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**HINDS COMMUNITY  
COLLEGE DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

# HINDS COMMUNITY COLLEGE DISTRICT

June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hinds Community College District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the financial statements of Hinds Community College Foundation (Foundation) as of and for the year ended December 31, 2016, which is a discretely presented component unit and constitutes 100% of the assets and revenues of the discretely presented component unit.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Foundation. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The audit of the Foundation was not audited in accordance with *Government Auditing Standards*.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of the District as of June 30, 2017, and the changes in its net position and cash flows for the year then ended and the financial position of the Foundation, its discretely presented component unit, as of December 31, 2016, and the changes in its net assets and cash flows for year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Grantham Poole Puc*

Ridgeland, Mississippi  
January 29, 2018

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Overview of the Financial Report**

This section of the Hinds Community College District (District) annual financial report presents our discussion and comparative analysis of the financial performance of the District during the fiscal year ended June 30, 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, "*Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.*" During fiscal year 2005, the College implemented GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14.*" and has incorporated one non-governmental component unit, Hinds Community College Foundation (Foundation). The financial statements of the Foundation may be obtained by writing to the Hinds Community College Foundation, Post Office Box 1100, Raymond, Mississippi 39154.

**Overview of the Financial Statements**

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

**Statement of Net Position**

The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows. The District's net position, the difference between assets, deferred outflows, liabilities and deferred inflows, are one indicator of the District's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the District's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities. A summary of the District's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2017 and 2016 is as follows:



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Condensed Statement of Net Position – District Only**

	<u>2017</u>	<u>Reclassified *</u> <u>2016</u>
<b>Assets</b>		
Current assets	27,244,203	\$ 24,515,676
Non-current assets:		
Capital assets, net	194,220,062	191,034,070
Escrow restricted cash	26,299,784	27,297,393
Investments, restricted for capital improvements	-	3,000,900
Other	47,602	47,261
<b>Total Assets</b>	<u>247,811,651</u>	<u>245,895,300</u>
<b>Deferred Outflows of Resources</b>	37,571,019	23,828,190 *
	<u>\$ 285,382,670</u>	<u>\$ 269,723,490</u>
<b>Liabilities</b>		
Current liabilities	13,406,266	12,698,282
Non-current liabilities	77,056,388	80,137,927
Net pension liability	147,526,362	127,988,143
<b>Total liabilities</b>	<u>237,989,016</u>	<u>220,824,352</u>
<b>Deferred Inflows of Resources</b>	8,870,552	7,321,282 *
<b>Net Position</b>		
Net investment in capital assets	141,616,648	136,297,219
Restricted:		
Capital projects	2,859,221	7,313,087
Other projects	1,211,223	1,193,365
Unrestricted	(107,163,990)	(103,225,815)
<b>Total Net Position</b>	<u>38,523,102</u>	<u>41,577,856</u>
	<u>\$ 285,382,670</u>	<u>\$ 269,723,490</u>

The District has experienced a decrease in number of full-time academic student enrollment over the last few years which resulted in less tuition revenues paid by each headcount. The District administration is working to adjust administration, staff and instructors to match our enrollment. Current assets increased approximately \$2.7M. Total assets increased by approximately \$1.9M. These increases are the result of insurance proceeds from the Williams Dorm fire and deferred outflows of resources related to pensions, respectively. Finally, Net Pension Liability increased \$19.5M with a change in the actuarial assumptions that caused a change in unfunded liability.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Current Assets**

**Cash, Cash Equivalents**

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents, reported as current assets on the District's financial statements were \$3,008,379 at June 30, 2017, and \$6,322,543 at June 30, 2016. This represents a \$3,314,164 decrease.

**Short-Term Investments**

The total amount of investments reported as current assets on the District's financial statements was \$8,933,161 at June 30, 2017 and \$6,098,582 at June 30, 2016. This represents a \$2,834,579 increase in investments.

**Accounts Receivable**

Accounts receivable relate to several transactions, including state appropriations, county appropriations, accrued interest, student tuition, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts which totaled \$1,809,703 in fiscal year 2017 and \$1,600,000 fiscal year 2016. The District's receivables totaled \$13,416,752 at June 30, 2017 and \$9,669,224 at June 30, 2016. This represents a \$3,747,528 increase in our accounts receivable. The large increase is primarily due to completion of the Utica Student Union Building ahead of grant awards. The District has implemented policies to keep our student receivables current. However, a decrease in financial aid availability has resulted in higher student receivables in the last few years. Student receivables are expensed once they have reached 517 days outstanding or two semesters old. The District sends these accounts to an outside firm for collection.

**Inventories**

The District maintains inventories of resale merchandise, as well as items for internal consumption. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,885,911 at June 30, 2017. That is a slight decrease of \$207,416 from the amount \$2,093,327 at June 30, 2016. The bookstore inventory, which includes textbooks and merchandise, comprises almost 93% of the total inventory. The bookstore began offering digital books to on-line students this year which reduced inventory. This trend will continue to reduce inventory amounts in years to come.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Non-Current Assets**

Trust Investments

The District reflects the Holtzclaw Trust as \$47,602 at June 30, 2017. The amount increased slightly from \$47,261 in fiscal year 2016 with the interest and dividends earned on the investments. The Trust is separate from the investments included in the District's blended component unit, Hinds Community College Foundation.

Investments Restricted for Capital Improvements or Bond Repayments

During 2016, the District issued 2016 Refunding Bonds for the Muse Center. The proceeds from the refunding were placed in a bond escrow account to be used for repayment of the 2009 bank bonds. As of June 30, 2017, the bond escrow balance is \$26,299,784. This is anticipated to save the District approximately \$2.3M over the initial bonds.

Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, equipment, vehicles, and historical library holdings at June 30, 2017. The total amount, net of accumulated depreciation, at June 30, 2017 was \$194,220,062. The amount reported net of accumulated depreciation at June 30, 2016 was \$191,034,070. This represents a \$3,185,992 increase in capital assets or a 1.7% increase. The College continues to add facilities and expand its operations. In a competitive environment, the District wants to continue to repair or improve buildings and replace equipment in an attempt to provide our students and employees with the latest technology and the best learning environment.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Non-Current Assets (Continued)**

Capital Assets, Net (Continued)

**Summary of Capital Assets – District Only**

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
<u>Non-Depreciable Capital Assets:</u>					
Land	\$ 7,482,303	\$ 75,000	\$ -	\$ -	\$ 7,557,303
Construction in progress	9,545,444	9,233,651	-	(6,299,895)	12,479,200
Livestock	88,050	13,250	-	-	101,300
Total Non-Depreciable Capital Assets	<u>17,115,797</u>	<u>9,321,901</u>	<u>-</u>	<u>(6,299,895)</u>	<u>20,137,803</u>
<u>Depreciable Capital Assets:</u>					
Buildings	174,866,295	-	-	-	174,866,295
Improvements - buildings and other	70,569,326	12,000	(12,000)	6,299,895	76,869,221
Library books	3,466,020	158,754	(316,254)	-	3,308,520
Furniture and equipment	16,435,890	749,250	(978,321)	-	16,206,819
Total Depreciable Capital Assets	<u>265,337,531</u>	<u>920,004</u>	<u>(1,306,575)</u>	<u>6,299,895</u>	<u>271,250,855</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings	56,642,338	3,171,163	(5,400)	-	59,808,101
Improvements - buildings and other	20,009,400	2,638,115	-	-	22,647,515
Library books	2,486,334	935,171	(874,434)	-	2,547,071
Furniture and equipment	12,281,186	169,352	(284,629)	-	12,165,909
Total Accumulated Depreciation	<u>91,419,258</u>	<u>6,913,801</u>	<u>(1,164,463)</u>	<u>-</u>	<u>97,168,596</u>
Total Depreciable Capital Assets, Net	<u>173,918,273</u>	<u>(5,993,797)</u>	<u>(142,112)</u>	<u>6,299,895</u>	<u>174,082,259</u>
Total Capital Assets, Net	<u>\$ 191,034,070</u>	<u>\$ 3,328,104</u>	<u>\$ (142,112)</u>	<u>\$ -</u>	<u>\$ 194,220,062</u>

The total new buildings and improvements completed included the following:

<b>Projects completed in 2017</b>	<u>Capitalized Amount</u>
Airport-FAA Rehab Taxi	\$ 1,548,046
Student Union Renovation Ph I & II-Utica	2,034,736
Career Tech Entrance-Rankin	1,464,611
Police Station Renovation-Utica	64,555
Airport-New Apron	373,444
Eagle Ridge Extension Renovation	447,334
RY Track Resurface	99,641
Mayo Fitness Improvements	35,800
NAHC Roof Improvements	35,720
UT Sign for Campus Entrance	36,750
Welding Booth-Jackson	159,258
	<u>\$ 6,299,895</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Deferred Outflows of Resources**

Deferred Outflows Related to Bond Discount, Net of Amortization

The bond discounts associated with refunding the debt on the Raymond Dorm project and the Muse Center project was capitalized and the amounts are being amortized over 8 to 25 years. The amount decreased in Fiscal year 2017 to \$345,104 from \$358,452 in fiscal year 2016, as a result of amortization.

Deferred Outflows Related to Pensions

As a result of GASB 68 implementation, the District recognized a deferred outflow of resources related to the pension liability in the amount of \$37,225,915 and \$23,469,438 at June 30, 2017 and 2016 respectively.

**Current Liabilities**

Cash Overdraft

Cash overdraft represents the checks, advices, and other charges outstanding at the end of fiscal year 2017, in excess of the bank balance. The amount increased to \$4,099,391 at June 30, 2017 from \$3,555,160 at June 30, 2016.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$4,199,733 at June 30, 2017 and \$3,967,411 at June 30, 2016. This represents an increase in liabilities of \$232,322.

Unearned Revenues

Unearned revenues represent revenues that were received by the District during the fiscal year, but the District did not earn the revenue by the end of the June 30, 2017. For example, the District allows students to pre-register in the second summer session which starts after June 30. In addition, the 8-week summer session has not been earned in full. The unearned revenue totaled \$1,466,307 at June 30, 2017 and \$1,585,213 at June 30, 2016.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the balances that the District would expect to pay on notes, bonds, and accrued leave liabilities within the next fiscal year. The amount of the current portion of long-term liabilities at June 30, 2017 was \$3,152,581 and \$3,108,558 at June 30, 2016.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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Other Current Liabilities

Other current liabilities represent assets belonging to individuals or organizations for which the District acts as custodian. Examples include various student clubs and organizations and agency scholarships. The total amount held for others at June 30, 2017 was \$488,254 and \$481,940 at June 30, 2016.

**Non-Current Liabilities**

Accrued Leave Liability

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid absences, such as vacation. The non-current portion of the accrued compensated balances was calculated to be \$2,443,388 at June 30, 2017. This was a decrease of \$4,539 from the amount at June 30, 2016 of \$2,447,927.

Bonds Payable, net of current portion

Bonds payable, net of current portion represents the portion of notes and bonds payable that are due after June 30, 2018. The amount of the non-current portion at June 30, 2017 was \$74,613,000 as compared to \$77,690,000 at June 30, 2016. The non-current portion of long-term debt decreased by \$3,077,000, due to principal payments on old debt and no new debt incurred in 2017. There was new debt for 2017 Education Facilities Refunding Bonds issued in 2017, that replaced an old 2008 bond issue.

Net Pension Liability

The net pension liability at June 30, 2017 is \$147,526,362 compared to \$127,988,143 at June 30, 2016, which represents the District's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for those years. See Note 7 to the financial statements for further information regarding the District's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

**Deferred Inflows of Resources**

Deferred Inflows Related to Bond Premium, Net of Amortization

During fiscal year 2016 a bond premium for 2016 refunding bonds was recorded and is being amortized over 17.5 years along with bond premium associated with the Mayo Refinancing, being amortized over 8 years. The amount decreased to \$1,668,302 at June 30, 2017 from \$1,765,696 from June 30, 2016. The difference of \$97,394 is income recognized in 2017 from the amortization of the bond premiums.

Deferred Inflows Related to Pensions

As a result of GASB 68 implementation, the District reflects a balance of deferred inflow of resources related to the pension liability in the amount of \$7,202,250 and \$5,555,586 at June 30, 2017 and 2016, respectively.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Net Position**

Net Investment in Capital Assets

In fiscal year 2017, net investment in capital assets portion of the District's net position increased by \$5,319,429 to \$141,616,648 at June 30, 2017. This increase consists of a variety of items, including construction of assets, changes in related debt and bond refunding escrows.

