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HINDS COMMUNITY COLLEGE DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

HINDS COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	18
Statement of Net Position	19
Hinds Community College Development Foundation, Inc. Statement of Financial Position	20
Statement of Revenues, Expenses and Change in Net Position	21
Hinds Community College Development Foundation, Inc. Statement of Activities	22
Hinds Community College Development Foundation, Inc. Statement of Changes in Net Assets	23
Statement of Cash Flows	24
Notes to the Financial Statements	26
SUPPLEMENTAL INFORMATION	42
Schedule of Expenditures of Federal Awards	43
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	45
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133	48
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	52
AUDITEE'S CORRECTIVE ACTION PLAN / SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	56

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

President and Board of Trustees
Hinds Community College District

Report on the Financial Statements

We have audited the accompanying financial statements of the Hinds Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Hinds Community College District's basic financial statements as listed in the table of contents. We did not audit the financial statements of Hinds Community College Development Foundation, Inc. (the Foundation) as of and for the year ended December 31, 2012, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Hinds Community College Development, Inc. were not audited in accordance with *Governmental Auditing Standards*.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hinds Community College District, as of June 30, 2013, and its discretely presented component unit, as of December 31, 2012, and the respective changes in financial

position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-17 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hinds Community College District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the Hinds Community College District'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 Hinds Community College District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 11, 2014

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

OVERVIEW OF THE FINANCIAL REPORT

This section of the Hinds Community College District (the District) annual financial report presents our discussion and comparative analysis of the financial performance of the District during the fiscal year ended June 30, 2013. 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.

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." During fiscal year 2005, the College implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14," and has incorporated one non-governmental component unit, the Hinds Community College Development Foundation, Inc. (the Foundation). The financial statements of the Foundation may be obtained by writing to the Hinds Community College Development Foundation, Inc., P. O. Box 1100, Raymond, MS 39154.

Overview of the Financial Statements

One of the most important questions asked is whether the District 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. These statements are 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.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities. The District's net position, the difference between assets and liabilities, are one indicator of the District's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the District's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities. A summary of the District's assets, liabilities, and net position as of June 30, 2013 and 2012 is as follows:

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

Condensed Statement of Net Position - June 30, 2013

	2013	2012
Assets:		
Current Assets	\$ 46,334,300	\$ 46,675,588
Non-Current Assets:		
Capital assets, net	181,891,842	175,486,144
Investments, restricted for capital improvements	1,736,810	9,494,379
Other	1,986,016	2,050,845
Total Assets	\$ 231,948,968	\$ 233,706,956
 Liabilities:		
Current liabilities	\$ 19,881,560	\$ 22,944,090
Non-Current Liabilities	56,528,653	57,675,073
Total Liabilities	76,410,213	80,619,163
 Net Position		
Net Investment in capital assets	\$ 130,152,203	\$ 122,314,257
Restricted:		
Capital projects	1,693,115	1,000,947
Other projects	916,439	781,609
Unrestricted	22,776,998	28,990,980
Total Net Position	155,538,755	153,087,793
Total Liabilities and Net Position	\$ 231,948,968	\$ 233,706,956

A review of the summary indicates a relatively strong financial position as of June 30, 2013. This is a result of the District's careful and conservative spending habits and its continued ability to adhere to its annual financial plans. Total assets have decreased by \$1,757,988. The majority of that decrease is due to a decrease of investments restricted for capital improvements of \$7,757,569. This decrease is due to the construction of two new dorms on the Raymond Campus. A \$4,208,950 decrease in liabilities is mainly due to a drop in book overdraft of \$2,383,270.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

Assets

Current Assets

- Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents, reported as current assets on the District's financial statements were \$17,479,909 at June 30, 2013, and \$18,414,198 at June 30, 2012. This represents a \$934,289 decrease in cash and cash equivalents.

- Short-Term Investments

The total amount of investments reported as current assets on the District's financial statements was \$8,903,611 at June 30, 2013 and \$9,123,046 at June 30, 2012. This represents a \$219,435 decrease in investments. The college saw historically low interest rates which did not encourage long term investments. The college placed most of its money in short term investments and remained liquid in case interest rates rose.

- Accounts Receivable

Accounts receivable relate to several transactions, including state appropriations, county appropriations, accrued interest, student tuition, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts which totaled \$900,000 in fiscal year 2013 and fiscal year 2012. The District's receivables totaled \$18,907,137 at June 30, 2013 and \$16,464,719 at June 30, 2012. This represents a \$2,442,418 or 15% increase in our accounts receivable. The majority of the increase in receivables is attributable to a \$1,018,859 increase in tuition receivable. The District has implemented policies to keep our student receivables current but knew that if financial aid decreased its availability to students that it would result in higher student receivables. Student receivables are expensed once they have reached 517 days outstanding, or two semesters old. The District sends these accounts to an outside firm for collection.

- Inventories

The District maintains inventories of resale merchandise, as well as items for internal consumption. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,043,643 at June 30, 2013, a decrease of \$1,619,547 (61%), from \$2,663,190 at June 30, 2012. Also the bookstore inventory saw the largest decrease of \$1,712,427 with decreased demand due to the reduction in financial aid available for the students in the summer semesters, and the bookstore changing their book supplier and software which allowed for better controls on purchasing and inventory. The bookstore inventory, which includes textbooks and merchandise, comprises almost 81% of the total inventory.

Non-current assets

- Endowment Investments

The District shows the Holtzclaw endowment investments totaled \$46,641 at June 30, 2013. The amount increased slightly from \$46,419 in fiscal year 2012 with the interest and dividends earned on the investments. The endowment is separate from the investments included in the District's component unit, the Hinds Community College District Foundation, Inc.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

- Investments, Restricted for Capital Improvements

During FY 2011, proceeds were received from an \$18.3 million bond issue for the construction of two dormitories on the Raymond campus. Those proceeds were invested pending completion of the capital project. The total amount of investments reported as non-current assets on the District's financial statements was \$1,736,810 at June 30, 2013 and \$9,494,379 at June 30, 2012. The reduction of the investments, \$7,757,569, shows the large amounts drawn down to pay the architects and contractors for the construction of the dorms on the Raymond Campus during FY 2013.

- Bond Costs, Net of Amortization

The bond costs associated with the Raymond Dorm project, the Muse Center project, and the Mayo Refinancing was capitalized and the amount is being amortized over 30 years. The amount decreased in FY13 to \$1,939,375 from \$2,004,426 in FY12.

- Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, equipment, vehicles, and historical library holdings at June 30, 2013. The total amount, net of depreciation, at June 30, 2013 was \$181,891,842. The amount reported net of accumulated depreciation at June 30, 2012 was \$175,486,144. This represents a \$6,405,698 increase in capital assets or a 4% increase. The College continues to add facilities and expand its operations. In a competitive environment, the District wants to continue to repair or improve buildings and replace equipment in an attempt to provide our students and employees with the latest technology and a better learning environment.

