16,536,246	(12,433,813)	19,425,003
Depreciable Capital Assets:				
Other Structures & Improvements				
Buildings	12,428,880	8,399,713	-	20,828,593
Equipment	72,314,508	4,034,100	(172,580)	76,176,028
Library books	9,542,296	762,059	(532,733)	9,771,622
Total Depreciable Capital Assets	98,285,684	141,330	(115,191)	4,006,216
	98,265,761	13,337,202	(820,504)	110,782,459
Less Accumulated Depreciation for:				
Other Structures & Improvements				
Buildings	2,364,814	805,071		3,169,885
Equipment	26,263,372	2,330,657	(116,000)	27,478,029
Library Books	7,780,010	690,061	(490,981)	7,979,090
Total Accumulated Depreciation	32,408,196	1,525,789	(115,191)	3,296,886
	39,667,754	3,978,308	(722,172)	42,923,890
Total Depreciable Capital Assets, Net	58,598,007	9,358,894	(98,332)	67,858,569
Capital Assets, net	<u>\$ 73,920,577</u>	<u>\$ 25,895,140</u>	<u>\$(12,532,145)</u>	<u>\$ 87,283,572</u>

The College's total investment in inventoried assets for the State of Mississippi was \$143,902,075. Due to the College depreciation policy only a portion of the assets are capitalized and depreciated. An additional \$825,470 was recorded to depreciation expense for the building impairment due to hurricane Katrina.

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 4 - Capital Assets (continued)

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

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:

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>	<u>Threshold</u>	<u>Capitalization</u>
Buildings	40 years		20%	\$ 50,000
Improvements	20 years		20%	25,000
Equipment	3-15 years		1-10%	5,000
Library Books	10 years		0%	0

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 5 - Long-term Liabilities

Long-term liabilities of the College consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2006. The various leases cover a period not to exceed ten years. The College has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

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, 2006, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Bonded Debt								
Limited-tax bonds, Series 2006A	\$ 21,700,000	4.35%	2120	\$ 21,700,000	-	\$ 1,055,000	\$ 20,645,000	\$ 1,100,000
Total Bonded Debt				<u>21,700,000</u>		<u>1,055,000</u>	<u>20,645,000</u>	<u>1,100,000</u>
Notes Payable								
George County Lineman Training Facility	450,000	0.00%	2011	295,833	-	50,000	245,833	50,000
Perkinson Infrastructure Upgrade	613,001	2.00%	2025	538,988	74,013	10,701	602,300	26,049
Total Notes Payable				<u>834,821</u>	<u>74,013</u>	<u>60,701</u>	<u>848,133</u>	<u>76,049</u>
Capital Leases								
Energy Conservation Equipment	3,367,618	3.85%	2011	2,497,531	-	317,654	2,179,877	329,884
Technology Upgrade	1,200,000	2.85%	2007	912,525	-	295,668	616,857	304,095
Mechanical Upgrades at Jefferson Davis Campus and Perkinson Campus	5,000,000	2.83%	2007	5,000,000	-	1,220,531	3,779,469	1,224,833
Total Capital Leases				<u>8,410,056</u>		<u>1,833,853</u>	<u>6,576,203</u>	<u>1,858,812</u>
Other Long-term Liabilities								
Accrued Leave Liabilities				3,157,345	-	52,626	3,104,719	270,402
Deposits Refundable				26,875	-	8,300	18,575	-
Total Other Long-term Liabilities				<u>3,184,220</u>		<u>60,926</u>	<u>3,123,294</u>	<u>270,402</u>
Total				<u>\$ 34,129,097</u>	<u>\$ 74,013</u>	<u>\$ 3,010,480</u>	<u>31,192,630</u>	<u>\$ 3,305,263</u>
Due within one year							<u>3,305,263</u>	
Total Long-term Liabilities							<u>\$ 27,887,367</u>	

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 5 - Long-term Liabilities (continued)

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending June 30	<u>Bonded Debt</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,100,000	\$ 76,049	\$ 1,858,812	\$ 1,020,541	\$ 4,055,402
2008	1,150,000	76,575	1,914,842	919,986	4,061,403
2009	1,200,000	77,111	1,650,914	821,452	3,749,477
2010	1,255,000	77,658	369,471	722,555	2,424,684
2011	1,305,000	74,050	383,696	657,572	2,420,318
2012-2016	7,440,000	149,860	398,468	2,382,729	10,371,057
2017-2021	7,195,000	165,607	-	758,478	8,119,085
2022-2026	-	151,223	-	6,516	157,739
	<u>\$ 20,645,000</u>	<u>\$ 848,133</u>	<u>\$ 6,576,203</u>	<u>\$ 7,289,829</u>	<u>\$35,359,165</u>
Totals					

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 6 - Natural Classifications with Functional Classifications

The College's operating expenses by functional classification were as follows for the year ended June 30, 2006:

<u>Functional Classification</u>	<u>Salaries & Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships & Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Total</u>
Instruction	\$ 23,163,650	\$ 5,950,223	\$ 191,009	\$ 799,282	\$ -	\$ 758,006	\$ 1,096,587	\$ -	\$ 31,958,757
Instructional Support	2,158,914	566,304	84,883	76,931	-	-	203,666	-	3,090,698
Student Services	3,306,249	862,116	24,380	310,118	-	284,371	337,344	-	5,124,578
Institutional Support	3,967,937	742,396	111,649	1,747,608	-	20,795	750,276	-	7,340,661
Operation of Plant	2,550,214	835,491	7,239	1,565,009	2,233,409	-	804,041	-	7,995,403
Student Aid	-	-	-	-	-	8,258,640	-	-	8,258,640
Auxiliary Enterprises	468,993	176,232	3,392	1,409,896	-	-	1,758,443	-	3,816,956
Plant and Endowment Ops.	-	-	-	8,857,520	-	-	665,623	3,152,838	12,675,981
	<u>\$ 35,615,957</u>	<u>\$ 9,132,762</u>	<u>\$ 422,552</u>	<u>\$ 14,766,364</u>	<u>\$ 2,233,409</u>	<u>\$ 9,321,812</u>	<u>\$ 5,615,980</u>	<u>\$ 3,152,838</u>	<u>\$ 80,261,674</u>

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 7 - Construction Commitments and Financing

The institution has contracted for the construction of the following projects. At June 30, 2006, estimated costs to complete the projects are \$20,148,652. The remaining costs are to be funded as follows:

	Total Costs to Complete	Funded By			
		Federal Sources	State Sources	Institutional Funds	Other
Local funds:					
Perkinson Campus					
Bryan Hall Roadway/Parking Engineering	\$ 101,009	\$	\$	\$ 101,009	\$
Bryan Hall Roadway/Parking	78,968			78,968	
Jefferson Davis Campus					
Exterior Lighting Upgrade	15,065			15,065	
Landscaping – Phase III	14,533			14,533	
Landscaping – Phase IV	282,536			282,536	
Replace Sewage Lines	9,868			9,868	
Roof Replace-Admin, Career Tech, LRC	7,151			7,151	
Roof Replace- Multiple Buildings	76,165			76,165	
Jackson County Campus					
Roof Replace – Allied Health, LRC, etc.	12,727			12,727	
Air Handling Units	27,756			27,756	
Renovation/Repair University Building	12,444			12,444	
Study of Underground Utilities	3,760			3,760	
Landscaping – Phase	391,425			391,425	
Tennis Court Replacement	6,788			6,788	
Loop Road Project – Phase II	37,273			37,273	
Estuarine Education Center – Engineering	116,821			116,821	
West Harrison Center	905			905	
Security Camera					
Insurance Proceeds					
Perkinson Campus					
Hurricane Katrina Building Repairs	995,401				995,401
Jefferson Davis Campus					
Hurricane Katrina Building Repairs	570,455				570,455
Jackson County Campus					
Hurricane Katrina Building Repairs	661,686				661,686
George County Center					
Hurricane Katrina Building Repairs	209,244				209,244
West Harrison Center					
Hurricane Katrina Building Repairs	46,612				46,612
USDA Loan					
Perkinson Campus					
Two 90 Bed Dorms	714,071	714,071			

Mississippi Gulf Coast Community College
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 7 - Construction Commitments and Financing (continued)

	Total Costs to Complete	Funded By			
		Federal Sources	State Sources	Institutional Funds	Other
District Bonds					
Perkinston Campus					
Math/Science Renovation/Addition	\$ 1,495,681	\$	\$	\$	\$ 1,495,681
Jefferson Davis Campus:					
Child Care Center	667,251				667,251
Renovate Old Cafeteria	1,662,436				1,662,436
Jackson County Campus					
Estuarine Education Center	3,094,807				3,094,807
Perimeter Road – Phases III, IV, & V	3,862,186				3,862,186
George County Center					
Academic Classroom Building	1,898,733				1,898,733
West Harrison Center					
CulinaryArts/Electronic Technology Bldg	1,121,400				1,121,400
State Bond Funds:					
Perkinston Campus					
Bookstore Renovation & Addition	4,406		4,406		
Maint/Tech/Trans Service Center	1,949,089		1,949,089		
Total	\$20,148,652	\$ 714,071	\$ 1,953,495	\$ 1,195,194	\$16,285,892

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Note 8 - Pension Plan

Plan Description: The College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirements System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 OR 1-800-444-PERS.

Funding Policy:

PERS members are required to contribute 7.25% of their annual covered salary. The institution is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 2006, 2005, and 2004 were \$3,656,109 \$3,227,382, and \$3,061,228, respectively, equal to the required contributions for each year.