Restricted Net Position at June 30, 2017 was as follows:

Capital Project Funds	\$ 2,859,221
Other Project Funds	1,211,223
Total Restricted Net Position	<u>\$ 4,070,444</u>

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

Unrestricted Net Position

The following is a breakdown of the unrestricted net position at June 30, 2017:

Unrestricted General Fund (Deficit)	<u>\$ (107,163,990)</u>
-------------------------------------	-------------------------

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the District such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. In fiscal year 2017, the District increased tuition and fees and cut costs. However, the college also experienced a decrease in state appropriations.

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

Total unrestricted net position (deficit) at June 30, 2017	\$ (107,163,990)
Less unrestricted deficit in net position resulting from the implementation of GASB Statement No. 68 and 71	<u>117,502,697</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 10,338,707</u>

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations and local appropriations as non-operating revenues. The District's dependency on these funding sources results in an operating deficit.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Net Position (Continued)**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

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

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Tuition and fees *	\$ 15,337,638	\$ 11,800,189
Grants and contracts	15,569,921	14,316,749
Auxiliary enterprises	17,658,160	17,711,570
Other operating	<u>1,347,556</u>	<u>1,206,772</u>
Total operating revenues	<u>49,913,275</u>	<u>45,035,280</u>
<b>Operating Expenses</b>	<u>144,337,523</u>	<u>134,510,304</u>
<b>Operating Income (Loss)</b>	<u>(94,424,248)</u>	<u>(89,475,024)</u>
<b>Non-operating revenues (expenses)</b>		
State appropriations	34,651,036	35,406,187
County appropriations	12,045,768	11,617,816
Federal grants and contracts	29,653,550	30,027,869
Investment income	251,477	37,977
Other non-operating income (expenses)	<u>(2,114,654)</u>	<u>(2,824,329)</u>
<b>Total non-operating revenues (expenses)</b>	<u>74,487,177</u>	<u>74,265,520</u>
<b>Loss before other revenues, expenses, gains and losses</b>	(19,937,071)	(15,209,504)
Federal capital grants	4,452,632	3,515,625
State & Local appropriations restricted for capital purposes	9,510,196	8,113,903
Insurance proceeds	44,790	150,975
Gain on involuntary conversion	2,736,221	-
Other non-operating revenues	<u>138,478</u>	<u>69,117</u>
<b>Total other revenues</b>	<u>16,882,317</u>	<u>11,849,620</u>
Total increase (decrease) in net position	(3,054,754)	(3,359,884)
<b>Net Position, beginning of year</b>	<u>41,577,856</u>	<u>44,937,740</u>
<b>Net Position, end of year</b>	<u>\$ 38,523,102</u>	<u>\$ 41,577,856</u>

\* Net of scholarship allowances: 2017 was \$19,119,477 and 2016 was \$21,421,283.



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Net Position (Continued)**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Operating revenues increased by \$4,877,995 and operating expenses increased by \$9,827,219. This huge increase in operating expenses is due to a change in pension expense due to our position of the unfunded pension liability increasing. Therefore, the operating loss for fiscal year 2017 increased by \$4,949,224 to (\$94,424,248). The District will continue to show a significant operating loss since two of our largest funding sources, state and local appropriations, are not included in operating revenue per GASB No. 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding from the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin, and Warren.

**Operating Revenues**

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$15,337,638 for fiscal year 2017. The amount increased by \$3,537,449 from the amount in fiscal year 2016 which was \$11,800,189. Our gross tuition and fees collected increased by \$1,235,643. The amount went from \$33,221,472 in fiscal year 2016 to \$34,457,115 in fiscal year 2017. The tuition discount for scholarship allowances, as estimated according to the National Association of College and University Business Officers' Advisory Report 2000-2005, for the fiscal year 2017 was \$19,119,477 compared to fiscal year 2016 amount of \$21,421,283. These numbers attempt to estimate the amount of financial aid refunds that the college disburses to students.

Grants and contracts

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

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Federal grants and contracts	\$ 7,540,766	\$ 7,128,455
State grants and contracts	7,252,229	6,615,822
Non governmental grants	776,926	572,472
Total sources	<u>\$ 15,569,921</u>	<u>\$ 14,316,749</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Operating Revenues (Continued)**

Grants and contracts (Continued)

The District had a \$412,311 increase in federal source grants in fiscal year 2017. State grants increased by \$636,407 in fiscal year 2017.

Sales and Services from Educational Activities

Sales and services from educational activities include revenue from our child care programs, sales of product and services from our vocational programs, and athletic events. The amount for fiscal 2017 was \$315,220 and was \$275,826 for fiscal year 2016. The revenues increased \$39,394 in fiscal year 2017.

Auxiliary Sales and Services

Auxiliary sales and services consists of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. These enterprise entities charge a fee directly related to the cost of those goods or services and are intended to be self-supporting. The activities include the District's bookstores at each location, student housing, faculty housing, the Eagle Ridge Conference Center, Wellness Facilities on the Raymond and Utica Campuses, John Bell Williams Airport in Raymond, Brewed Awakenings Coffee Shop on the Rankin Campus, the Eagle Ridge golf course in Raymond, and the Meat Market in Raymond. Auxiliary enterprises revenues decreased by \$53,410, from \$17,658,160 in fiscal year 2017 compared to \$17,711,570 in fiscal year 2016.

Operating Expenses

The following table details the District's operating expenses by natural and functional classification for the fiscal years ended June 30, 2017 and 2016:

Operating Expenses by Functional Classification	<u>2017</u>	<u>2016</u>
Instruction	\$ 53,632,647	\$ 52,834,482
Academic support	1,937,112	2,052,129
Student services	8,459,907	7,499,802
Institutional support	11,518,136	12,775,568
Operations and maintenance of plant	12,532,386	10,908,154
Student financial aid	14,915,386	13,020,110
Auxiliary enterprises	16,334,393	15,017,673
Bad debt expenses	2,261,505	1,527,716
Pension expenses	15,832,250	12,119,431
Depreciation	6,913,801	6,755,239
Total	<u>\$ 144,337,523</u>	<u>\$ 134,510,304</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Operating Revenues (Continued)**

Operating Expenses (Continued)

The District's operating expenses increased by \$9,827,219 from 2016. \$3,712,819 of this increase was due to an increase in pension expense. The District paid out \$1,895,276 more in scholarships and financial aid than in fiscal year 2016. Operations and Maintenance of Plant increased by \$1,624,232 primarily due to the increase in costs related to construction.