Summary of Capital Assets

	Beginning Balance	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance
Land	\$ 7,019,908	\$ -	\$ -	\$ 7,019,908
CIP	45,813,070	10,395,086	(30,087,355)	26,120,801
Livestock	90,200	-	(21,850)	68,350
Total non-depreciable property	52,923,178	10,395,086	(30,109,205)	33,209,059
Improvements	\$ 39,827,320	\$ 7,307,730	\$ (373,140)	\$ 46,761,910
Buildings	134,742,613	23,152,764	-	157,895,377
Equipment	15,253,562	1,306,658	(875,926)	15,684,294
Library books	4,421,181	156,886	(613,382)	3,964,685
Total depreciable property	194,244,676	31,924,038	(1,862,448)	224,306,266
Total accumulated depreciation	69,632,202	6,956,537	(965,256)	75,623,483
Total depreciable assets, net	124,612,474	24,967,501	(897,192)	148,682,783
Capital Assets, Net	<u>\$ 177,535,652</u>	<u>\$ 35,362,587</u>	<u>\$ (31,006,397)</u>	<u>\$ 181,891,842</u>

In fiscal year 2013, the District completed construction projects totaling \$30,087,355 which are included in the additions to buildings and improvements. In addition, the College expensed \$99,447 for two projects which did not rise to the capitalization threshold of \$50,000. The total new buildings and improvements include the following:

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

Projects completed in FY 13		Capitalized Amount
Jackson ATC Classrooms	Building	\$ 162,707
Clyde Muse Center	Building	22,990,058
Airport Apron Phase II	Improvement	1,480,409
Airport ILS Landing System Phase II	Improvement	2,036,165
Bull Test Barn	Improvement	66,664
ERCC Fire Alarm Renovation	Improvement	35,890
Graves Hall Chiller	Improvement	62,594
IT HVAC System	Improvement	203,736
Library Roof Project	Improvement	355,088
Moss Hall CFM Unit(air quality)	Improvement	29,341
NAHC Roof Repair	Improvement	91,987
Parking Lot Resurfacing Nursing	Improvement	165,336
Parking Lot Resurfacing RY	Improvement	135,164
Parking Lot Resurfacing Vicksburg	Improvement	206,986
Raymond Parking Lot Repair	Improvement	87,743
Roofing Library/Moss	Improvement	356,617
Utica Wellness Project	Improvement	1,578,282
Vo-tech RY Drainage Pipe	Improvement	42,587
		<u>\$ 30,087,355</u>

Liabilities

Current Liabilities

- Book Overdraft

Book Overdraft represents the checks, advices, and other expenses outstanding at the end of FY 13. The amount decreased to \$2,914,125 in FY 13 from \$5,297,395 in FY 12.

- Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2013 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$4,759,439 at June 30, 2013 and \$5,621,421 at June 30, 2012. This represents a decrease in liabilities of \$861,982.

- Deferred Revenues

Deferred revenues represent revenues that were received by the District during the fiscal year, but the District did not earn the revenue by the end of the June 30, 2013 fiscal year. For example, the District allows students to pre-register in the spring for classes scheduled in the fall. The deferred revenue totaled \$10,076,501 at June 30, 2013 and \$9,996,257 at June 30, 2012. There was a slight increase of \$80,244.

- Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the balances that the District would expect to pay on notes, bonds, and accrued leave liabilities within the next fiscal year. The amount of the current portion of long-term liabilities at June 30, 2013 was \$1,446,077 and \$1,412,297 at June 30, 2012.

- Other Current Liabilities

Other current liabilities represent assets belonging to individuals or organizations for which the District

HINDS COMMUNITY COLLEGE DISTRICT
 Management's Discussion and Analysis
 For the year ended June 30, 2013

acts as custodian. Examples include various student clubs and organizations and agency scholarships. The total amount held for others at June 30, 2013 was \$685,418 and \$616,720 at June 30, 2012. This was a \$68,698 or 11% increase for this liability account.

Non-current Liabilities

- Accrued Leave Liability

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid absences, such as vacation. The non-current portion of the accrued compensated balances was calculated to be \$2,446,830 at June 30, 2013. This was a 24% increase from the amount at June 30, 2012 of \$1,975,366. We believe this increase was due to a pay increase in FY13 and the addition of a number of new employees.

- Long-Term Liabilities Non-Current Portion

Long-term liabilities non-current portion represents the portion of notes and bonds payable balances that would be payable after June 30, 2014. The amount of the non-current portion at June 30, 2013 was \$53,986,000. The non-current portion of long-term debt decreased by 3%, or \$1,608,167 as the District paid off principal in FY13.

- Bond Premium Net Amortization

The bond premium associated with the Mayo Refinancing was capitalized and the amount is being amortized over 30 years. The amount decreased in FY13 to \$95,823 from \$105,540 in FY12.

Net Position

- Net Investment in capital assets

In FY13, this portion of the District's net position increased \$7,837,946 to \$130,152,203. The District added \$30,087,354 in capitalized assets and construction in progress decreased to \$26,120,801.

- Restricted Net Position

The following is a breakdown of the restricted net position at June 30, 2013:

Capital Project Funds	\$ 1,693,115
Other Project Funds	<u>916,439</u>
 Total Restricted Net Position	 <u>\$ 2,609,554</u>

Restricted capital project funds consist of local appropriations restricted for capital purposes or debt retirement funds and proceeds from debt offerings for specific projects. Other Project funds consist of endowment funds or other grant funds with restrictions from the grantor on spending. Currently, the District will transfer amounts from the capital projects fund to the debt service fund to pay all principal, interest, and fees associated with bonds and notes payable.

- Unrestricted Net Position

The following is a breakdown of the unrestricted net position at June 30, 2013:

Unrestricted General Fund	<u>\$ 22,776,998</u>
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Unrestricted net positions represent those balances from operational activities that have not been

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

restricted by parties external to the District such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. In fiscal year 2012, the District attained a significant increase in state appropriations due to enrollment increases in prior years, which allowed the revenues to exceed expenses. The District addressed numerous deferred maintenance projects and technology upgrades in FY13 which resulted in a reduction in unrestricted funds.

- 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 local appropriations as non-operating revenues. The District's dependency on these funding sources results in an operating deficit.

	Year Ended June 30	
	2013	2012
Operating Revenues:		
Tuition and fees	5,236,105	6,154,011
Grants and contracts	13,908,782	13,586,320
Aux Enterprises	18,288,618	18,556,317
Other operating	909,897	1,432,479
Total operating revenues	38,343,402	39,729,127
Operating Expenses	127,615,789	127,873,691
Operating Loss	(89,272,387)	(88,144,564)
Nonoperating revenues (expenses):		
State appropriations	33,318,860	32,662,600
County appropriations	11,912,193	11,755,797
Federal grants and contracts	35,565,929	41,460,249
Investment income	73,525	98,125
Other non-operating revenues (expense)	(3,181,400)	(534,057)
Net non-operating revenues	77,689,107	85,442,714
Income (Loss) before other revenues	(11,583,280)	(2,701,850)
Federal capital grants	2,518,967	2,184,061
State & Local appropriations restricted for capital purposes	9,431,159	9,145,658
Insurance Proceeds	1,236,165	-
Other Non-Operating Revenues	50,957	-
Total other revenues	13,237,248	11,329,719
Total increase in net position	1,653,968	8,627,869
Net Position, beginning of year, as previously reported	153,087,793	144,330,218
Prior Period Adjustment	796,994	129,706
Net Position Adjusted	153,884,787	144,459,924
Net Position, end of year	155,538,755	153,087,793

Operating revenues decreased by \$1,385,725 while operating expenses decreased by only \$257,902.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

Therefore, the operating loss for fiscal year 2013 increased by \$1,127,823 to \$89,272,387. The District will continue to show a significant operating loss since two of our largest funding sources, state and local appropriations, are not included in operating revenue per GASB No. 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding from the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin, and Warren.

Revenues

Operating Revenues

- Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$5,236,105. The amount decreased by \$917,906 or 15% from the amount in fiscal year 2012 which was \$6,154,011. However, this is a little misleading. Our gross tuition and fees collected went down \$2,418,593. The amount went from \$29,476,290 in FY12 to \$27,057,697 in FY 13. The tuition discount for scholarship allowances, as estimated according to the National Association of College and University Business Officers' Advisory Report 2000-2005, for the 2013 fiscal year was \$21,821,592 compared to the fiscal year 2012 amount of \$23,322,279. These numbers attempt to estimate the amount of financial aid refunds that the college disburses to students. We believe this number decreased due to the decrease in the financial aid offered to our students, and an increase number of our students receiving financial aid.

