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**HOLMES COMMUNITY COLLEGE**

Goodman, Mississippi

Audited Financial Statements

Year Ended June 30, 2015

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**HOLMES COMMUNITY COLLEGE**  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Trustees  
Holmes Community College  
Goodman, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Holmes Community College as of and for the year ended June 30, 2015, and December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Holmes Community College's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Holmes Community College Development Foundation, Inc., a discretely presented component unit for the years ended December 31, 2014 and 2013, which represents 100 percent 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Holmes Community College Foundation were not audited in accordance with *Government Auditing Standards*.

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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.

### **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Holmes Community College and of its discretely presented component unit, as of June 30, 2015 and December 31, 2014 and 2013, respectively, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis if Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Contributions on pages 8 to 18 and 52 to 54, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holmes Community College's 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) 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) is the responsibility of management and was 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 accompanying supplementary information mentioned above 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 February 18, 2016, on our consideration of the Holmes Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Holmes Community College's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
February 18, 2016

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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This section of Holmes Community College's (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2015. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2015. The financial statements, notes and this discussion are the responsibility of management.

**USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements, prepared in accordance with the Government Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. They 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.

The statement of net position includes all assets, deferred outflows of resources liabilities and deferred inflows of resources. The College's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) is one indicator of the College's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

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 nonoperating. The financial reporting model classifies State of Mississippi (the "State") appropriations and gifts as nonoperating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Condensed Statement of Net Position**  
**June 30, 2015 and 2014**

	2015		2014	
	Amount	Percentage	Amount	Percentage
<b>ASSETS</b>	\$			
Current assets	16,205,172	26%	12,336,644	23%
Noncurrent assets				
Other	62,055	0%	61,750	0%
Capital assets, net	45,308,930	74%	42,319,352	77%
<b>Total assets</b>	<b>61,576,157</b>	<b>100%</b>	<b>54,717,746</b>	<b>100%</b>
<b>Deferred Outflows of Resources</b>	<b>3,925,062</b>	<b>100%</b>		
<b>LIABILITIES</b>				
Current liabilities	8,866,622	16%	4,956,421	48%
Long-term debt outstanding	4,835,000	9%	5,475,001	52%
Net pension liability	41,966,749	75%		
<b>Total liabilities</b>	<b>55,668,371</b>	<b>100%</b>	<b>10,431,422</b>	<b>100%</b>
<b>Deferred Inflows of Resources</b>	<b>6,278,775</b>	<b>100%</b>		
<b>NET POSITION</b>				
Net investment in capital assets	39,833,930	1120%	35,854,351	80%
Restricted	4,250,267	120%	3,765,973	9%
Unrestricted	(40,530,124)	-1140%	4,666,000	11%
<b>Total net position</b>	<b>\$ 3,554,073</b>	<b>100%</b>	<b>44,286,324</b>	<b>100%</b>

**Assets**

**Current Assets**

**Cash and Cash Equivalents and Short-Term Investments**

Cash and cash equivalents consist of cash in the College's bank accounts and certificates of deposits. The total amount of cash and cash equivalents reported as current assets on the College's financial statements was \$7,912,456 at June 30, 2015, which is an increase compared

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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to the June 30, 2014 figure of \$6,582,211.

The total amount of short-term investments reported as current assets on the District's financial statements was \$366,107 at June 30, 2015 and \$365,924 at June 30, 2014. This represents an increase of \$183 in investments.

**Accounts Receivable**

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$7,926,609 at June 30, 2015, which is an increase compared to the June 30, 2014 figure of \$5,388,509.

**Noncurrent Assets**

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents are those funds that are held in the bank accounts and certificates of deposits. The restricted cash and cash equivalents that are considered noncurrent are cash held in a money market account to meet the requirements for an unemployment compensation fund. Unemployment claims are paid out of unrestricted funds of the college. This account is simply maintained for legal compliance purposes. The amount of restricted cash and cash equivalents considered noncurrent at June 30, 2015 totaled \$62,055, which is an increase compared to \$61,750 at June 30, 2014.

**Capital Assets, Net**

Capital assets, net, consists of land, improvements other than buildings, buildings, equipment, library books and films and construction in progress at June 30, 2015. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$45,308,930 at June 30, 2015 which is an increase from \$42,319,352 at June 30, 2014.

**Deferred Outflows of Resources**

As a result of GASB 68 implementation, the College recognized a deferred outflow of resources related to pension in the amount of \$3,925,062.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at June 30, 2015 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$7,414,733 at June 30, 2015, an increase of \$4,190,099 over the balance of \$3,224,634 at June 30, 2014.

**Long-Term Liabilities – Current Portion**

Long-term liabilities – current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2015 fiscal year. The amount of the current portion of long-term debt at June 30, 2015 was \$640,000, a decrease of \$350,000 over the balance on June 30, 2014.

**Noncurrent Liabilities**

**Long-Term Liabilities**

This liability consists of long-term debt for outstanding bonds. The total amount of the noncurrent portion of long-term debt was \$4,835,000 at June 30, 2015. This is a decrease from the balance of \$5,475,001 reported June 30, 2014.

**Net Pension Liability**

The net pension liability for June 30, 2015 is \$41,966,749, which represents the College's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for the year ended June 30, 2015. See Note 6 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

**Deferred Inflows of Resources**

As a result of GASB 68 implementation, the College recognized a deferred inflow of resources related to pension in the amount of \$6,278,775.

**Net Position**

Net position represent the difference between the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Total net position at June 30, 2015 was \$3,554,073 which is a decrease of \$40,732,251 from the balance of \$44,286,324, at June 30, 2014.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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**Analysis of Net Position**

Restricted expendable net position consist of unemployment funds, grants from third party agencies with expenditure restrictions, local appropriations restricted for capital projects or debt retirement and loan funds.

The following is a breakdown of the restricted net position with comparative figures:

	2015	2014
Scholarships and fellowships	\$ 805,347	998,719
Capital projects	1,639,630	1,025,985
Debt service	1,743,235	1,679,519
Unemployment funds	62,055	61,750
Total restricted net position	\$ <u>4,250,267</u>	<u>3,765,973</u>

Unrestricted net position represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities, such as housing and meal plans.