Operating Expenses by Natural Classification	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 57,025,029	\$ 57,063,602
Fringe benefits	25,737,921	22,013,011
Travel	1,058,633	1,123,500
Contractual services	13,487,998	13,250,431
Utilities	3,250,016	3,212,511
Scholarships and fellowships	19,034,405	16,085,935
Commodities	12,514,992	11,667,333
Depreciation expense	6,913,801	6,755,239
Other operating	5,314,728	3,338,742
Total	<u>\$ 144,337,523</u>	<u>\$ 134,510,304</u>

Fringe Benefits increased by \$3,724,910 primarily due to an increase in the pension expense. Scholarships and Fellowships increased by \$2,948,470. This includes scholarships paid by federal grants and private partnerships. Although the decrease is not large, it is important to note that the district has worked hard to decrease the salaries and wages expense during fiscal year 2017.

**Non-Operating Revenues (Expenses)**

State Appropriations

One of the District's largest sources of non-operating revenue is the appropriations from the State of Mississippi Legislature. The funds pass through the Mississippi Community College Board (MCCB) which calculates the District's share based on a funding formula. The District received \$34,651,036 for fiscal year 2017, of which \$23,327,774 were appropriations received for the District's general fund. The District received \$5,801,346 in Education Enhancement Funds. The total amount received for fiscal year 2016 was \$35,406,187.

County Appropriations

The District receives strong financial support from all counties in the District where the school resides. The District uses the funding for salaries and benefits, and for operational purposes. The District receives the appropriation in monthly payments, beginning in July of each year. The District received \$12,045,768 for the fiscal year 2017 from the counties. The amount has increased \$427,952 from the fiscal year 2016 amount of \$11,617,816.

**HINDS COMMUNITY COLLEGE DISTRICT**  
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**Non-Operating Revenues (Expenses) (Continued)**

Federal Grants and Contracts

The District received \$29,653,550 in federal grants and contracts for fiscal year 2017 which is a decrease of \$374,319 from last year's amount of \$30,027,869. The amount of Pell grants the District receives is based on how many Pell eligible students come to the college. During our 2016-2017 award year, there were 7,723 students with Pell funds disbursed. During our 2015-2016 award year, there were 8,091 students with Pell disbursements.

Net Investment Income

Net investment income includes the interest income from cash in the bank accounts, various investments in certificates of deposit, federal bond funds, and money market accounts. The investment income for fiscal year 2017 was \$251,477. This was an increase of \$213,500 from fiscal year 2016 amount. This increase is primarily related to the increase from investments on our escrow from the 2016 refunding bonds. Unfortunately, the District saw historically low interest rates on its investments in fiscal year 2017.

**Other Revenues**

Federal Capital Grants

The federal capital grants increased in fiscal year 2017 by \$937,007 to \$4,452,632. The majority of the federal funds received in fiscal year 2017 were from the Title III grant for renovation of the student union on the Utica Campus.

State and County Appropriations Restricted for Capital Purposes

The appropriations increased by \$1,396,293 to \$9,510,196 in fiscal year 2017. Upon passage of a legislative bond bill in the Mississippi State Legislature, the State of Mississippi sells capital improvement bonds and those funds are allocated by the Mississippi Community College Board to each college based on an enrollment formula. The appropriations must be spent on renovations and repairs or construction of new facilities. In 2017, the College renovated the Jenkins Administration Building, began renovations of the Gray-Partridge Vo-Tech Building and completed roof renovations for Eagle Ridge. Finally, the County Appropriations Restricted for Capital Purposes are proceeds from tax collections from the counties in our district. The amount received from the counties in our district was \$6,291,302 for fiscal year 2017. The amount and the millage rates is set by the local county Board of Supervisors.

Gain from Involuntary Conversion

There was a gain from involuntary conversion of \$2,736,221 in 2017 resulting from insurance proceeds related to a fire at Williams Dormitory.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Statement of Cash Flows**

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

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

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents provided (used) by operating activities	\$ (81,713,822)	\$ (81,281,722)
Cash flows from non-capital financing activities	76,894,585	77,814,489
Cash flows from capital and related financing activities	90,007	(4,173,180)
Cash flows from investing activities	1,415,066	6,544,713
Net increase (decrease) in cash and cash equivalents	(3,314,164)	(1,095,700)
Cash and cash equivalents - beginning of year	6,322,543	7,418,243
Cash and cash equivalents - end of year	\$ 3,008,379	\$ 6,322,543

The other major sources of funds included in operating activities include student tuition and fees, \$17,580,062, auxiliary enterprises, \$17,658,160, and grants and contracts, \$15,427,250. The major uses of funds were payments made to employees for salaries and fringe benefits, \$76,383,392, payments made to vendors and suppliers, \$30,872,216 and to scholarships and fellowships, \$19,034,405.

**Factors Impacting Future Periods**

The District is largely dependent on the ongoing financial and political support from the State of Mississippi and the counties in our district. For the fiscal year 2018 budget year, the District does expect to see a decrease in state appropriations around \$3M. Therefore, the District will be forced to make cost reductions and will also have to make some decisions on the best allocations of current resources. After the District saw record setting growth in enrollment during 2008-2010, the District has seen the enrollment decreasing or flat enrollment patterns. In particular, the summer sessions have seen double digit decreases with the elimination of separate financial aid help for the summer and the increase in dual enrollment students.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**Factors Impacting Future Periods (Continued)**

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

A technology fee was added to each students account in fiscal year 2016 to help us with the rising costs of technology requirements and expectations. An increase in tuition was made for fiscal year 2017 along with significant cuts to expenses. We know that our reasonable tuition makes us an attractive choice for families in Mississippi. Thus, we must continue to keep our tuition reasonable compared to our competitors.