- 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 District's grant and contract awards for the fiscal years ended June 30, 2013 and 2012:

Hinds Community College Grants and Contracts

	2013	2012
Federal grants and contracts	\$ 7,351,503	\$ 6,976,418
State grants and contracts	6,175,094	6,211,214
Non governmental grants	382,185	398,688
Total sources	\$ 13,908,782	\$ 13,586,320

The District had a \$375,085 or 5% increase in federal source grants in fiscal year 2013. State grants decreased by \$36,120 or 1%, in fiscal year 2013. For several years in a row, the College has seen salary reimbursements reduced for vocational and technical instructors.

- Sales and Services from Educational Activities

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

Sales and services from educational activities include revenue from our child care programs, sales of product and services from our vocational programs, and athletic events. The amount for FY13 was \$271,825 and was \$320,361 for FY12. The revenues decreased \$48,536, or 15% in fiscal year 2013.

- Auxiliary Sales and Services, Net

Auxiliary sales and services, net consists of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. These enterprise entities charge a fee directly related to the cost of those goods or services and are intended to be self-supporting. The activities include the District's bookstores at each location, student housing, faculty housing, the Eagle Ridge Conference Center, Wellness Facilities on the Raymond and Utica Campuses, John Bell Williams Airport in Raymond, Brewed Awakenings Coffee Shop on the Rankin Campus, the Eagle Ridge golf course in Raymond, and the Meat Market in Raymond. Auxiliary enterprises revenues decreased by \$267,699, from \$18,288,618 in fiscal year 2013 compared to \$18,556,317 in fiscal year 2012. Most of the decrease is from a small decrease in enrollment in FY 13 and decreased revenues at the bookstore.

- Operating Expenses

The following table details the District's operating expenses by natural classification and functional classification for the fiscal years ended June 30, 2013 and 2012:

Operating Expenses by Natural Classification	2013	2012
Instruction	51,716,214	51,444,927
Academic Support	2,639,180	2,212,819
Student Services	7,925,245	7,546,338
Institutional support	13,280,906	12,178,863
Operations and maintenance of plant	12,190,188	10,068,209
Student financial aid	16,517,333	20,779,598
Auxiliary enterprises	17,532,531	18,276,118
Bad debt expenses	546,968	555,103
Depreciation	5,267,224	4,811,716
	<u>\$ 127,615,789</u>	<u>\$ 127,873,691</u>

The College saw increased expenses in almost every category except student financial aid, auxiliary enterprises, and bad debt expenses. The College decided to give raises in FY13 to full time instructors and adjunct instructors. The college also dealt with an increase in the amount of required employer contributions for retirement benefits for all full time employees. In FY13, the federal government continued to reduce the amount of financial aid available for students in the summer and eliminated the ability to benefit program. Those changes reduced the amount of financial aid available to our students by \$4,262,265.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

Operating Expenses by Functional Classification	2013	2012
Salaries and wages	55,392,585	52,701,366
Fringe benefits	17,330,075	15,750,795
Travel	954,609	1,023,925
Contractual services	13,631,156	11,112,307
Utilities	3,213,973	3,418,489
Scholarships and fellowships	17,208,948	21,258,894
Commodities	13,911,392	16,054,985
Depreciation expense	5,267,224	4,811,716
Other operating	705,827	1,741,214
	\$ 127,615,789	\$ 127,873,691

The College saw increased expenses in every category except for scholarships, travel, utilities, commodities, and other operating expenses. The largest decrease was in the student scholarships and fellowships category. The scholarship and fellowship expenses classification decreased by \$4,049,946. As discussed above, the College saw a reduction in the amount of federal aid available to students. Salaries and Wages also increased by \$2,691,219. Most of that increase is due to a raise in salaries and increased number of employees. The College also saw fringe benefits increase as it dealt with an increase in the amount of required employer contributions for retirement benefits for all full time employees.

Non-operating Revenues (Expenses)

- State Aid

One of the District's largest sources of non-operating revenue is the appropriations from the State of Mississippi Legislature. The funds pass through the Mississippi Community College Board (MCCB) which calculates the College's share based on a funding formula. The District received \$33,318,860 for fiscal year 2013, of which \$21,157,636 were appropriations received for the District's general fund. The District received an additional \$5,713,931 in Education Enhancement Funds. The total amount received fiscal year 2012 was \$32,662,600.

- County Appropriations

The District enjoys strong financial support from all counties in the District where the school resides. The District uses the funding for salaries and benefits, and for operational purposes. The District receives the appropriation in monthly payments, beginning in July of each year. The District received \$11,912,193 for the 2013 fiscal year from the counties. The amount has increased \$156,396 from the fiscal year 2012 amount of \$11,755,797.

- Federal Grants and Contracts

The College received \$35,565,929 in federal grants and contracts for FY13 which is a decrease of \$5,894,320 from last year's amount of \$41,460,249. That is a significant decrease of 14% from last year. In FY13, the federal government again reduced the amount of financial aid available for students in the summer and eliminated the Ability to Benefit Provisions of the Pell Grant. Both of those changes reduced the amount of financial aid available to our students.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

- Net Investment Income

Net Investment Income includes the interest income from the cash in the bank accounts, various investments in certificates of deposits, Federal Bond Funds, and money market accounts. The investment income for FY13 was \$73,525. This was a decrease of \$24,600 or 25% less than the fiscal year 2012 amount. Unfortunately, the District saw historically low interest rates and the return on its investments in FY 13.

Other Revenues

- Federal Capital Grants

The federal capital grants increased in FY13 by \$334,906 to \$2,518,967. The College received federal grants for two large capital projects in fiscal year 2013. The College received a federal grant from the Federal Aviation Administration for the renovation of the airport runway and aprons at the John Bell Williams Airport and the College received federal money from the Department of Labor for the Trade Adjustment Assistance Community College and Career Training (TAACCT) grant for renovation of the Ball Clinic on the Nursing Allied Health Campus.

- State and County Appropriations Restricted for Capital Purposes

The appropriations for FY13, \$9,431,159, increased by \$285,501 or 3%, from \$9,145,658 in fiscal year 2012. Upon passage of a legislative bond bill in the Mississippi State Legislature, the State of Mississippi sells capital improvement bonds and those funds are allocated by the Mississippi Community College Board to each college based on an enrollment formula. The appropriations must be spent on renovations and repairs or construction of new facilities. In FY 13, the college began working on a \$5 million project with bond funds to renovate the Beemon Hall Science Building on the Raymond Campus and completed the repair and renovation of a number of roofs throughout the district. Finally, the County Appropriations Restricted for Capital Purposes are proceeds from tax collections from the counties in our district. The amount received from the counties in our district remained relatively flat in FY13. The amount and the millage rates is set by the local county Board of Supervisors.

Insurance Proceeds

During fiscal year 2013, our campuses were struck by a hailstorm, which inflicted significant property damage on three campuses. We received \$1,236,165 in insurance proceeds, which mainly consist of reimbursements for roof repair made to our buildings.

Statement of Cash Flows

Another way to assess the financial health of the District 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 District 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.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

- Condensed Statement of Cash Flows (Direct Method)

Consolidated Statement of Cash Flows (Direct Method)

For the fiscal years ended June 30	2013	2012
Cash and cash equivalent provided (used) by:		
Operating activities	\$ (86,661,661)	\$ (83,110,358)
Non-capital financing activities	80,327,032	85,878,646
Capital and related financing activities	(3,446,961)	(17,181,558)
Investing activities	<u>8,050,307</u>	<u>6,015,197</u>
Net (decrease) in cash and cash equivalents	(1,731,283)	(8,398,073)
Cash and cash equivalents, beginning of year	<u>18,414,198</u>	<u>26,682,565</u>
Prior Period Adjustment	<u>796,994</u>	<u>129,706</u>
Cash and cash equivalents, end of year	<u>\$ 17,479,909</u>	<u>\$ 18,414,198</u>

The major sources of funds included in operating activities include student tuition and fees, \$4,297,490, auxiliary enterprises, \$18,266,378, and grants and contracts, \$11,886,928. The major uses of funds were payments made to employees for salaries and fringe benefits, \$73,189,025, payments made to vendors and suppliers, \$29,805,382 and to scholarships and fellowships, \$17,208,948.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2013

FACTORS IMPACTING FUTURE PERIODS

The District is largely dependent on the ongoing financial and political support from the State of Mississippi and the Counties in our District. For the fiscal year 2014 budget year, the District does not expect to see a significant increase in state appropriations or support from our Counties. Therefore, the College will continue to search for savings and cost reductions and will also have to make some decisions on the best allocations of current resources and whether to raise tuition rates and fees. After the college saw record setting growth in enrollment during 2008-2010, the College has seen the enrollment decrease in every semester since. In particular, the summer sessions have seen double digit decreases with the elimination of separate financial aid help for the summer.