The following is a breakdown of the unrestricted net position with comparative figures:

	2015	2014
Unrestricted general fund	\$ (41,553,963)	3,743,322
Unrestricted auxiliary fund	1,023,839	922,678
Total unrestricted net position	\$ <u>(40,530,124)</u>	<u>4,666,000</u>

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. Prior to fiscal year 2015, the College's unrestricted net position has been a positive figure; however, the implementation of GASB 68 has caused the College to represent this as a negative figure.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

In connection with the implementation of new standards on accounting and financial reporting for pensions, management represents the following additional information:

Total unrestricted net position (deficit)	\$	(40,530,124)
Less unrestricted deficit in net position resulting from the implementation of GASB Statements No. 68 and 71		44,320,462
Unrestricted net position, exclusive of the net pension liability effect	\$	3,790,338

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

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Operating revenues</b>		
Tuition and fees (net of scholarship allowances)	\$ 4,706,123	4,650,857
Grants and contracts	24,224,701	21,211,785
Sales and services	60,997	77,054
Auxiliary enterprises		
(Net of scholarship allowances)	956,426	934,493
Other operating revenue	528,294	584,500
Total operating revenues	30,476,541	27,458,689
<b>Operating expenses</b>	51,983,939	50,018,501
Net operating loss	(21,507,398)	(22,559,812)
<b>Nonoperating revenues (expenses)</b>		
State appropriations	18,972,217	18,552,529
Local appropriations	2,975,050	2,734,623
Investment income	6,314	4,674
Other nonoperating income (expense)	(143,784)	(164,518)
Nonoperating revenues, net	21,809,797	21,127,308

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

Income (loss) before other revenues	\$	302,399	(1,432,504)
Capital grants and gifts		1,024,661	75,433
State appropriations restricted for capital purposes		94,984	1,195,241
Local appropriations restricted for capital purposes		2,664,598	2,417,679
Total Other Revenues		3,784,243	3,688,353
Changes in Net Position		4,086,642	2,255,849
Net Position , Beginning of Year, as previously reported		44,286,324	42,067,563
Prior Period Adjustment		(44,818,893)	(37,088)
Net Position, Beginning of Year, as reported		(532,569)	42,030,475
Net Position at End of Year	\$	3,554,073	44,286,324

Net operating loss for the fiscal year 2015 was \$(21,507,398), a decrease of \$1,052,414 over the loss for fiscal year 2014. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and going forward, the College will show a significant operating loss.

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

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

Total operating revenues for fiscal year 2015 were \$30,476,541. Tuition and fees were \$4,706,123. The tuition allowance was \$9,416,525. Operating expenses, including depreciation of \$1,684,535, totaled \$51,983,939.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$14,122,648. The tuition allowance for the 2015 fiscal year was \$9,416,525.

**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. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2015 with prior year figures:

		2015	2014
Federal	\$	17,619,314	16,381,270
State		6,254,001	4,501,038
Nongovernmental		351,386	329,477
Total all sources	\$	<u>24,224,701</u>	<u>21,211,785</u>

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$528,294 for the 2015 fiscal year, a decrease of \$56,206 compared to fiscal year 2014.

**Sales and Services, Net**

Auxiliary enterprises consist of housing and meal plans.

**Operating Expenses**

Operating expenses totaling \$51,983,939 include salaries and benefits of \$31,290,718, utilities of \$1,476,251, commodities of \$1,804,005, contractual services of \$5,405,519 and depreciation of \$1,684,355.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Operating Expenses by Function with prior year figures and changes**

	June 30, 2015	June 30, 2014	Increase (Decrease)
Instruction	\$ 24,295,366	22,728,055	1,567,311
Academic support	819,003	807,855	11,148
Student services	4,124,432	3,635,726	488,706
Institutional support	7,459,541	6,832,448	627,093
Operations and maintenance of plant	4,373,733	5,723,403	(1,349,670)
Student financial aid (net of scholarship allowance)	7,320,281	6,818,858	501,423
Auxiliary enterprises	1,907,228	1,823,907	83,321
Depreciation	1,684,355	1,648,249	36,106
Total all sources	\$ 51,983,939	50,018,501	1,965,438

**Nonoperating Revenues (Expenses)**

**State Appropriations**

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$18,972,217 for fiscal year ended June 30, 2015. This represents an increase of \$419,688 from \$18,552,529 for the year ended June 30, 2014.

**Local Appropriations**

The College also receives revenue from the nine counties that make up its local district. They include Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Yazoo and Webster Counties. The College received \$2,975,050 for the 2015 fiscal year, which is an increase of \$240,427 over the \$2,734,623 received during the 2014 fiscal year.

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts. \$6,314 was earned during the 2015 fiscal year versus the \$4,674 earned in the prior year.

**Other Nonoperating Income (Expense)**

Other nonoperating income (expense) consisted of interest expense on capital related debt and loss on disposal of assets for fiscal years 2015 and 2014 totaled (\$141,885) and (\$162,063), respectively.

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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**Other Revenues**

**Local Appropriations for Capital Purposes**

This includes revenue received from the nine county support districts for capital projects or retirement of debt during the fiscal year. The amount of this revenue totaled \$2,664,598 for the 2015 fiscal year, which is an increase of \$246,919 over the \$2,417,679 for the 2014 fiscal year.

**State Appropriations for Capital Purposes**

This is the amount of revenue received from the State of Mississippi to purchase, construct, renovate or repair capital assets during the fiscal year. The College received \$94,984 and \$1,195,241 in fiscal years 2015 and 2014, respectively, which is a decrease of \$1,100,257.

**Statement of Cash Flows**

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

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

**Condensed Statement of Cash Flows (Direct Method)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	June 30, 2015	June 30, 2014	Increase (Decrease)
Cash and cash equivalents provided (used) by			
Operating activities	\$ (18,116,391)	(21,517,538)	3,401,147
Nonoperating financing activities	21,464,282	21,816,618	(352,336)
Capital and related financing activities	(2,023,472)	1,584,313	(3,607,785)
Investing activities	6,131	504,491	(498,360)
Net increase (decrease) in cash and cash equivalents	1,330,550	2,387,884	(1,057,334)
Cash and cash equivalents - beginning of year	6,643,961	4,256,077	2,387,884
Cash and cash equivalents - end of year	\$ 7,974,511	6,643,961	1,330,550

**HOLMES COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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The major sources of funds included in operating activities include student tuition and fees, \$3,466,007, auxiliary enterprises, \$956,426, and grants and contracts, \$22,510,489. The major uses of funds were: payments made to employees, \$28,636,766; to scholarships and fellowships \$7,545,600; to suppliers \$1,811,414 for materials; to suppliers, \$5,405,516 for services.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$18,387,177. In addition, the college received \$2,988,232 from the nine counties that make up its district.

The major uses of funds for investing activities are from the purchase of certificates of deposits.

**Significant Capital Asset Transactions**

Attala Educational Facility

During the 2014 fiscal year, the College began renovation of the Attala Educational Facility with the assistance of a federal grant. The Project continued through the 2015 fiscal year and was completed in November of 2015. This facility is now on-line and fully-functional as an Educational Facility of Holmes Community College.