Note 9 – Asset Impairment

On August 29, 2005 Hurricane Katrina damaged many college capital assets. After recognition of \$8,086,334 of insurance proceeds the college recognized a gain of \$7,260,864. The college's management did not feed that Hurricane Katrina was an extraordinary item, since the Mississippi Gulf Coast is susceptible to hurricanes.

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student financial Aid-Cluster			
U.S. Department of Education:			
Federal PELL Grant Program	84.063		\$ 8,559,588
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		198,963
Federal Family Education Loans (FFEL)	84.032		2,568,557
Federal Work-Study Program (FWS)	84.033		<u>126,462</u>
Total Student Financial Aid Cluster			11,453,570
Other Programs:			
U.S. Department of Education:			
Higher Education Institutional Aid	84.031		276,984
Business and International Education Projects	84.153		70,511
English/Second Language	84.002		44,834
Pass-through Programs From:			
Board of Trustees of the Institution of Higher Learning -- Supplemental Leveraging Educational Assistance Partnership	84.938F		3,985,366
Leveraging Educational Assistance Partnership	84.069		6,321
State Board of Community and Junior Colleges – Adult Education _ State Grant Program	84.002		559,994
State Department of Education – Vocational Education Basic Grant to States	84.048	E-V048A020024	507,621
State Department of Education – Tech Prep Education	84.243	E-V243A010024	<u>69,099</u>
Total U.S. Department of Education			5,520,730
U.S. Department of Health & Human Services:			
Pass-through Program From:			
Scholarship for Health Professions from Disadvantaged Backgrounds	93.925		16,183
U.S. Department of Agriculture:			
Pass-through Program From:			
Mississippi Community College Foundation – Mississippi Rural Health Program – Cooperative Extension Service	10.500		125,973
U.S. Department of Defense:			
Student Financial Aid	12.UNK		280,795

Mississippi Gulf Coast Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
National Aeronautics and Space Administration: Pass-through Program From: University of Mississippi – Aerospace Education Services Program	43.001		2,565
Department of the Army: Pass-through Program From: Army Corps of Engineers-State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		542,384
Department of Labor: Pass-through Program From: H-1B High Growth Job Training Grants	17.268		74,688
WIA Pilots, Demonstrations and Research Project	17.261		92,433
National Endowment for the Humanities: Promotion of the Humanities-Division of Preservation and Access	45.149		4,843
National Science Foundation: Education and Human Resources	47.076		292,840
Federal Emergency Management Agency Department of Homeland Security Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		23,265
Department of Commerce: Pass-through Program From: Mississippi Technology Alliance – Manufacturing Extension Partnership	11.611		90,000
U.S. Department of Veterans' Affairs Vocational Rehabilitation of Disabled Veterans	64.116		<u>55,597</u>
Total Other Programs			<u>7,122,296</u>
Total Expenditures of Federal Awards			<u>\$ 18,575,866</u>

Notes to Schedule of Expenditures of Federal Awards

This schedule was prepared using the same basis of accounting and the same significant policies, as applicable, used for the general purpose financial statements, with the following exceptions:

(1) For purposes of this schedule, loans made to students under the Federal Family Education Loan Program (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

**Independent Auditor's Report
on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

Dr. Willis H. Lott, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the financial statements of the business-type activities of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2006, as listed in the table of contents and have issued our report thereon dated December 8, 2006. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the college, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P.A.
December 8, 2006

**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Federal Program
and Internal Control over Compliance in
Accordance with OMB Circular A-133**

Dr. Willis H. Lott, President
and Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

Compliance

We have audited the compliance of Mississippi Gulf Coast Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Mississippi Gulf Coast Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mississippi Gulf Coast Community College's management. Our responsibility is to express an opinion on Mississippi Gulf Coast Community College's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mississippi Gulf Coast Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mississippi Gulf Coast Community College's compliance with those requirements.

In our opinion, Mississippi Gulf Coast Community College, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of Mississippi Gulf Coast Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mississippi Gulf Coast Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the college, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P.A.
December 8, 2006

**Independent Auditor's Report on Compliance with
State Laws and Regulations**

Dr. Willis H. Lott, President and
Board of Trustees
Mississippi Gulf Coast Community College
Perkinston, Mississippi

We have audited the financial statements of Mississippi Gulf Coast Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. 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*.

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

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

This report is intended solely for the information and use of management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culumber, Fletcher, Harvey & Associates, P.A.

Culumber, Fletcher, Harvey & Associates, P.A.
December 8, 2006

Mississippi Gulf Coast Community College
Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weakness(es) | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Student Financial Aid cluster: | |
| CFDA#: 84.063 | |
| CFDA#: 84.007 | |
| CFDA#: 84.032 | |
| CFDA#: 84.033 | |
| b. CFDA#: 84.938F | |

Mississippi Gulf Coast Community College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

- | | |
|--|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$480,219 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

None

Section 3: Federal Award Findings and Questioned Costs

None