Those enrollment decreases are a little troubling because the Mississippi Community College Board (MCCB) places emphasis on enrollment growth in their formula which they use to divide the State's general fund appropriation among the community and junior colleges. Along with that concern, the College is concerned that the enrollment formula may change in the near future. The Mississippi State Legislature formed a graduation Task Force which suggested community colleges complete a report card to provide benchmarks for accountability, student graduation and completion rates. Some of those recommendations may include adding another component to the funding formula which rewards schools for their graduation or completion rates. To keep our financial picture bright, the College must focus on its ability to recruit and retain high quality students.

Tuition increases will have to be considered again. However, we know that our reasonable tuition makes us an attractive choice for families in Mississippi. We must continue to keep our tuition reasonable compared to our competitors, but this source of funding will probably have to grow. In fact, we expect our tuition revenue could be our largest percentage of total revenue in FY14. If we increase our dependency on tuition revenue, then any change to state and federal financial aid packages offered to students will impact their ability to pay tuition and our revenue stream. For example, our enrollment decreases in FY 12 and FY13 are due in part to the reduction in the amount of federal student financial aid flowing through our college. Financial aid decreased in fiscal year 2013 almost \$5 million dollars from the \$40 million dollars that flowed through the college in 2012. We are very aware that amount of volume makes us very sensitive to any proposed changes to decrease federal financial aid funding.

With recruitment and retention in mind, the College continues a commitment to renovations and upgrading of our facilities. The College is currently upgrading the Science Building on the Raymond Campus and is considering new dorms or renovation of dorms on the Raymond campus to provide newer attractive living spaces for students.

FINANCIAL STATEMENTS

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Net Position
As of June 30, 2013

Assets	
Current assets:	
Cash and cash equivalents	\$ 17,479,909
Short-term investments	8,903,611
Accounts receivable, net	18,907,137
Inventories	1,043,643
Total Current Assets	46,334,300
Non-current assets:	
Endowment investments	46,641
Investments, restricted for capital improvements	1,736,810
Bond costs, net of amortization	1,939,375
Capital assets, net of accumulated depreciation	181,891,842
Total Noncurrent Assets	185,614,668
Total Assets	231,948,968
Liabilities and Net Assets	
Book overdraft	2,914,125
Accounts payable and accrued expenses	4,759,439
Deferred revenues	10,076,501
Long-term liabilities-current portion	1,446,077
Other current liabilities	685,418
Total Current Liabilities	19,881,560
Noncurrent liabilities:	
Accrued leave liability	2,446,830
Long-term liabilities	53,986,000
Bond Premium Net Amortization	95,823
Total Noncurrent Liabilities	56,528,653
Total Liabilities	76,410,213
Net Position	
Net Investment in capital assets	130,152,203
Restricted:	
Capital projects	1,693,115
Workforce development and other programs	916,439
Unrestricted	22,776,998
Total Net Position	155,538,755
Total Liabilities and Net Position	\$ 231,948,968

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

**HINDS COMMUNITY COLLEGE DISTRICT
HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
Statement of Financial Position
As of December 31, 2012**

Assets	
Current assets:	
Cash and cash equivalents	\$ 179,201
Receivables:	
Employee loans	60
Unconditional promises to give, short term	<u>92,775</u>
Total Current Assets	<u>272,036</u>
Cash and Cash Equivalents Designated for Long-Term Use	<u>257,985</u>
Investment in Marketable Securities	<u>6,758,389</u>
Property and Other Real Estate:	
Property	31,262
Property held for sale, net of valuation allowance	<u>297,000</u>
Total Property and other real estate	<u>328,262</u>
Other Receivables	
Unconditional promises to give	
net of short - term portion and discounts	<u>75,000</u>
Total other receivables	<u>75,000</u>
Total Net Assets	<u><u>\$ 7,691,672</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	<u>\$ 803</u>
Total Liabilities	<u>803</u>
Net Assets:	
Unrestricted	486,238
Temporarily restricted	2,178,983
Permanently restricted	<u>5,025,648</u>
Total net assets	<u>7,690,869</u>
Total Liabilities and Net Assets	<u><u>\$ 7,691,672</u></u>

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

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

Operating Revenues:	
Tuition and fees(net of scholarship allowances of \$21,821,592)	\$ 5,236,105
Federal grants and contract	7,351,503
State grants and contracts	6,175,094
Nongovernmental grants and contracts	382,185
Sales and services of educational departments	271,825
Auxiliary enterprises:	
Student housing	3,582,313
Food Services	2,986,575
Bookstore	9,618,760
Other auxiliary revenues	2,100,970
Other operating revenues	638,072
Total Operating Revenues	38,343,402
Operating Expenses:	
Salaries and wages	55,392,585
Fringe benefits	17,330,075
Travel	954,609
Contractual services	13,631,156
Utilities	3,213,973
Scholarships and fellowships	17,208,948
Commodities	13,911,392
Depreciation expense	5,267,224
Other operating expense	705,827
Total Operating Expense	127,615,789
Operating Loss	(89,272,387)
Non-operating Revenues(Expenses)	
State appropriations	33,318,860
County appropriations	11,912,193
Federal grants and contracts	35,565,929
Investment income	73,525
Interest expense on capital asset-related debt	(3,181,400)
Total Net Non-operating Revenue	77,689,107
Loss before Other Revenues, Expenses, Gains and Losses	(11,583,280)
Federal Capital Grants	2,518,967
Insurance Proceeds	1,236,165
Other Non-operating Revenues	50,957
State and County Capital Appropriations	9,431,159
Increase in Net Position	1,653,968
Net Position:	
Net Position-Beginning of Year, as previously reported	153,087,793
Prior Period Adjustments	796,994
Net Position-End of Year	\$ 155,538,755

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

**HINDS COMMUNITY COLLEGE DISTRICT
HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.
Statement of Activities
For the year ended December 31, 2012**

UNRESTRICT NET ASSTS:

Support:

Gifts and pledges	\$	20,717
Interest and investment income		29,296
Special events		95,439
Realized gain (loss) on investments		5,824
Other Income		222

Total unrestricted support and reclassifications		151,498
Net assets released from restrictions		680,111
		831,609

Total Revenues, Gains, and Other support

Expenses:

Program Services:

Scholarships		476,990
Faculty and staff development		49,561
College Departments and organizations		69,962
Alumni Groups		67,374
Cain Hall		4,662
Grants		70,319
Intra-fund expenses		(24,748)

Total Program Services 714,120

Supporting Services:

General administration		74,197
Fundraising		73,694

Total Supporting Services 147,891

Total Expenses 862,011

Unrealized gain (loss) on investments 72,007

Increase (decrease) in unrestricted net assets 41,605

Temporarily Restricted Net Assets:

Support:

Gifts and pledges		634,398
Income on investments		140,592
Capital pledges		126,600
Realized gain on investments		17,424
Other income		772
Intra-fund revenues		(24,748)

Total temporarily restricted support 895,038

Net assets released from restriction (680,111)

Unrealized Gain (Loss) on Investments 445,658

Increase in temporarily restricted net assets 660,585

Permanently Restricted Net Assets:

Support:

Gifts and pledges 176,404

Increase in permanently restricted net assets 176,404

Increase in Net Assets \$ 878,594

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

HINDS COMMUNITY COLLEGE FOUNDATION, INC
STATEMENT OF CHANGES IN NET ASSETS
AS OF DECEMBER 31, 2012

	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
Balance, December 31, 2011	\$ 6,812,275	\$ 444,633	\$ 1,765,670	\$ 4,601,972
Reclassifications			(247,272)	247,272
Increase in net assets	<u>878,594</u>	<u>41,605</u>	<u>660,585</u>	<u>176,404</u>
Balance, December 31, 2012	<u>\$ 7,690,869</u>	<u>\$ 486,238</u>	<u>\$ 2,178,983</u>	<u>\$ 5,025,648</u>

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

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2013

OPERATING ACTIVITIES	
Tuition and fees	\$ 4,297,490
Grants and contracts	11,886,927
Sales and services of auxiliary enterprises	18,266,378
Payments to employees for salaries and fringe benefits	(73,189,025)
Payments to vendors and suppliers	(29,805,382)
Payment for utilities	(3,213,973)
Payments for scholarships and fellowships	(17,208,948)
Other receipts	<u>2,304,872</u>
 Net Cash Used in Operating Activities	 <u>(86,661,661)</u>
 NON-CAPITAL FINANCING ACTIVITIES	
County appropriations	11,442,243
State appropriations	33,318,860
Federal grants and contracts	<u>35,565,929</u>
 Net Cash Provided By Non-capital Financing Activities	 <u>80,327,032</u>
 CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal capital grants	2,518,967
State and county capital appropriations	9,137,105
Insurance Proceeds	1,236,165
Other Non-operating revenues	50,957
Proceeds from capital debt	-
Principal paid on capital debt	(1,591,167)
Interest paid on capital debt	(3,126,066)
Purchase of capital assets, net	<u>(11,672,922)</u>
 Net Cash (Used) by Capital and Related Financing Activities	 <u>(3,446,961)</u>
 INVESTING ACTIVITIES	
Investment income	73,525
Net change in investments	<u>7,976,782</u>
 Net Cash Provided By Investing Activities	 <u>8,050,307</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	 <u>(1,731,283)</u>
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>18,414,198</u>
Prior Period Adjustment	796,994
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$17,479,909</u></u>

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

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2013

Reconciliation of Operating Expenses to Net Cash	
Provided by (Used in) Operating Activities:	
Operating loss	\$ (89,272,387)
Adjustments to reconcile operating loss to net cash provided (used in) operating activities:	
Depreciation	5,267,224
Changes in assets and liabilities	
Accounts Receivable, net	(1,678,414)
Inventories	1,619,547
Other assets	10,436
Book overdraft	(2,383,270)
Accounts payable and accrued expenses	(861,982)
Deferred revenues	80,244
Accrued compensated absences	488,244
Other liabilities	68,697
Net Cash (Used in) Operating Activities	<u>\$ (86,661,661)</u>

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

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Hinds Community College District (the District) was founded in 1917 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of the District is found in Section 37-29-31, Miss. Code Ann. (1972). The District includes the activities of Hinds Agricultural High School.

The District is governed by a 15-member board of trustees, selected by the Board of Supervisors of Hinds, Rankin, Warren, Copiah and Claiborne Counties, Mississippi who support the District through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the District works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 public community colleges as they serve the taxpayers of the State of Mississippi.

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and state and county appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific (such as state and county appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The District has elected not to apply FASB pronouncements issued after the applicable date.

Reporting Entity

The financial reporting entity consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements present the District as the primary government and one discretely presented component unit, the Hinds Community College Development Foundation, Inc. (the Foundation).

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

The Foundation is a legally separate, tax-exempt entity which was chartered in the State of Mississippi in 1979 to enhance the educational mission of Hinds Community College (HCC) by providing a vehicle for private sector support and by increasing community awareness of the programs and services offered by HCC. The Foundation's support comes primarily from contributions from alumni, local individuals and businesses.

Although HCC does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds and invests is restricted to the activities of HCC by donors. Because these restricted resources can only be used by or for the benefit of HCC, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

Complete financial statements of the Foundation may be obtained by writing to Hinds Community College Development Foundation, Inc., P.O. Box 1100, Raymond, MS 39154-1100.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the District's financial reporting entity for these differences. Significant note disclosures applicable to the Foundation's financial statements have been incorporated into the District's statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The District considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2013, cash equivalents consisted primarily of money market mutual funds and certificates of deposit.

Short-term Investments

Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.

Accounts Receivables

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 District from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts. Student receivables are expensed once they have reached approximately one year outstanding. Then the District sends these accounts to an outside firm for collection.

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

Inventories

Inventories consist of the bookstore, physical plant, agriculture and printing. Inventories are stated at the lower of cost or market. Cost is determined using either the first-in, first-out (FIFO) method or the average cost method.

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as restricted cash and cash equivalents on the statement of net position.

Other Long-term Investments

The District accounts for its investments at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income on the statement of revenues, expenses and changes in net position.

Capital Assets

Capital assets are recorded at cost on the date of acquisition or, if donated, at fair value at the date of donation. Livestock for educational purposes is adjusted at year end to reflect market price. 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 costs 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 construction is capitalized net of interest income earned on resources set aside for this purpose. No interest costs were capitalized for the year ended June 30, 2013.

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.

Compensated Absences

Twelve-month employees earn annual leave after six months of employment at a rate of 8 hours per month for 6 months; 10 hours per month for 1 to 5 years of service; 12 hours per month for 5 or more years of service. 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.

Net Position

Net positions of the district are classified in three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

Classification of Revenues

The District 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 and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, net of scholarship 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 No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, county appropriations and investment income.

State Appropriations

The District receives funds for general operations from the State of Mississippi through the Mississippi Community College Board. The appropriations are distributed to community and junior colleges based on a funding formula which has been approved by all of the presidents of the colleges. Currently, the first 15% of the appropriations are split equally among the colleges, and then the remaining 85% of the appropriations are allocated based on the college's total credit hours generated by students, with some special consideration given to those programs which are considered high cost programs.

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 and/or 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.

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENTS RETURN

The District maintains its investment funds in custodial accounts managed by professional investment advisors. The District has advised the advisors to maintain balanced portfolio's with an emphasis on growth in value.

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

Investments at June 30, 2013 comprised the following:

U.S. Government Obligations/Agencies		
Unrestricted	2,497,085	
Restricted	<u>1,736,220</u>	\$ 4,233,305
Certificate of Deposits		
Unrestricted	5,839,734	
Restricted	<u>613,432</u>	\$ 6,453,166
Cash Alternatives-Restricted		\$ 591
		<hr/>
		<u>\$10,687,062</u>

Investment activity for the year ended June 30, 2013 is summarized below:

Investments, at beginning of period	\$ 18,663,844
Purchase of investments	4,238,777
Investment returns:	
Dividends and interest and unrealized gains/losses (net of fees)	(7,558)
Redemption of investments	(18,661,167)
CD's Purchased	<u>6,453,166</u>
	<u>\$ 10,687,062</u>

As described by SFAS No. 157, the District has measured the fair value in Bonds, mutual funds, and US Government Obligations at fair value using quoted prices for identical investments, which is Level 1 risk.

Cash, Cash Equivalents and Short-term Investments

Investment policies, as set forth by state statute, authorize the District 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.

Deposits

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

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the district'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 Deposit Insurance Corporation.

The carrying amount of the District's deposits with financial institutions reported in the Statement of Net Position as cash and cash equivalents was \$17,479,909. Additionally, the District had certificates

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

of deposit with a carrying value of \$6,453,166 reported as investments in the Statement of Net Position. At June 30, 2013, none of the District's deposits were exposed to custodial credit risk.