**Factors Impacting Future Periods**

There are a number of issues that are directly impacting the community college system as a whole. The level of State support is the main issue which will continue to have an impact on our financial position. This impacts the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

In addition to operating challenges, our need for deferred maintenance funds, new technology and new construction could continue to challenge our ability to maintain reserve funds. These expenditures will continue to increase as our technology and buildings age.

The College enjoys strong support from the local community both in individual and business support of our foundation and in local support for expansion and addition of existing programs. This support has helped the College to continue to serve the citizens of its nine county districts.

**Contact Information**

This financial report is designed to provide a general overview of the College's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Director of Business Services at Holmes Community College, No. 1 Hill Street, Post Office Box 369, Goodman, Mississippi 39079.

## FINANCIAL STATEMENTS

**HOLMES COMMUNITY COLLEGE**  
Statement of Net Position  
June 30, 2015

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,912,456
Short-term investments	366,107
Accounts receivables, net (Note 3)	7,926,609
Total Current Assets	16,205,172
Noncurrent assets:	
Restricted cash and cash equivalents	62,055
Capital assets, net of accumulated depreciation (Note 4)	45,308,930
Total Noncurrent Assets	45,370,985
Total Assets	61,576,157
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	3,925,062
Total Deferred Outflows of Resources	3,925,062
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	7,414,733
Unearned revenues	811,889
Long-term liabilities - current portion (Note 5)	640,000
Total Current Liabilities	8,866,622
Noncurrent liabilities:	
Long-term liabilities (Note 5)	4,835,000
Net pension liability	41,966,749
Total Noncurrent Liabilities	46,801,749
Total Liabilities	55,668,371
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	6,278,775
Total Deferred inflows of Resources	6,278,775
<b>NET POSITION</b>	
Net investment in capital assets	39,833,930
Restricted for:	
Expendable:	
Scholarships and fellowships	805,347
Capital projects	1,639,630
Debt service	1,743,235
Other purposes	62,055
Unrestricted	(40,530,124)
Total Net Position	\$ 3,554,073

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

HOLMES COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 As of December 31, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 535,947	\$ 246,826
Restricted cash	4,192	29,192
Investments	5,802,820	5,106,541
Assets held in remainder trust	44,743	47,395
Beneficial interest in remainder trust	158,030	157,784
<b>Total assets</b>	<b>6,545,732</b>	<b>5,587,738</b>
 <b>Liabilities and Net Assets</b>		
<i>Liabilities:</i>		
Accrued support payable	49,640	-
Liabilities under remainder trust	44,743	47,395
<b>Total liabilities</b>	<b>94,383</b>	<b>47,395</b>
<i>Net Assets:</i>		
Unrestricted	3,025,345	2,764,407
Temporarily restricted	3,318,197	2,670,977
Permanently restricted	107,807	104,959
<b>Total Net Assets</b>	<b>6,451,349</b>	<b>5,540,343</b>
 Total liabilities and net assets	 <b>\$ 6,545,732</b>	 <b>\$ 5,587,738</b>

*See accompanying notes to financial statements.*

**HOLMES COMMUNITY COLLEGE**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2015

<b>Operating Revenues:</b>	
Tuition and fees (net of scholarship allowances of \$9,416,525)	\$ 4,706,123
Federal grants and contracts	17,619,314
State grants and contracts	6,254,001
Nongovernmental grants and contracts	351,386
Sales and services of educational departments	60,997
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$522,938)	261,350
Food services (net of scholarship allowances of \$522,448)	261,105
Athletics	11,379
Other auxiliary revenues	422,592
Other operating revenues	<u>528,294</u>
 Total Operating Revenues	 <u>30,476,541</u>
<b>Operating Expenses:</b>	
Salaries and wages	21,879,919
Fringe benefits	9,410,799
Travel	541,644
Contractual services	5,405,519
Utilities	1,476,251
Scholarships and fellowships	7,545,600
Commodities	1,804,005
Depreciation expense	1,684,355
Other operating expense	<u>2,235,847</u>
 Total Operating Expenses	 <u>51,983,939</u>
 Operating Income (Loss)	 <u>(21,507,398)</u>
<b>Nonoperating Revenues (Expenses):</b>	
State appropriations	18,972,217
Local Appropriations	2,975,050
Investment income	6,314
Interest expense on capital assets-related debt	(141,885)
Other nonoperating revenues (expenses)	<u>(1,899)</u>
 Total Net Nonoperating Revenues (Expenses)	 <u>21,809,797</u>
 Income (Loss) before Other Revenues, Expenses, Gains and Losses	 <u>302,399</u>
 Capital grants and gifts	1,024,661
State appropriations restricted for capital purposes	94,984
Local appropriations restricted for capital purposes	<u>2,664,598</u>
 Change in Net Position	 <u>4,086,642</u>
<b>Net Position:</b>	
Net Position - Beginning of Year, as previously reported	44,286,324
Prior Period Adjustments (Note 9)	<u>(44,818,893)</u>
Net Position - Beginning of Year, as restated	<u>(532,569)</u>
Net Position - End of Year	<u>\$ 3,554,073</u>

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

HOLMES COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Revenues, gains, and other support:</i>				
Contributions	470,078	470,090	-	940,168
Changes in split-interest agreement	-	246	-	246
Event revenue	61,857	-	-	61,857
Interest income	366	-	-	366
Investment earnings	9,871	125,198	2,848	137,917
Unrealized gains on investments	250,701	51,686	-	302,387
Net assets released from restrictions	-	-	-	-
<b>Total revenues, gains, and support</b>	<u>792,873</u>	<u>647,220</u>	<u>2,848</u>	<u>1,442,941</u>
<i>Expenses:</i>				
Program services:				
Scholarships	57,077	-	-	57,077
Mini grants	22,867	-	-	22,867
Phi Theta Kappa	2,337	-	-	2,337
Support for Holmes Community College	264,133	-	-	264,133
<b>Total program services</b>	<u>346,414</u>	<u>-</u>	<u>-</u>	<u>346,414</u>
Supporting services:				
General and administrative	84,372	-	-	84,372
Special events direct costs	61,857	-	-	61,857
Fund raising	39,292	-	-	39,292
<b>Total supporting services</b>	<u>185,521</u>	<u>-</u>	<u>-</u>	<u>185,521</u>
<b>Total expenses</b>	<u>531,935</u>	<u>-</u>	<u>-</u>	<u>531,935</u>
<b>Increase (decrease) in net assets</b>	<u>260,938</u>	<u>647,220</u>	<u>2,848</u>	<u>911,006</u>
Net assets at beginning of year	<u>2,764,407</u>	<u>2,670,977</u>	<u>104,959</u>	<u>5,540,343</u>
Net assets at end of year	<u>3,025,345</u>	<u>3,318,197</u>	<u>107,807</u>	<u>6,451,349</u>

See accompanying notes to financial statements.