We expect our tuition revenue could be our largest percentage of total revenue in fiscal year 2017 and beyond. If we increase our dependency on tuition revenue, then any change to state and federal financial aid packages offered to students will impact their ability to pay tuition and our revenue stream. For example, our enrollment decreases and increase in receivables are due in large part to the reduction in the amount of federal student financial aid flowing through our college. We are dependent on federal financial aid which makes us very sensitive to any proposed changes to federal financial aid funding.

With recruitment and retention in mind, the District continues a commitment to renovations and upgrading of our facilities. The District has upgraded the student union building on the Utica Campus and has plans for a new career technical building on the Raymond campus. We are also looking to replace a dorm that was destroyed by fire in August 2016, and working to finance a new building on the Vicksburg campus that will be supported with Warren County millage to provide newer attractive living spaces for students.

**Requests for Information**

This report is designed to provide a general overview of the District's finances for all those with an interest. Questions regarding these financial statements and requests for additional information should be addressed to the Vice President of Business Services, P.O. Box 1100, Raymond, MS 39154.

**HINDS COMMUNITY COLLEGE DISTRICT**

Statement of Net Position

June 30, 2017

(Component Unit - December 31, 2016)

	Hinds Community College District	Component Unit Hinds Community College Foundation
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,008,379	\$ 10,290
Short-term investments	8,933,161	-
Accounts receivable, net	13,416,752	15,579
Inventories	1,885,911	-
Total Current Assets	<u>27,244,203</u>	<u>25,869</u>
<b>Noncurrent Assets</b>		
Marketable securities	47,602	11,521,955
Bond refunding escrow - restricted	26,299,784	-
Cash and cash equivalents designated for long term purposes	-	433,844
Property held for sale, net of valuation allowance	-	17,000
Capital assets, net of accumulated depreciation	194,220,062	211,162
Total Noncurrent Assets	<u>220,567,448</u>	<u>12,183,961</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	37,225,915	-
Deferred outflows related to bond discount, net of amortization	345,104	-
Total Deferred Outflows of Resources	<u>37,571,019</u>	<u>-</u>
	<u>\$ 285,382,670</u>	<u>\$ 12,209,830</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Cash overdraft	\$ 4,099,391	\$ -
Accounts payable and accrued liabilities	4,199,733	-
Unearned revenues	1,466,307	-
Long-term liabilities - current portion	3,152,581	-
Other current liabilities	488,254	-
Total Current Liabilities	<u>13,406,266</u>	<u>-</u>
<b>Noncurrent Liabilities</b>		
Accrued leave liability	2,443,388	-
Bonds payable, net of current portion	74,613,000	-
Net pension liability	147,526,362	-
Total Noncurrent Liabilities	<u>224,582,750</u>	<u>-</u>
Total Liabilities	<u>237,989,016</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	7,202,250	-
Deferred inflows related to bond premium, net of amortization	1,668,302	-
Total Deferred Inflows of Resources	<u>8,870,552</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	141,616,648	211,162
Restricted:		
Nonexpendable	-	7,990,679
Expendable		
Capital projects	2,859,221	-
Other restricted items	1,211,223	3,495,454
Unrestricted (Deficit)	(107,163,990)	512,535
Total Net Position	<u>38,523,102</u>	<u>12,209,830</u>
	<u>\$ 285,382,670</u>	<u>\$ 12,209,830</u>

See accompanying notes to financial statements.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2017**  
**(Component Unit - Year Ended December 31, 2016)**

	Hinds Community College District	Component Unit Hinds Community College Foundation
<b>Operating Revenues</b>		
Tuition and fees (net of scholarship allowances of \$19,119,477)	\$ 15,337,638	\$ -
Proceeds from gifts and pledges	-	885,677
Net investment income	-	737,410
Federal grants and contracts	7,540,766	-
State grants and contracts	7,252,229	-
Nongovernmental grants and contracts	776,926	-
Sales and services of educational departments	315,220	-
Auxiliary enterprises		
Student housing	3,949,496	-
Food services	3,171,656	-
Bookstore	8,332,607	-
Other auxiliary revenues	2,204,401	-
Other operating revenues	1,032,336	38,689
Total Operating Revenues	<u>49,913,275</u>	<u>1,661,776</u>
<b>Operating Expenses</b>		
Salaries and wages	57,025,029	97,496
Fringe benefits	25,737,921	-
Travel	1,058,633	-
Contractual services	13,487,998	-
Utilities	3,250,016	-
Scholarships and fellowships	19,034,405	622,496
Commodities	12,514,992	-
Depreciation expense	6,913,801	-
Other operating expense	5,314,728	371,687
Total Operating Expenses	<u>144,337,523</u>	<u>1,091,679</u>
Operating Income (Loss)	<u>(94,424,248)</u>	<u>570,097</u>
<b>Non-operating Revenues (Expenses)</b>		
State appropriations	34,651,036	-
County appropriations	12,045,768	-
Federal grants and contracts	29,653,550	-
Investment income	251,477	-
Interest expense on capital asset-related debt	(2,114,654)	-
Total Net Non-operating Revenue	<u>74,487,177</u>	<u>-</u>
Income (Loss) Before Other Revenues	<u>(19,937,071)</u>	<u>570,097</u>
Federal capital grants	4,452,632	-
Insurance proceeds	44,790	-
Gain on involuntary conversion	2,736,221	-
Other non-operating revenues	138,478	-
State and county capital appropriations	9,510,196	-
Total Other Revenues	<u>16,882,317</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>(3,054,754)</u>	<u>570,097</u>
<b>Net Position:</b>		
Beginning of Year, as restated-component unit	<u>41,577,856</u>	<u>11,639,733</u>
End of Year	<u>\$ 38,523,102</u>	<u>\$ 12,209,830</u>



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**  
**(Component Unit - Year Ended December 31, 2016)**