Investments

Investment policies are set forth by state statute. Investments are reported at fair value (market). The District does not have a formal investment policy that addresses credit risk.

Section 37-59-43, Miss. Code Ann. (1972), authorizes the District to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director or the Department of Finance and Administration.

At June 30, 2013, the District had the following investments, maturities and credit ratings:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities Less than One Year</u>	<u>Credit Rating S&P/Moody's</u>
U.S. agencies obligations	\$ 4,233,305	\$ 4,233,305	AAA/Aaa
Certificate of Deposits	\$ 6,453,166	\$ 6,453,166	
Cash Alternatives	\$ 591	<u>\$ 591</u>	
		<u>\$10,687,062</u>	

Interest Rate Risk - The District 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. The mutual funds are presented as investments with maturities of less than one year because they are redeemable in full immediately.

Credit Risk - Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's does not have a formal investment policy that limits its investments to certain ratings issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2013, approximately \$2,570,106 of investments are held in other than the District's name.

Concentration of Credit Risk- the District places no limit on the amount that may be invested in any issuer. At June 30, 2013, the following investments exceeded 5% of the District's total investments:

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation	\$1,736,220	16%
Riverhills CD	\$1,224,801	11%
Community Bank CD	\$1,074,185	10%
Federal Home Loan Bank	\$ 999,460	9%
Federal Farm Credit Bank	\$ 998,010	9%
Merchants & Planters CD	\$ 613,432	6%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the Statement of Net Position as follows:

Carrying value	
Deposits	\$ 17,479,909
Investments	<u>10,687,062</u>
	<u>\$ 28,166,971</u>

Included in the following balance sheet captions	
Cash and cash equivalents	\$ 17,479,909
Short-term investments	8,903,611
Endowment investments	46,641
Investments, restricted for capital improvements	<u>1,736,810</u>
	<u>\$ 28,166,971</u>

Investment Income

Investment income for the year ended June 30, 2013, consisted of:

Interest and dividend income	<u>\$ 73,525</u>
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HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

The District's accounts receivable consisted of the following at June 30, 2013:

Student Tuition	\$ 13,073,648
Federal, state and private grants and contracts	4,537,805
Auxiliary Enterprises and other operating activities	347,860
Other	<u>1,847,824</u>
Less Allowance for Doubtful Accounts	(900,000)
Total	<u>\$ 18,907,137</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was:

Nondepreciable Capital Assets:

	Beginning Balance	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance
Land	7,019,908	-	-	7,019,908
CIP	45,813,070	10,395,086	(30,087,355)	26,120,801
Livestock	90,200	-	(21,850)	68,350
Total	<u>52,923,178</u>	<u>10,395,086</u>	<u>(30,109,205)</u>	<u>33,209,059</u>

Depreciable Capital Assets:

Improvements	39,827,320	7,307,730	(373,140)	46,761,910
Buildings	134,742,613	23,152,764	-	157,895,377
Equipment	15,253,562	1,306,658	(875,926)	15,684,294
Library books	4,421,181	156,886	(613,382)	3,964,685
Total	<u>194,244,676</u>	<u>31,924,038</u>	<u>(1,862,448)</u>	<u>224,306,266</u>

Less Accumulated Depreciation for:

Buildings	45,136,949	2,677,886	(199,243)	47,615,592
Improvements other than buildings	11,519,095	1,705,639	(4,809)	13,219,925
Furniture and equipment	10,180,424	2,573,012	(761,204)	11,992,232
Library books	2,795,734	-	-	2,795,734
Total Accumulated Depreciation	<u>69,632,202</u>	<u>6,956,537</u>	<u>(965,256)</u>	<u>75,623,483</u>

Total Depreciable Capital Assets, net	<u>124,612,474</u>	<u>24,967,501</u>	<u>(897,192)</u>	<u>148,682,783</u>
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Net Capital Asset	<u>177,535,652</u>	<u>35,362,587</u>	<u>(31,006,397)</u>	<u>181,891,842</u>
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HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

Depreciation expense is computed on a straight line basis. Library books are capitalized using a composite method. The following is used to compute depreciation.

<u>Description</u>	<u>Useful Life</u>	<u>Salvage Values</u>	<u>Capitalization Thresholds</u>
Buildings	40 years	20%	\$50,000
Building Improvements	20 years	20%	25,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 years	1-10%	5,000
Library Books	10 years	-	-

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

NOTE 5 – LONG-TERM LIABILITIES

NOTE 5 LONG-TERM LIABILITIES

Long-term Liabilities of the District consist of notes payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2013 is listed in the following schedule.

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Housing Revenue Bonds, Series 1987 (a)	3,500,000	3.00%	10/1/2017	1,020,000	-	160,000	860,000	160,000
HAHS Bonds of 1998 (b)	587,000	5.00%	4/1/2018	252,000	-	37,000	215,000	39,000
Mississippi Development Bank Note, 1999 (c)	1,000,000	variable	7/31/2024	324,167	-	324,167	-	-
Education Facilities Note, Series 2005 (d)	8,000,000	3.00-4.00%	4/1/2020	520,000	-	520,000	-	-
Mississippi Development Bank Note, series 2011	18,330,000	3-5.25%	4/1/2041	18,330,000	-	130,000	18,200,000	135,000
Raymond Dorms (e)	6,250,000	4.00-5.125%	4/1/2023	5,035,000	-	370,000	4,665,000	385,000
Education Facilities Note, Series 2008 (f)	4,395,000	2.00%	4/1/2020	4,395,000	-	50,000	4,345,000	585,000
2012 Mayo Refunding Notes(g)	27,035,000	3.0-5.75%	10/1/2033	27,035,000	-	-	27,035,000	30,000
2009 Rankin Facilities Note (h)	69,097,000			56,911,167	-	1,591,167	55,320,000	1,334,000
Total Bonds and Notes Payable				2,070,663	488,244	1,591,167	2,558,907	112,077
Other Non-current liabilities				\$ 58,981,830	\$ 488,244	\$ 1,591,167	\$ 57,878,907	\$ 1,446,077
Accrued compensated absences								
Total				\$ 58,981,830	\$ 488,244	\$ 1,591,167	\$ 57,878,907	\$ 1,446,077

Due within one year
Total long-term liabilities

(1,446,077)
\$ 56,432,830

The debt service requirements as of June 30, 2013 are as follows:

Maturity date	Principal	Interest	Totals
2014	\$ 1,334,000	\$ 2,517,544	\$ 3,851,544
2015	\$ 1,671,000	\$ 2,472,244	\$ 4,143,244
2016	\$ 2,018,000	\$ 2,420,269	\$ 4,438,269
2017	\$ 2,145,000	\$ 2,357,344	\$ 4,502,344
2018-2022	\$ 10,747,000	\$ 10,665,723	\$ 21,412,723
2023-2027	\$ 9,845,000	\$ 8,478,312	\$ 18,323,312
2028-2032	\$ 13,525,000	\$ 5,607,626	\$ 19,132,626
2033-2037	\$ 9,645,000	\$ 2,098,147	\$ 11,743,147
2038-2042	\$ 4,390,000	\$ 576,563	\$ 4,966,563
	\$ 55,320,000	\$ 37,193,770	\$ 92,513,770

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

- a) Bonds maturing after April 1, 1998, are subject to early redemption in inverse chronological order in multiples of \$5,000 at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 1998.
- b) Bonds are secured by and payable solely from Mississippi Adequate Education Program ("MAEP") moneys received from the State of Mississippi by the Hinds Agricultural High School. Bonds maturing after April 1, 2008 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 2008.
- c) Interest rates for variable rate debt are calculated weekly using the Bond Market Association (BMA) index. The College chose to redeem the remaining notes during 2013.
- d) On March 7, 2012, the College adopted a resolution authorizing issuance of 2012 Mayo Refunding Notes in the aggregate amount of \$4,395,000 for the purpose of providing the funds necessary to refund the Educational Facilities Notes Series 2005. Sales proceeds of \$4,383,900 was placed into an escrow account that paid the interest due on October 1, 2012 and April 1, 2013 and redeemed the outstanding Callable 2005 Notes on April 1, 2013, at a redemption price of par. The par value of the refunded bonds was \$5,255,000.
- e) The notes mature on April 1, 2041. Interest payments are due annually on April 1 each year. Principal payments do not commence until April 1, 2013. The Bonds are secured by the net revenues of the dorms with an intercept agreement to require payment with state appropriations in the event of default.
- f) Notes maturing on or after April 1, 2018 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 2017.
- g) The notes mature on April 2020. Interest payments are due April 1 and October 1 each year. Principal payments started in April 2013. Notes maturing on or after October 1, 2020 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after October 1, 2019.
- h) The notes mature on October 1, 2033. Interest payments are due April 1 and October 1 each year. Principal payments do not commence until April 2014. Notes maturing on or after October 1, 2020 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after October 1, 2019.