HOLMES COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Revenues, gains, and other support:</i>				
Contributions	397,459	1,016,028	-	1,413,487
Changes in split-interest agreement	-	8,897	-	8,897
Event revenue	59,302	-	-	59,302
Interest income	119	59	67	245
Investment earnings	10,417	81,268	4,829	96,514
Unrealized gains on investments	-	608,535	-	608,535
Net assets released from restrictions	-	-	-	-
<b><i>Total revenues, gains, and support</i></b>	<u>467,297</u>	<u>1,714,787</u>	<u>4,896</u>	<u>2,186,980</u>
<i>Expenses:</i>				
<i>Program services:</i>				
Scholarships	65,703	-	-	65,703
Mini grants	22,185	-	-	22,185
Phi Theta Kappa	2,250	-	-	2,250
Support for Holmes Community College	41,501	-	-	41,501
<b><i>Total program services</i></b>	<u>131,639</u>	<u>-</u>	<u>-</u>	<u>131,639</u>
<i>Supporting services:</i>				
General and administrative	78,579	-	-	78,579
Special events direct costs	59,302	-	-	59,302
Fund raising	62,345	-	-	62,345
<b><i>Total supporting services</i></b>	<u>200,226</u>	<u>-</u>	<u>-</u>	<u>200,226</u>
<b><i>Total expenses</i></b>	<u>331,865</u>	<u>-</u>	<u>-</u>	<u>331,865</u>
<b><i>Increase (decrease) in net assets</i></b>	<u>135,432</u>	<u>1,714,787</u>	<u>4,896</u>	<u>1,855,115</u>
Net assets at beginning of year	<u>2,628,975</u>	<u>956,190</u>	<u>100,063</u>	<u>3,685,228</u>
Net assets at end of year	<u>2,764,407</u>	<u>2,670,977</u>	<u>104,959</u>	<u>5,540,343</u>

*See accompanying notes to financial statements.*



HOLMES COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 911,006	\$ 1,855,115
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Unrealized (gains) on investments, net	(302,387)	(608,535)
Change in value of trust	2,396	(8,035)
Actuarial (gain) loss on split interest agreement	(2,642)	(862)
Payments of annuity obligations	10,000	10,000
Fair value of donated assets	(139,411)	(608,725)
Fair value of noncash support	38,500	-
Change in accrued expenses and liabilities	49,640	(81,361)
Net cash provided by operating activities	<u>567,102</u>	<u>557,597</u>
<i>Cash flows from investing activities:</i>		
Purchases of investments	(450,127)	(1,212,686)
Proceeds from sales of investments	133,590	634,151
Payments of investment fees	23,556	16,971
Net cash used in investing activities	<u>(292,981)</u>	<u>(561,564)</u>
<i>Cash flows from financing activities:</i>		
Transfers from restricted cash	25,000	-
Payments of annuity obligations	(10,000)	(10,000)
Net cash provided (used) in financing activities	<u>15,000</u>	<u>(10,000)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	289,121	(13,967)
<i>Cash and cash equivalents as of beginning of year</i>	<u>246,826</u>	<u>260,793</u>
<i>Cash and cash equivalents as of end of year</i>	<u>\$ 535,947</u>	<u>\$ 246,826</u>

*Required disclosure*

The Foundation expended no cash for interest or income taxes.

*See accompanying notes to financial statements.*

**Holmes Community College**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

#### Reporting Entity

Holmes Community College (the "College") was founded in 1925 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of the College is found in Section 37-29-31, Miss. Code Ann. (1972).

The College is locally-governed by a 22 member Board of Trustees, selected by the Board of Supervisors of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the 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 College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

Holmes Community College Development Foundation, Inc. (the "Foundation") is a not-for-profit entity established to solicit and manage funds for the benefit of Holmes Community College (the "College"). The membership of the Foundation represents the nine county districts served by the College and is led by a Board of Directors elected by the membership.

Its purpose is to provide scholarships and other financial support to the students registered at Holmes Community College. Funds may also be used to support other educational activities of the College, such as faculty development.

#### Basis of Presentation

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

#### New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

### Basis of Accounting

The basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

### Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### Short-term Investments

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

### Accounts Receivables, Net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Management estimates the allowance for doubtful accounts based on historical data as well as the current aging of the accounts receivables. When management determines that an account is uncollectible, the account is written off against the allowance for doubtful accounts. Accounts receivables are recorded net of an allowance for doubtful accounts.

### 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.

### Capital Assets, Net of Accumulated Depreciation

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

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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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 expense categories. Expenses for construction in progress are capitalized as incurred. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Reserves* ("GASB No. 42"), management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital assets occurs.

### Unearned Revenues

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

### Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows of resources relate to the pension plan as further described in Note 6.

### Compensated Absences

The College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

### Classification of Revenues

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

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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

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

### State and Local Appropriations

The College receives funds from the State of Mississippi through the State Board of Community College and Junior Colleges. 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 the remaining 85% of the appropriations are allocated based on the College's full-time equivalency ("FTE") basis, with some special considerations given only to high cost programs. The College also receives income from the nine counties that make up its local district, which includes Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Yazoo and Webster Counties.

### Scholarship Discounts and Allowance

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third-parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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### Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net position is divided in three categories. Net investment in capital assets, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net position balance of (\$40,530,124) at June 30, 2015, includes \$1,023,839 reserved for auxiliaries and remaining unreserved amount of (\$41,553,963) pertaining to unreserved exclusive of the net pension liability effect and the unreserved deficit resulting from the implementation of GASB Statement No. 68 and 71.

### **Note 2. Cash, Cash Equivalents and Investments**

#### **Policies**

Investment policies as set forth by policy and state statute authorize the College to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. In 2015, short-term investments were comprised of certificates of deposit with maturities greater than three months. All certificates of deposit are scheduled to mature within twelve months or less.

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the College's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC").