	<u>Hinds Community College District</u>	<u>Component Unit Hinds Community College Foundation</u>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 17,580,062	\$ -
Gifts and pledges	-	870,098
Net investment income	-	231,010
Grants and contracts	15,427,250	-
Sales and services of auxiliary enterprises	17,658,160	-
Payments to employees for salaries and fringe benefits	(76,383,392)	(97,801)
Payments to vendors and suppliers	(30,872,216)	-
Payments for utilities	(3,250,016)	-
Payments for scholarships and fellowships	(19,034,405)	(622,496)
Other receipts	(2,839,265)	(332,998)
Net Cash Provided by (Used in) Operating Activities	<u>(81,713,822)</u>	<u>47,813</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
County appropriations	12,045,768	-
State appropriations	34,651,036	-
Federal grants and contracts	29,653,550	-
Book overdraft	544,231	-
Net Cash Provided by Non-Capital Financing Activities	<u>76,894,585</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Federal capital grants	4,452,632	-
State and county capital appropriations	9,510,196	-
Proceeds from capital debt	3,095,000	-
Principal paid on capital debt	(6,142,000)	-
Interest paid on capital debt	(2,101,306)	-
Insurance proceeds	1,002,194	-
Other non-operating revenues	373,084	-
Purchase of capital assets	(10,099,793)	-
Net Cash Provided by Capital and Related Financing Activities	<u>90,007</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>		
Investment income	251,477	-
Proceeds from sales of investments	6,447,949	-
Purchase of investments	(5,284,360)	(73,985)
Net Cash Provided By (Used In) Investing Activities	<u>1,415,066</u>	<u>(73,985)</u>
Net Decrease in Cash and Cash Equivalents	(3,314,164)	(26,172)
Cash and Cash Equivalents, Beginning of Year	<u>6,322,543</u>	<u>470,306</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,008,379</u>	<u>\$ 444,134</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**  
**(Component Unit - Year Ended December 31, 2016)**

	<u>Hinds Community College District</u>	<u>Component Unit Hinds Community College Foundation</u>
Reconciliation to Statement of Net Position:		
Cash	\$ 3,008,379	\$ 10,290
Cash and cash equivalents designated for long-term purposes	-	433,844
	<u>\$ 3,008,379</u>	<u>\$ 444,134</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	\$ (94,424,248)	\$ 570,097
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	6,913,801	-
Unrealized gains and losses on investments	-	(305,694)
Realized gains and losses on investments	-	(148,871)
Contributions of investments	-	(51,835)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
(Increase) decrease in assets and deferred outflows of resources		
Accounts receivable, net	(1,968,711)	(15,579)
Inventories	207,416	-
Deferred outflows related to pensions	(13,756,176)	-
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable and accrued expenses	232,322	(305)
Unearned revenues	(118,357)	-
Accrued compensated absences	9,484	-
Deferred inflows related to pensions	1,646,664	-
Net pensions liability	19,538,219	-
Other liabilities	5,764	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ (81,713,822)</u>	<u>\$ 47,813</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

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

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

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

Hinds Community College Foundation (Foundation) is a legally separate, tax-exempt organization chartered in the State of Mississippi in 1979 to enhance the educational mission of the District by providing a vehicle for private sector support and by increasing community awareness of the programs and services offered by the District. The Foundation's support is primarily provided by contributions from alumni, other individuals and businesses. The Foundation is being included as a discretely presented component unit of the District in the district's basic financial statements, in accordance with the criteria outlined by GASB.

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

A separate financial statement of the Foundation can be obtained by contacting Hinds Community College Foundation, P. O. Box 1100, Raymond, MS 39154-1100.

The Foundation pays tuition on behalf of students attending the District. For the Foundation year ended December 31, 2016, total scholarships expensed by the Foundation were \$597,170. During 2016, the Foundation incurred expenses of approximately \$145,119 in educational and general support services paid to or on behalf of the District.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting and Presentation

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

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless a FASB pronouncement conflicts with or contradicts a GASB pronouncement.

The Foundation prepares its financial statements under applicable pronouncements of the FASB. As such, certain revenue recognition criteria and presentation features may be different from those presented under GASB. No modifications have been made to the Foundation's statements in the reporting process. The Foundation is not required to report cash flows based upon the direct method of accounting under FASB standards, and therefore the audited financial statements for the Foundation have been modified for the GASB reporting model. The Foundation reports using a calendar year end, therefore the financial information for the Foundation included in these financial statements is presented as of and for the year ended December 31, 2016.

Estimates

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

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consisted primarily of money market mutual funds and certificates of deposit.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Short-term Investments

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

Accounts Receivables

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the District from vendors. Accounts receivable are recorded net of an allowance for doubtful accounts. Student receivables are written off once they have reached approximately one year outstanding. The District then sends these accounts to an outside firm for collection.

Inventories

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

Restricted Cash and Cash Equivalents

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

Other Long-term Investments

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

Investments

The District has investments in certificates of deposit and U.S. Treasury Securities which are short-term in nature and the fair market value approximates cost. The fair value of all the District's investments in marketable securities are based upon quoted prices for these securities in active markets (Level 1 Measurements). Gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net position unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments (Continued)

GASB requires entities to group assets and liabilities that are carried at fair value in their financial statements into three levels based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. These levels are as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.

Level 3 - Valuation is based on significant valuation assumptions that are not readily observable in the market.

Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The District's significant financial instruments are cash, accounts receivable, marketable securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Capital Assets

Capital assets are recorded at cost on the date of acquisition or, if donated, at fair value at the date of donation. Livestock for educational purposes is adjusted at year end to reflect market price. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. No interest costs were capitalized for the year ended June 30, 2017.

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.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 are further described in Note 8.

Compensated Absences

Full-time employees earn annual leave after six months of employment at a rate of 8 hours per month for 6 months; 10 hours per month for 1 to 5 years of service; 12 hours per month for 5 or more years of service. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid up to 240 hours of accumulated annual leave.

Net Position

Net position of the District is classified into three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable or nonexpendable net position.

The District reported a deficit for unrestricted net position of (\$107,163,990). This deficit can be attributed to the full recognition of net pension liabilities.

Classification of Revenues

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

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

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Classification of Revenues (Continued)

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

State Appropriations

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

Scholarship Discounts and Allowances

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

**NOTE 2 DEPOSITS, INVESTMENTS AND INVESTMENT RETURN**

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

Investments for the District at June 30, 2017 and the Foundation at December 31, 2016 were comprised of the following:

	<u>District</u>	<u>Foundation</u>
Certificates of Deposit	\$ 3,874,316	\$ -
Mutual Funds	-	4,095,483
Common Stock	-	4,768,029
Fixed Income	-	2,608,459
Government Obligations	31,406,231	49,984
	<u>\$ 35,280,547</u>	<u>\$ 11,521,955</u>



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**NOTE 2 DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (CONTINUED)**

Of the above investments, the District held government obligations of \$31,406,231 reflected on the statement of net position as short-term investments of \$8,933,161 and bond refunding escrow-restricted of \$26,299,784.