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

NOTE 6 – OPERATING LEASES

Leased property under operating leases is comprised of mainly copiers and other business equipment with original lease terms ranging from three to five years. The following is a schedule of the future minimum rental payments required under those operating leases:

2013	\$129,178
2014	\$68,123
2015	\$15,726

NOTE 7 – PENSION PLAN

Plan Description

The District participates in 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 Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement 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 9.0% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2013 was 14.26% of annual covered payroll. That amount will increase to 15.75% on July 1, 2013. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The District's contributions to PERS for the years ended June 30, 2013, 2012 and 2011, were \$7,222,093, \$5,963,659, and \$5,358,108, respectively, which equaled the required contributions for each year.

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the year ended June 30, 2013

NOTE 8 – NATURAL CLASSIFICATION WITH FUNCTIONAL CLASSIFICATIONS

	Salaries & Wages	Fringe Benefits	Travel	Contractual Benefits	Utilities	Scholarship & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	35,824,393	10,837,260	530,418	1,400,672	-	426,577	1,421,368		1,275,527	\$51,716,214
Academic support	1,493,477	485,417	21,286	213,048			93,730		332,222	\$2,639,180
Student services	4,812,186	1,359,000	207,899	909,738		24,284	482,289		129,848	\$7,925,245
Institutional support	5,969,696	1,977,822	159,504	4,162,972		21,910	505,716		483,287	\$13,280,906
Operation of plant	4,894,055	1,871,427	10,715	3,872,435	2,398,932		1,440,828		(2,298,205)	\$12,190,188
Student aid						16,440,506	76,827			\$16,517,333
Auxiliary enterprises	2,398,777	799,148	24,787	3,072,291	815,041	295,671	9,890,635		236,180	\$17,532,531
Bad debt									546,968	\$546,968
Depreciation								5,267,224		\$5,267,224
Total	\$55,392,585	\$17,330,075	\$954,609	\$13,631,156	\$3,213,973	\$17,208,948	\$13,911,392	\$5,267,224	\$705,827	\$127,615,789

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 9 – CONSTRUCTION COMMITMENTS AND FINANCING

The District has contracted for various construction projects as of June 30, 2013. Estimated costs to complete the various board-approved projects, some of which have signed contracts in place at June 30, 2013, and the sources of anticipated funding are presented below:

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>
New Raymond Dorms	\$ 250,000			\$ 250,000
Ball Clinic Remodel	\$ 1,000,000	500,000		500,000
Beemon Hall	\$ 2,500,000		2,000,000	500,000
District Master Plan	\$ 50,000			50,000
Elevator Project	\$ 50,000			50,000
Hail Storm Roof Damage-Jackson ATC Alexander	\$ 50,000			50,000
Hail Storm Roof Damage-Jackson ATC Bivins Hall	\$ 450,000			450,000
Hail Storm Roof Damage-Rankin Library	\$ 10,000			10,000
Hail Storm Roof Damage-Rankin Muse Center	\$ 25,000			25,000
Hail Storm Roof Damage-Rankin Smith Vo Tech	\$ 25,000			25,000
Hail Storm Roof Damage-Rankin Wynne Bldg	\$ 10,000			10,000
Hail Storm Roof Damage-RY Bee Hall	\$ 100,000			100,000
Jackson ATC Church Demolition	\$ 25,000			25,000
JB Williams Apron Removal	\$ 500,000	450,000	25,000	25,000
Jenkins Hall	\$ 4,000,000		3,500,000	500,000
MDOT Airport	\$ 50,000			50,000
MDOT Airport-Hanger	\$ 850,000	400,000		450,000
Walter Washington Renovation	\$ 50,000			50,000
Student Union Renovation Utica	\$ 1,200,000	1,200,000		-
Totals	\$ 11,195,000	\$ 2,550,000	\$ 5,525,000	\$ 3,120,000

NOTE 10 – COMMITMENTS AND CONTIGENCIES

Claims and Litigation

The District is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The District administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the District.

Government Grants

The District is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Except as described below, the District carries commercial

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

insurance for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the District's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers compensation commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for deficiencies. The District has not had an additional assessment for excess losses incurred by the pool.

NOTE 12 – HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between contributions that increase permanently restricted net position, temporarily restricted net position and unrestricted net position. It also required recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

Investments and Investment Return

Marketable securities at December 31, 2012, consisted of the following:

Government obligations	\$ 589,811
Mutual funds	4,190,933
Common stock	1,278,556
Fixed income	<u>699,089</u>
	<u>\$ 6,758,389</u>

At December 31, 2012, other investments consisted of the following:

Land and buildings	\$ 7,000
Lithographic artwork	<u>24,262</u>
	<u>\$ 31,262</u>

These assets were received by the Foundation through donor gifts and recorded at their respective market values on the date of acquisition.

HINDS COMMUNITY COLLEGE DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Net Positions

The following classifications reflect the nature of restrictions on temporarily and permanently restricted assets at December 31, 2012:

	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 1,502,050	\$ 4,585,663
Reconstruction of Cain Hall	9,605	
College departments and organizations	396,765	
Faculty/staff development	129,044	378,985
Alumni chapters	49,438	
Grants	63,200	
Other	55,881	61,000
	<u>\$ 2,178,983</u>	<u>\$ 5,025,648</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

The prior period adjustment amounts of \$796,994 are expenditures from a prior period related to interest and work study expenditures.

NOTE 14 – CURRENT ECONOMIC CONDITIONS

The current economic environment presents institutions of higher education with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in student financial aid, enrollment revenue, government support, grant revenue, tax revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

Current economic conditions have made it difficult for many states to appropriate funds at a level similar to previous years. A significant decline in student financial aid, enrollment revenue, governmental support, grant revenue, or tax revenue could have an adverse impact on the District's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments investment values and allowances for accounts receivable that could negatively impact the District ability to maintain sufficient liquidity.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Hinds Community College District evaluated the activity of the district through March 11, 2014, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