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2015:

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Student tuition	\$	12,382,781
Federal, state, and private grants and contracts		3,795,725
State appropriations		1,190,124
Other		125,451
Total accounts receivable		17,494,081
Less allowance for doubtful accounts		(9,567,472)
Accounts receivable - end of year	\$	<u>7,926,609</u>

### Note 4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015 is presented as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,122,987	111,000			3,233,987
Construction in progress	27,237	3,406,101		(126,872)	3,306,466
Total non-depreciable capital assets	<u>3,150,224</u>	<u>3,517,101</u>	<u>0</u>	<u>(126,872)</u>	<u>6,540,453</u>
<u>Depreciable capital assets:</u>					
Improvements other than buildings	6,761,094			126,872	6,887,966
Buildings	50,077,429				50,077,429
Equipment	7,201,113	1,123,319	189,933		8,134,499
Library books	1,352,821	35,413	25,816		1,362,418
Total depreciable capital assets	<u>65,392,457</u>	<u>1,158,732</u>	<u>215,749</u>	<u>126,872</u>	<u>66,462,312</u>
<u>Less accumulated depreciation for:</u>					
Improvements other than buildings	2,452,824	239,573			2,692,397
Buildings	16,611,060	918,821			17,529,881
Equipment	6,114,538	460,252	188,034		6,386,756
Library books	1,044,907	65,710	25,816		1,084,801
Total accumulated depreciation	<u>26,223,329</u>	<u>1,684,356</u>	<u>213,850</u>	<u>0</u>	<u>27,693,835</u>
Total depreciable capital assets, net	<u>39,169,128</u>	<u>(525,624)</u>	<u>1,899</u>	<u>126,872</u>	<u>38,768,477</u>
Total capital assets, net	\$ <u>42,319,352</u>	<u>2,991,477</u>	<u>1,899</u>	<u>0</u>	<u>45,308,930</u>

**HOLMES COMMUNITY COLLEGE**

For the Year Ended June 30, 2015

**NOTES TO FINANCIAL STATEMENTS**

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 15 years	1% - 10%	5,000

Outstanding construction commitments for the year ended June 30, 2015 were approximately \$750,433. These funds will be provided from amounts restricted for capital projects and from unrestricted resources.

**Note 5. Long-Term Liabilities**

Long-term liabilities of the College consist of bonds and notes payable that are expected to be liquidated 10 years from June 30, 2015.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2015, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Balance June 30, 2014	Deletions	Balance June 30, 2015	Due Within One Year
Bonded debt							
G.O. Refunding Bond, 2012	\$ 7,935,000	2.0% - 2.85%	2025	\$ 6,465,001	990,001	5,475,000	640,000
Total bonded debt				6,465,001	990,001	5,475,000	640,000

	Bonded Debt	Interest	Total Ending Balance
2016	\$ 640,000	123,652	763,652
2017	660,000	110,852	770,852
2018	680,000	97,653	777,653
2019	615,000	84,053	699,053
2020	640,000	71,753	711,753
2021 - 2025	2,240,000	185,396	2,425,396
	\$ 5,475,000	673,359	6,148,359

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan

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

Benefits provided - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the numbers of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Funding policy – PERS members are required to contribute 9.00 % of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The employer's rate was 15.75% of annual covered payroll. The contribution requirements of PERS members and employees are established and may be amended only by the State of Mississippi Legislature. The College's contributions to PERS for the years ended June 30,

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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2015, 2014 and 2013 were \$3,270,393, \$3,327,440, and \$3,028,483, respectively, equal to the required contribution for each year.

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

At June 30, 2015, the school reported a liability of \$41,966,749 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the school's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The College's proportion was 0.345742 percent.

For the year ended June 30, 2015, the College recognized pension expense of \$2,771,962. At June 30, 2015 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 654,669	
Net difference between projected and actual earnings on pension plan investments.		6,083,389
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		195,386
Contributions subsequent to the measurement date	3,270,393	
	<u>\$ 3,925,062</u>	<u>6,278,775</u>

\$3,270,393 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,355,638)
2017	(1,355,638)
2018	(1,391,984)
2019	<u>(1,520,847)</u>
Total	<u>\$ (5,624,106)</u>

# HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

## NOTES TO FINANCIAL STATEMENTS

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*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was

## HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

### NOTES TO FINANCIAL STATEMENTS

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projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the 's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
College's proportionate share of the net pension liability	\$ 57,213,193	\$ 41,966,749	\$ 29,248,947

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

#### Note 7. Natural Classifications with Functional Classifications

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 14,103,186	5,718,184	192,928	2,041,118	13,626
Academic support	447,104	195,657	5,316	63,476	
Student services	2,196,138	1,003,449	169,340	318,102	
Institutional support	2,920,130	1,285,804	125,847	2,011,923	
Operating of plant	1,545,392	821,065	48,049	118,478	1,462,625
Student aid					
Auxiliary enterprises	667,969	386,640	164	852,422	
Depreciation					
Total operating expenses	\$ 21,879,919	9,410,799	541,644	5,405,519	1,476,251

**HOLMES COMMUNITY COLLEGE**  
**For the Year Ended June 30, 2015**

**NOTES TO FINANCIAL STATEMENTS**

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	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Balance
Instruction	\$ 225,319	639,451		1,361,554	24,295,366
Academic support		29,160		78,290	819,003
Student services		419,849		17,554	4,124,432
Institutional support		105,732		1,010,105	7,459,541
Operating of plant		609,780		(231,656)	4,373,733
Student aid	7,320,281				7,320,281
Auxiliary enterprises		33			1,907,228
Depreciation			1,684,355		1,684,355
Total operating expenses \$	<u>7,545,600</u>	<u>1,804,005</u>	<u>1,684,355</u>	<u>2,235,847</u>	<u>51,983,939</u>

**Note 8. Contingencies**

Federal Grants - The College has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expense or disbursement of resources for allowable purposes. Any disallowance resulting from the grantor audit may become a liability of the College.

Litigation - The College is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the outcome or liability, if any, of the College with respect to the various proceedings. However, the College's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the College.

**Note 9. Prior Period Adjustments**

A summary of significant Net Position adjustments is as follows:

Statement of Revenues, Expenses and Changes in Net Position

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (06-30-14)	(48,146,333)
Deferred outflows - contributions made during fiscal year 2014	3,327,440
Total prior period adjustment related to GASB 68 and 71	<u>\$ (44,818,893)</u>

## HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2015

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 10. 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 College evaluated the activity of the College through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

On October 15, 2015 the College approved a 2015 General Obligation Bond in the amount of \$4,150,000.

(1) *Significant Accounting Policies*

(a) *Organization and Purpose*

Holmes Community College Development Foundation, Inc. (the Foundation) is a non-profit organization established to solicit and manage funds for the benefit of Holmes Community College (the College). The membership of the Foundation represents the nine county district served by the College and is led by a Board of Directors elected by the membership.

Its purpose is to provide scholarships and other financial support to the students registered at Holmes Community College. Funds may also be used to support other educational activities of the College, such as faculty and student development.

(b) *Basis of Accounting*

These financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The financial statements report amounts in three classes of net assets - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets - based on the existence or absence of donor-imposed restrictions.