At December 31, 2016, the Foundation's investments were valued at fair market value. The Foundation recognized \$305,694 in unrealized gains for the year ended December 31, 2016.

As required by GASB, the District has measured the fair value of Bonds, mutual funds, common stocks and US Government Obligations at fair value using quoted prices for identical investments. (Level 1 Measurement)

Cash, Cash Equivalents and Short-Term Investments

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

Deposits

Custodial risk is the risk that, in the event of a depository failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss Code Ann. (1972). Under this program, the District's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of deposits with financial institutions reported in the statement of net position as unrestricted cash and cash equivalents was \$3,008,379 for the District and \$10,290 for the Foundation. There was also \$433,844 of cash and cash equivalents restricted for long term use for the Foundation.

Investments

Credit Risk - Investment policies are set forth by state statute. Investments are reported at fair value (market). The District does not have a formal investment policy that addresses credit risk. Section 37-59-43, Miss. Code Ann. (1972), authorizes the District to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest-bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United

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**NOTE 2 DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (CONTINUED)**

Investments (Continued)

States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director or the Department of Finance and Administration.

**Interest Rate Risk** - The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Treasury securities are presented as investments with maturities of less than one year because they are redeemable in full immediately.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2017, there is no custodial credit risk associated with any investments.

**Concentration of Credit Risk** - Disclosure of investments by amounts and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2017, the District did not have any investments to which this would apply.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position as follows. The District deposits and investments are reflected at June 30, 2017 and the Foundation balances are reflected as of December 31, 2016.

Carrying value	<u>District</u>	<u>Foundation</u>
Deposits	\$ 3,008,379	\$ 444,134
Investments	<u>35,280,547</u>	<u>11,521,955</u>
	<u>\$ 38,288,926</u>	<u>\$ 11,966,089</u>
 Included in the following balance sheet captions		
Cash and cash equivalents	\$ 3,008,379	\$ 10,290
Cash and cash equivalents, restricted for long-term use	-	433,844
Short-term investments	8,933,161	-
Marketable securities	47,602	11,521,955
Bond refunding escrow-restricted	<u>26,299,784</u>	-
	<u>\$ 38,288,926</u>	<u>\$ 11,966,089</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
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**NOTE 2 DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (CONTINUED)**

Net Investment Income

Net investment income for the District for the year ended June 30, 2017 and the Foundation for the year ending December 31, 2016 consisted of the following:

	<u>District</u>	<u>Foundation</u>
Interest and dividend income - operating	\$ -	\$ 282,845
Realized and unrealized gains - operating	-	454,565
	<u>\$ -</u>	<u>\$ 737,410</u>
Interest and dividend income - non-operating	<u>\$ 251,477</u>	<u>\$ -</u>

Level 1 Inputs

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. All investments are measured using Level 1 inputs, which are quoted market prices for identical assets traded in active markets.

**NOTE 3 ACCOUNTS RECEIVABLES**

The District's accounts receivable at June 30, 2017 and the Foundation's account receivable at December 31, 2016 consisted of the following:

	<u>District</u>	<u>Foundation</u>
Student Tuition	\$ 4,113,270	\$ -
Federal, State and Private Grants and Contracts	7,341,541	-
Auxiliary Enterprises	289,552	-
County Appropriations and Other	3,482,092	15,579
Less Allowance for Doubtful Accounts	(1,809,703)	
	<u>\$ 13,416,752</u>	<u>\$ 15,579</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
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**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the District for the year ended June 30, 2017, was:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
<u>Non-Depreciable Capital Assets:</u>					
Land	\$ 7,482,303	\$ 75,000	\$ -	\$ -	\$ 7,557,303
Construction in progress	9,545,444	9,233,651	-	(6,299,895)	12,479,200
Livestock	88,050	13,250	-	-	101,300
Total Non-Depreciable Capital Assets	<u>17,115,797</u>	<u>9,321,901</u>	<u>-</u>	<u>(6,299,895)</u>	<u>20,137,803</u>
<u>Depreciable Capital Assets:</u>					
Buildings	174,866,295	-	-	-	174,866,295
Improvements - buildings and other	70,569,326	12,000	(12,000)	6,299,895	76,869,221
Library books	3,466,020	158,754	(316,254)	-	3,308,520
Furniture and equipment	16,435,890	749,250	(978,321)	-	16,206,819
Total Depreciable Capital Assets	<u>265,337,531</u>	<u>920,004</u>	<u>(1,306,575)</u>	<u>6,299,895</u>	<u>271,250,855</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings	56,642,338	3,171,163	(5,400)	-	59,808,101
Improvements - buildings and other	20,009,400	2,638,115	-	-	22,647,515
Library books	2,486,334	935,171	(874,434)	-	2,547,071
Furniture and equipment	12,281,186	169,352	(284,629)	-	12,165,909
Total Accumulated Depreciation	<u>91,419,258</u>	<u>6,913,801</u>	<u>(1,164,463)</u>	<u>-</u>	<u>97,168,596</u>
Total Depreciable Capital Assets, Net	<u>173,918,273</u>	<u>(5,993,797)</u>	<u>(142,112)</u>	<u>6,299,895</u>	<u>174,082,259</u>
Total Capital Assets, Net	<u>\$ 191,034,070</u>	<u>\$ 3,328,104</u>	<u>\$ (142,112)</u>	<u>\$ -</u>	<u>\$ 194,220,062</u>

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

Description	Useful Lives	Salvage Values	Capitalization Thresholds
Buildings	40 years	20%	\$ 50,000
Building Improvements	20 years	20%	25,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 years	1-10%	5,000
Library books	10 years	-	-

Foundation non-depreciable capital assets consisted of the following:

Land and Buildings	\$ 187,000
Artwork	24,162
	<u>\$ 211,162</u>

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**NOTE 5 LONG-TERM LIABILITIES**

Long-term liabilities of the District consist of notes payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2017.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2017 is listed in the following schedule.