**HINDS COMMUNITY COLLEGE DISTRICT
Supplemental Information**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
National school lunch program	10,555	\$ 105,381
Total child nutrition cluster		105,381
State Administrative Matching Grants for the Supplemental Nutrition	10,561	16,494
Total passed-through Mississippi Department of Education		121,875
Total U.S. Department of Agriculture		121,875
U.S. Department of Defense		
Passed-through Jackson State University		
Basic, Applied, and Advanced Research in Science and Engineering	12,630	108,888
Total U.S. Department of Defense		108,888
U.S. Department of Housing and Urban Development		
Direct Program:		
Historically Black Colleges and Universities Program	14,520	136,275
Total U.S. Department of Housing and Urban Development		136,275
U.S. Department of Labor Employment Training Administration		
Passed-through Central Mississippi Planning and Development District, Inc.		
WIA Cluster - Adult Program	17,258	64,969
WIA Cluster - Youth Activities	17,259	40,245
WIA Dislocated Worker Formula Grants	17,278	24,724
Passed-through State Board for Community and Junior Colleges:		
WIA Adult Program	17,258	936
Total WIA Cluster		130,874
Trade Adjustment Assistance Community College and Career Training Grants	17,282	288,212
Total U.S. Department of Labor Employment Training Administration		419,086
U.S. Department of Transportation		
Direct Program:		
Federal Aviation Association - Airport Improvement Program	20,106	2,256,123
Total U.S. Department of Transportation		2,256,123
National Aeronautics and Space Administration		
Passed-through programs from the University of Mississippi		
Science	43,001	4,999
Total National Aeronautics and Space Administration		4,999
National Science Foundation		
Direct Program:		
Education and Human Resources	47,076	376,816
Total National Science Foundation		376,816
Small Business Administration		
Direct Program:		
Small Business Development Centers - Internet Technical Assistance	59,005	75,279
Total Small Business Administration		75,279
U.S. Department of Education		
Direct Program:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84,007	580,902
Federal Family Education Loan (FFEL)	84,032	17,721,840
Federal Work-study Program (FWS)	84,033	495,970
Federal Pell Grant Program	84,063	35,565,929
Academic Competitiveness Grant	84,375	0
Total Student Financial Aid Cluster		54,364,641
Other Programs:		
TRIO Cluster:		
TRIO - Student Support Services	84,042	265,664
TRIO - Talent Search	84,044	237,741
TRIO - Upward Bound	84,047	56,107
Total TRIO Cluster		559,512
Higher Education - Institutional Aid (Title III)	84,031	1,563,718
Strengthening Minority - Serving Institutions	84,382	625,104
Title I - Grants to Local educational agencies	84,010	204,576
Title II - Eisenhower Professional Development State Grant	84,281	23,092
Education Jobs Funds	84,410	2,800
Subtotal of Direct Programs		57,343,443
Passed-through Mississippi Department of Education:		
Adult Education - Basic Grants to States	84,002	364,482
Career and technical education - basic grants to states	84,048	881,524
Rehabilitation services_vocational rehabilitation grants to states	84,126	302,156
Subtotal		1,548,162
Total passed-through Mississippi Department of Education		1,548,162
Total U.S. Department of Education		58,911,605
U.S. Department of Health and Human Services		
Direct Program:		
Advanced Education Nursing Grant Program	93,247	97,502
Passed-through the Mississippi Department of Human Services:		
Child Care Development Fund	93,575	71,466
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare- Associated Infection (ASC-HAI) Prevention Initiative	93,720	110,100
Total passed-through Mississippi Department of Human Services		279,068
Total U.S. Department of Health and Human Services		279,068
Corporation for National and Community Service		
Direct Program:		
Social Innovation Fund	94,019	242,223
Total Corporation for National and Community Service		242,223
Total for All Federal Awards		\$ 62,912,237

Notes to Schedule of Expenditures of Federal Awards

- 1) This schedule includes the federal awards activity of the district and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- 2) For Purposes of this schedule, loans made to students under the Federal Family Educational 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.
- 3) There were no sub-recipients during the year.

See accompanying auditors report.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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**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**

President and Board of Trustees
Hinds Community College District

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 Hinds Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hinds Community College District's basic financial statements, and have issued our report thereon dated March 11, 2014. Our report includes a reference to other auditors who audited the financial statements of the Hinds Community College Development Foundation, Inc. (the Foundation), as described in our report on Hinds Community College District's financial statements. The financial statements of the Foundation were not audited in accordance with Governmental Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hinds Community College District'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 Hinds Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hinds Community College District'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. **2013-01**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hinds Community College District'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*."

Hinds Community College District's Response to Findings

Hinds Community College District's response to the finding identified in our audit is described in the accompanying corrective action plan. Hinds Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 11, 2014

Watkins Ward and Stafford, PLLC



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

President and Board of Trustees
Hinds Community College District

Report on Compliance for Each Major Federal Program

We have audited Hinds Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hinds Community College District's major federal programs for the year ended June 30, 2013. Hinds Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hinds Community College District'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 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 Hinds Community College District'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 Hinds Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hinds Community College District 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item **2013-02**. Our opinion on each major federal program is not modified with respect to this matter.

Hinds Community College District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Hinds Community College District's response was

not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Hinds Community College District 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 Hinds Community College District'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 OMB Circular A-133, 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 Hinds Community College District'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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item **2013-02** that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 11, 2014

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

President and Board of Trustees
Hinds Community College District

We have audited the financial statements of Hinds Community College District, which includes Hinds Agricultural High School, as of and for the year ended June 30, 2013, which collectively comprise Hinds Community College District's basic financial statements and have issued our report thereon dated March 11, 2014. We did not audit the financial statements of the discretely presented component unit, the Hinds Community College Development Foundation, Inc. (the Foundation), which represents 100% of assets and revenues of the discretely presented component units. 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 Foundation were not audited in accordance with *Government Auditing Standards*.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the college district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the college district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of the school board and 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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 11, 2014

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|--|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.007; 84.032; 84.033; 84.375;
84.063 | Financial Aid Cluster |
| | 84.382 | Strengthening Minority-Serving Institutions |
| | 84.042; 84.044; 84.047 | TRIO Cluster |
| | 20.106 | Federal Aviation Association – Airport improvement Program |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned costs 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. | Yes |

HINDS COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

Significant deficiencies not considered to be a material weakness

2013-01 Internal Controls surrounding the transportation department

Finding

Management is responsible for ensuring that all assets are safeguarded, recorded accurately, and used appropriately within the district.

While reviewing controls within the transportation department, we found that the district had the following problems noted:

- 1) Inaccurate inter-department billing
- 2) Billing rates were commonly changed or adjusted without proper approval.
- 3) Fuel purchases did not appear to reconcile to some trips tested
- 4) Driver hours did not agree to some trips tested.

The cause is due to error of personnel and internal controls to review the inter-department billing.

Inadequate internal controls surrounding activities of the transportation department could cause the department to be under or over funded due to inaccurate reimbursement.

Recommendation

The district should review all transportation policies and billing processes including adopting a standard form to be used on all inter-department billing.

Hinds Community College District
P.O. Box 1100
Raymond, MS 39154-1100
Russell Shaw, Vice President for Business Services

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____.315(c) of OMB Circular A-133, the Hinds Community College District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2013:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-01	<p>Internal Controls surrounding the transportation department</p> <p>Response:</p> <p>The District has begun a review of transportation policies and procedures and will establish a standard form to be used for all departments. No adjustments will be allowed to the form and each department must be charged the standard billing rate. The transportation department will compile a monthly report of trips taken by departments with charges billed. That report will be reviewed by the Vice President for Physical Plant and Auxiliaries and the Accounting department for accuracy and consistency. The College will also contract with a third party for an internal control review of the transportation department and will implement any changes necessary.</p>

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-02	<p>Internal Controls Surrounding Eligibility Determinations Should Be Strengthened</p> <p>Response:</p> <p>The District will continue to review the policies and will work to implement stronger controls to ensure that students are eligible to receive funds based on the grant's criteria. Recently, the College made some personnel changes to the grant in an effort to change the direction of the Minority Male Grant (M2M). The new M2M Grant Director will attempt to confirm a student's qualifications by reviewing their Financial Aid information. The M2M Grant Director should review each participant's (ISIR) Institutional Student Information Record before approving their participation in the program. After the eligibility is confirmed with the financial aid information, the grant director will present list of eligible students to the Dean of the Jackson campus for another review to confirm eligibility.</p>

Hinds Community College District
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Russell Shaw, Vice President for Business Services

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section ____, 315(b) of OMB Circular A-133, the Hinds Community College District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2013:

<u>Findings</u>	<u>Status</u>
2012-1	Corrected
2012-2	Corrected
2012-3	Corrected
2012-4	See Finding 2013-01
2012-5	See Finding 2013-02