*Unrestricted net assets* - net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations. Unrestricted net assets include contributions designated to a particular scholarship or program for which the use or purpose is unrestricted.

*Temporarily restricted net assets* - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

*Permanently restricted net assets* - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the College.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (ie., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Restricted contributions are reported as unrestricted support if the restrictions are met in the same reporting period.

Income and realized and unrealized gains and losses on investments of permanently restricted net assets are reported as follows:

- ◆ as increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that gains be added to the principal of permanent endowment fund;
- ◆ as increases or decreases in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- ◆ as increases or decreases in unrestricted net assets in all other cases.

*(c) Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Such estimates include the present value discount rates applied to liabilities under split interest agreements and fair market values of certain investments. Actual results could differ significantly from those estimates.

The Foundation's investments are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's financial statements.

*(d) Income Taxes*

The Foundation is a not-for-profit organization as described in Section 501c (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. The foundation files form 990 information return annually with the Internal Revenue Service. The Foundation also files form 5227 *Split-Interest Trust Information Return* for the Charitable Remainder Annuity Trust. As of December 31, 2014 and 2013, there were no material uncertain tax positions.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed as is form 5227 for those years.

*(e) Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand deposit accounts, savings account, and money market accounts.

*(f) Restricted Cash*

Cash held at EdwardJones is restricted to fund the nursing program.

*(g) Investments*

Investments are recorded at fair value. The fair values of all investments are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data.

The Foundation's investments consist of ownership shares in Commonfund and securities held at EdwardJones, a brokerage and investment firm.

Commonfund is an organization which provides investment management products and related services exclusively to nonprofit organizations. The Foundation invests in shares of two funds of *Commonfund, Multi-Strategy Equity Fund and Multi-Strategy Bond Fund*. The investment objectives these funds are designed to add value above the returns of the U.S. equity market as measured by the S&P 500 index and broad U.S. bond market as measured by Barclays Aggregate Bond Index and to reduce volatility in comparison to that of investing in those equity and bond indexes.

Securities held at EdwardJones are invested in money market funds, mutual funds, and various equity securities.

Net unrealized gains and losses due to fluctuations in valuations, investment earnings, and management and investment fees are recorded as revenues and expenses in the reporting period. Investment earnings are reinvested monthly and fees are paid monthly.

*(h) Contributed Services*

During the years, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation.

*(i) Donated Assets*

Material noncash donations are recorded as contributions at their estimated fair values at the date of donation. Any donated assets used in program services are recorded as functional expenses at their donated fair value.

*(j) Related Party Transactions*

Directors and officers of the Foundation give much of their time voluntarily and often make financial contributions. No record of voluntary time is kept and any financial contribution made by related party is treated the same as any other outside donor. Out of pocket expenses related to business of the Foundation are reimbursed to officers or directors upon presentation of detailed receipts by the related party.

*(k) Fair Value of Financial Instruments*

The carrying amounts reported in the statements of financial position for cash, assets held in remainder trust, and accrued expenses approximate fair value because of the immediate or short-term maturities of these financial instruments. The fair values of beneficial interest in remainder trust and liabilities under remainder trust approximate carrying values at December 31, 2014 due to discount rates and actuarial assumptions used in the calculation of the Foundation's interest and liabilities.

*(l) Split Interest Agreement*

During 2009, donors established a charitable remainder annuity trust naming the Foundation as trustee and remainder beneficiary. Under the terms of the trust agreement, \$10,000 is to be paid annually to the donors for life with any remainder assets transferred to the Foundation. Based on the donors' life expectancies and 3.7% and 3.43% discount rates for 2014 and 2013 respectively, the fair values of the Foundation's remainder interest were estimated to be \$158,030 and \$157,784 respectively for 2014 and 2013 and are recorded as temporarily restricted contributions. The resulting liabilities for annuity payments were recorded at the present value of an annuity using the same discount rates and applicable life expectancies of the donors. The beneficial interest and liabilities will be revalued annually based upon applicable life expectancies and current returns on assets held in the trust at the date of revaluation. Trust assets are invested with a local investment firm.

Changes in split-interest agreement consists of the following:

	<u>For the Years Ended December 31,</u>	
	2014	2013
Interest and dividends	\$ 8,436	\$ 6,862
Realized and unrealized gains and losses- net	1,846	11,173
Actuarial change	(36)	862
Annuity payments	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 246</u>	<u>\$ 8,897</u>

*(m) Reclassifications*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

*(n) Subsequent Events*

In connection with the preparation of the financial statements and in accordance with the recently issued SFAS No. 165, *Subsequent Events*, the Foundation evaluated events after the balance sheet date of December 31, 2014 through September 25, 2015, which was the date the financial statements were available to be issued.

**(2) Fair Value Measurement**

The Foundation adopted SFAS No. 157 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 provides a framework for consistent fair valuation based on the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurement involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are follows:

- ◆ Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- ◆ Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- ◆ Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of December 31, 2014.

	Level 1	Level 2	Level 3	Total
Commonfund Multi Strategy Equity Fund	\$ 218,330	2,872,031	92,061	3,182,422
Commonfund Multi Strategy Bond Fund	-	1,579,006	11,918	1,590,924
Edward Jones Corporate	176,172	-	-	176,172
Edward Jones Advisory Solutions	853,302	-	-	853,302
Total investments	1,247,804	4,451,037	103,979	5,802,820
Assets held in remainder trust	44,743	-	-	44,743
Beneficial interest in remainder trust	-	-	158,030	158,030
Totals	<u>\$ 1,292,547</u>	<u>4,451,037</u>	<u>262,009</u>	<u>6,005,593</u>

The following table includes a rollforward of the amounts for the year ended December 31, 2014 for investments classified within Level 3.

	Commonfund Investments	Beneficial interest in remainder trust	Totals
Balance as of December 31, 2013	\$ 136,381	157,784	\$ 294,165
Purchases/Sales	1,358	-	1,358
Net transfers	(40,138)	-	(40,138)
Gains (losses)	6,378	246	6,624
Balance as of December 31, 2014	<u>\$ 103,979</u>	<u>158,030</u>	<u>262,009</u>

**(3) Investments**

**(a) Commonfund**

The following schedule summarizes transactions in investments in *Commonfund*:

	<i>Multi Strategy Equity</i>	<i>Multi Strategy Bond</i>	<i>Totals</i>
	<u>2014</u>		
Fund balance 1-01-14	\$ 2,697,731	1,383,461	4,081,192
Income reinvested	34,764	51,870	86,634
Fees	(11,466)	(4,364)	(15,830)
Withdrawals	-	-	-
Additions	192,000	128,000	320,000
Unrealized gains	<u>269,392</u>	<u>31,958</u>	<u>301,350</u>
Fund balance 12-31-14	<u>3,182,421</u>	<u>1,590,925</u>	<u>4,773,346</u>
	<u>2013</u>		
Fund balance 1-01-13	\$ 2,003,983	1,322,926	3,326,909
Income reinvested	26,725	47,386	74,111
Fees	(9,379)	(4,001)	(13,380)
Withdrawals	-	-	-
Additions	87,000	58,000	145,000
Unrealized gains	<u>589,402</u>	<u>(40,850)</u>	<u>548,552</u>
Fund balance 12-31-13	<u>2,697,731</u>	<u>1,383,461</u>	<u>4,081,192</u>

A five year summary of performance of the investment in *Commonfund's Multi-Strategy Equity* and *Multti-Strategy Bond Fund* is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>5 Years</u>
Income	66,865	67,327	71,810	74,111	86,634	366,747
Net unrealized market gains (losses)	250,173	(59,612)	289,004	548,552	301,350	1,329,467
Fund fees	(8,542)	(10,169)	(11,117)	(13,380)	(15,830)	(50,496)
Transfers in (out)	<u>(100,000)</u>	<u>-</u>	<u>137,266</u>	<u>145,000</u>	<u>320,000</u>	<u>502,266</u>
Net Change	208,496	(2,454)	486,963	754,283	692,154	2,139,442
Balance beginning of Year	<u>2,633,904</u>	<u>2,842,400</u>	<u>2,839,946</u>	<u>3,326,909</u>	<u>4,081,192</u>	<u>2,633,904</u>
Balance end of Year	<u>2,842,400</u>	<u>2,839,946</u>	<u>3,326,909</u>	<u>4,081,192</u>	<u>4,773,346</u>	<u>4,773,346</u>
Increase (decrease) from initial balances	<u>7.92%</u>	<u>-0.001%</u>	<u>17.15%</u>	<u>22.67%</u>	<u>16.96%</u>	<u>81.23%</u>

**(3) Investments (Continued)**

**(b) EdwardJones**

The following schedule summarizes transactions in investments held at EdwardJones.

	<u>Corporate Account Fund</u>			<u>Advisory Solutions Fund</u>			<u>Combined Funds</u>	
	<u>Cash</u>	<u>Securities</u>	<u>Total</u>	<u>Cash</u>	<u>Securities</u>	<u>Total</u>	<u>Cash</u>	<u>Securities</u>
Balance 1-1-14	\$ 29,159	207,020	236,179	33	818,328	818,361	29,192	1,025,348
Donation received	-	100,937	100,937	26	(26)	-	26	100,911
Transfers	-	-	-	-	-	-	-	-
Income	7,790	-	7,790	43,493	-	43,493	51,283	-
Unrealized gains	-	1,805	1,805	-	(768)	(768)	-	1,037
Purchases	-	-	-	(43,493)	43,493	-	(43,493)	43,493
Sales	133,590	-	-	-	-	-	133,590	(133,590)
Expenses	(599)	-	(599)	-	(7,726)	(7,726)	(599)	(7,726)
Withdrawals	(165,807)	-	(165,807)	-	-	-	(165,807)	-
Balance 12-31-14	\$ 4,133	309,762	180,305	59	853,301	853,360	4,192	1,029,473

**Overall Investment Objective**

The Foundation's investment committee is responsible for investment policies, return objectives and risk parameters for the endowment funds. Currently the endowments' return objectives are preservation of principal with enough investment return to exceed bank deposit returns. The nature of the Foundation's investment strategy is balanced with an approximately 60% to 40% equity to fixed income ratio. Appropriations for expenditures from the endowment funds are periodically made as financial needs arise to fund support and expenses of the College, from amounts classified as unrestricted.

**(4) Endowment**

The Foundation's endowment consists of more than 50 individual donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Mississippi enacted the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* effective July, 2012. The act requires the prudent spending of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with UPMIFA, the Board may expend so much of an endowment fund's net appreciation as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

The following is a summary of the Foundation's endowment net asset composition by type of fund as of December 31, 2014 and 2013:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	\$ -	2,783,536	107,807	2,891,343
Board-designated	2,547,429	-	-	2,547,429
Total endowment net assets	2,547,429	2,783,536	107,807	5,438,772

  

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	-	2,367,157	104,959	2,472,116
Board-designated	2,321,359	-	-	2,321,359
Total endowment net assets	\$ 2,321,359	2,367,157	104,959	4,793,475

Changes in the Foundation's endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 2,321,359	2,367,157	104,959	4,793,475
Investment return:				
Investment income	50,480	79,393	636	130,509
Net appreciation (unrealized gains)	175,590	96,605	2,212	274,407
Total investment return	226,070	175,998	2,848	404,916
Contributions	-	398,122	-	398,122
Appropriation of endowment assets for expenditure	-	(157,741)	-	(157,741)
Endowment net assets, end of year	2,547,429	2,783,536	107,807	5,438,772

  

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	1,955,389	956,190	100,063	3,011,642
Investment return:				
Investment income	43,559	18,917	614	63,090
Net appreciation (unrealized gains)	322,411	158,621	4,282	485,314
Total investment return	365,970	177,538	4,896	548,404
Contributions	-	1,279,031	-	1,279,031
Reclassifications due to donor stipulation	-	-	-	-
Appropriation of endowment assets for expenditure	-	(45,602)	-	(45,602)
Endowment net assets, end of year	\$ 2,321,359	2,367,157	104,959	4,793,475

**(5) Net Assets**

Temporarily restricted net assets at December 31, 2014 and 2013 were available for scholarships and other related support of the College. Permanently restricted net assets are restricted permanently and seventy five percent of the annual earnings are available for scholarships.

**(6) Concentration of Credit Risk**

The Foundation has concentrated its risk for cash and certificates of deposits in one bank. The excess of the deposit liabilities reported by the bank over amounts covered by federal insurance amounted to \$ 0 at December 31, 2014 and 2013.

**(7) Support for the College**

Support for Holmes Community College for fiscal year 2014 and 2013 consisted of:

	<u>2014</u>	<u>2013</u>
Athletics	\$ 6,846	\$ -
Staff development	3,161	3,015
English department	3,190	1,759
History department	175	300
Student awards	7,200	5,783
Learning equipment & supplies	233,630	7,539
EMT Mobile Medic training unit	-	7,800
Other educational support	<u>9,931</u>	<u>15,305</u>
	<u>\$ 264,133</u>	<u>41,501</u>

**(8) General and Administrative Expense**

G & A expenses for fiscal year 2014 and 2013 consisted of:

	<u>2014</u>	<u>2013</u>
Office expense	\$ 6,777	\$ 10,144
President discretionary	892	2,975
Professional fees	8,150	6,850
Meetings	503	852
Salaries	43,894	40,787
Investment fees	<u>24,156</u>	<u>16,971</u>
	<u>\$ 84,372</u>	<u>\$ 78,579</u>

**(9) Revenues from Special Events and Direct Costs**

Revenues and contributions received in regards to events held during the year consisted of the following.

<u>Nature of Event</u>	<u>2014</u>		
	<u>Event Revenue</u>	<u>Contributions</u>	<u>Totals</u>
Golf tournament	\$ 9,319	3,879	13,198
Legacy Club	23,189	2,311	25,500
Grenada Arts	<u>29,349</u>	<u>8,576</u>	<u>37,925</u>
	<u>61,857</u>	<u>14,766</u>	<u>76,623</u>

  

<u>Nature of Event</u>	<u>2013</u>		
	<u>Event Revenue</u>	<u>Contributions</u>	<u>Totals</u>
Golf tournament	\$ 8,850	4,351	13,201
Legacy Club	5,678	19,372	25,050
Grenada Arts	<u>44,774</u>	<u>675</u>	<u>45,449</u>
	<u>59,302</u>	<u>24,398</u>	<u>83,700</u>

Direct costs and benefits to donors in association with events held during the year consisted of the following:

	<u>2014</u>	<u>2013</u>
Annual Giving:		
Golf tournament	\$ 9,319	8,850
Legacy Trip	<u>23,189</u>	<u>5,678</u>
	<u>32,508</u>	<u>14,528</u>
Grenada Arts Partnership:		
Musical concerts & theatre	<u>29,349</u>	<u>44,774</u>
Totals	<u>\$ 61,857</u>	<u>59,302</u>

**(10) Fund Raising Expenses**

Expenses in regards to fundraising consisted of the following:

	<u>2014</u>	<u>2013</u>
Salaries	\$ 29,604	53,825
Other	1,406	-
Printing & mailings	7,638	5,735
Travel & meals	<u>644</u>	<u>2,785</u>
	<u>\$ 39,292</u>	<u>62,345</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**Holmes Community College**

Schedule of the College's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
College's proportion of the net pension liability (asset) \$	41,966,749
College's proportionate share of the net pension liability (asset)	0.345742%
College's covered - employee payroll	21,126,603
College's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.644092%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

**Holmes Community College**  
 Schedule of College Contributions  
 PERS  
 Last 10 Fiscal Years\*

Contractually required contribution	\$ <u>2015</u> 3,270,393
Contributions in relation to the contractually required contribution	3,270,393
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	20,764,400
Contributions as a percentage of covered - employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

## **Holmes Community College**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## SUPPLEMENTARY INFORMATION

**Holmes Community College**  
Schedule of Expenditures of Federal Awards  
Fiscal Year Ended June 30, 2015

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Pass-through programs from:		
Mississippi State Board for Community & Junior Colleges State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	47,118
<b>Total U.S. Department of Agriculture</b>		<u>47,118</u>
<b><u>U.S. Department of Commerce</u></b>		
Pass-through programs from:		
Delta Regional Authority - Economic Development_Support for Planning Organizations	11.302	81,955
Subtotal pass-through programs		<u>81,955</u>
Economic Adjustment Assistance	11.307	1,216,618
Subtotal direct programs		<u>1,216,618</u>
<b>Total U.S. Department of Commerce</b>		<u>1,298,573</u>
<b><u>U.S. Department of Labor</u></b>		
Pass-through programs from:		
Mississippi Employment Security Commission - WIA Adult Program	17.258	73,230
WIA Dislocated Workers	17.260	13,167
Central Mississippi Planning & Development District WIA Adult Program	17.258	27,159
WIA Youth Activities	17.259	17,121
WIA Dislocated Workers	17.260	10,379
<b>Total WIA Programs</b>		<u>141,056</u>
Three Rivers Planning & Development District - H-1B Job Training Grants	17.268	35,783
<b>Total U.S. Department of Labor</b>		<u>176,839</u>
<b><u>U.S. Department of Education</u></b>		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 183,752
Federal Work-study Program (FWS)	84.033	184,943
Federal Pell Grant Program	84.063	14,865,370
Federal Direct Student Loans	84.268	4,752,469
<b>Total Student Financial Assistance Programs Cluster</b>		<u>19,986,534</u>
TRIO - Student Support Services	84.042A	283,339
Subtotal direct programs		<u>20,269,873</u>
Pass-through programs from:		
Mississippi State Board for Community & Junior Colleges Colleges - Adult Education - Basic Grants to States	84.002	197,264
Mississippi Department of Education Career and Technology Education	84.048	392,879
Subtotal pass-through programs		<u>590,143</u>
<b>Total U.S. Department of Education</b>		<u>20,860,016</u>
Total Expenditures of Federal Awards		<u>\$ 22,382,546</u>

**Notes to Schedule**

- This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- For purposes of this schedule, loans made to students under Federal Direct Student Loans (CFDA# 84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balances are included in the financial statements, since the loans are made and subsequently collected by the federal government.
- The Total Student Financial Aid Cluster in the amount of \$19,986,534 and the TRIO - Student Support Services in the amount of \$283,339 represent direct federally funded programs.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Holmes Community College  
Goodman, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component unit of the Holmes Community College, as of and for the year ended June 30, 2015 and December 31, 2014 and 2013 and have issued our report thereon dated February 18, 2016. Our report includes a reference to other auditors who audited Holmes Community College Development Foundation, Inc. as described in our report on Holmes Community College's financial statements. The financial statements of the Holmes Community College Development Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
February 18, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees  
Holmes Community College  
Goodman, Mississippi

**Report on Compliance For Each Major Federal Program**

We have audited the Holmes Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Holmes Community College's major federal programs for the year ended June 30, 2015. The Holmes Community College's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management's 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 Holmes Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Holmes Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Opinion on Each Major Federal Program**

In our opinion, the Holmes Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the Holmes Community College is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Holmes Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Holmes Community College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 18, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees  
Holmes Community College  
Goodman, Mississippi

We have audited the financial statements of Holmes Community College as of and for the year ended June 30, 2015 and have issued our report thereon dated February 18, 2016. We did not audit the financial statements of the Holmes Community College Development Foundation for the years ended December 31, 2014 and 2013, a discretely presented component unit which represents 100 percent 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. 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 Holmes Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
February 18, 2016

Certified Public Accountants

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Holmes Community College**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
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? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Programs Cluster
11.307	Economic Adjustment Assistance

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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