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Housing Revenue Bonds, Series 1987(a)	\$ 3,500,000	3.00%	10/01/17	\$ 360,000	\$ -	\$ 360,000	\$ -	\$ -
Mississippi Development Bank Note, Series 2011)								
Raymond Dorms (b)	18,330,000	3.00 - 4.00%	04/01/41	17,535,000	-	400,000	17,135,000	410,000
Education Facilities Notes, Series 2008 (c)	6,250,000	4.00-5.125%	04/01/23	3,460,000	-	3,460,000	-	-
2012 Mayo Refunding notes (d)	4,395,000	2.00%	04/01/20	2,560,000	-	620,000	1,940,000	635,000
2009 Rankin Facilities Note (e)	27,035,000	3% - 5.75%	10/01/19	26,290,000	-	465,000	25,825,000	555,000
2015 Utica Student Union Note (f)	5,000,000	.50 - 1.8%	02/01/22	4,362,000	-	662,000	3,700,000	687,000
2016 MS Development Bank, Refunding Bonc Rankin (g)	26,060,000	3.00-5.30%	10/01/33	26,060,000	-	175,000	25,885,000	185,000
2017 Education Facilities Refunding (h)	3,095,000	2.25%	04/01/23	-	3,095,000	-	3,095,000	495,000
<b>Total Bonds and Notes Payable</b>				<b>80,627,000</b>	<b>3,095,000</b>	<b>6,142,000</b>	<b>77,580,000</b>	<b>2,967,000</b>
<b>Other noncurrent liabilities</b>								
Net pension liability				127,988,143	19,538,219	-	147,526,362	-
Accrued leave liability				2,619,485	9,484	-	2,628,969	185,581
<b>Total</b>				<b>\$ 211,234,628</b>	<b>\$ 22,642,703</b>	<b>\$ 6,142,000</b>	<b>\$ 227,735,331</b>	<b>\$ 3,152,581</b>
<b>Due within one year</b>							<b>(3,152,581)</b>	
<b>Total long-term liabilities</b>							<b>\$ 224,582,750</b>	

The debt service requirements as of June 30, 2017 are as follows:

Maturity Date	Principal	Interest	Total
2018	\$ 2,967,000	\$ 1,958,609	\$ 4,925,609
2019	3,077,000	1,898,539	4,975,539
2020	3,369,000	1,815,428	5,184,428
2021	26,682,000	1,728,381	28,410,381
2022	2,970,000	1,657,434	4,627,434
2023-2027	10,580,000	7,074,696	17,654,696
2028-2032	13,980,000	4,558,526	18,538,526
2033-2037	9,565,000	1,972,813	11,537,813
2038-2042	4,390,000	576,563	4,966,563
	<b>\$ 77,580,000</b>	<b>\$ 23,240,989</b>	<b>\$ 100,820,989</b>

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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

- a) Bonds maturing after April 1, 1998, are subject to early redemption in inverse chronological order in multiples of \$5,000 at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 1998.
- b) The note matures on April 1, 2041. Interest payments are due annually on April 1 each year. The note is secured by the net revenues of the dorms with an intercept agreement to require payment with state appropriations in the event of default.
- c) Notes maturing on or after April 1, 2023 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 2017.
- d) The notes mature on April 2020. Interest payments are due April 1 and October 1 each year. Notes maturing on or after October 1, 2020 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after October 1, 2019.
- e) The District will exercise its option to call for redemption on October 1, 2019. Interest payments are due April 1 and October 1 each year.
- f) The notes mature on February 1, 2022. Interest payments are due February 1 and August 1 each year.
- g) The bonds mature through October 1, 2033. Interest payments are due April 1 and October 1 each year. The bonds are for refinancing, prepayment, and advance refunding of the outstanding principal of the 2009 HCCD \$27,035,000 note. The proceeds of the bonds are held in escrow until October 1, 2019, when the 2009 Bonds are callable.
- h) The notes mature through April 1, 2023. Interest payments are due April 1 and October 1 each year.

The following is a summary of changes in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Accrued leave liability	\$ 2,619,485	\$ 9,484	\$ -	\$ 2,628,969
Current portion				(185,581)
				<u>\$ 2,443,388</u>
Bonds payable	\$ 80,627,000	\$ 3,095,000	\$ (6,142,000)	\$ 77,580,000
Current portion				(2,967,000)
				<u>\$ 74,613,000</u>
Net Pension Liability	\$ 127,988,143	\$ 19,538,219	\$ -	<u>\$ 147,526,362</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 6 OPERATING LEASES**

Leased property under operating leases is comprised mainly of copiers and other business equipment with original lease terms ranging from three to five years. Total rental expense for the year ended June 30, 2017 was \$228,983. The following is a schedule of the future minimum rental payments required under those operating leases:

<u>Year</u>	<u>Amount</u>
2018	\$ 192,908
2019	163,351
2020	93,512
2021	24,791
Total	<u>\$ 474,562</u>

**NOTE 7 PENSION PLAN**

Plan Description

The District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to 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 District's participation in PERS by the PERS' Board of Trustees. If approved, membership for the District'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

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**NOTE 7 PENSION PLAN (CONTINUED)**

Benefits Provided (Continued)

before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. 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.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ending June 30, 2017 and 2016 were \$8,403,543 and \$8,321,482 respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the District reported a liability of \$147,526,362 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, The District's proportionate share percentage was 0.82590% which was based on the measurement date of June 30, 2016. This was a decrease of .00207% from its proportionate share percentage used to calculate the June 30, 2016 net pension liability, which was based on the measurement date at June 30, 2015.



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**NOTE 7 PENSION PLAN (CONTINUED)**

For the year ended June 30, 2017, the District recognized pension expense of \$15,832,250.

At June 30, 2017, the District 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	\$ 4,125,782	\$ -
Changes in assumptions	6,942,753	392,026
Net difference between projected and actual earnings on pension plan investment	17,260,115	
District contributions subsequent to the measurement date	8,403,543	-
Changes in proportionate share and differences between District contributions and proportionate share of contributions	493,722	6,810,224
Total	\$ 37,225,915	\$ 7,202,250

District contributions for the year ended June 30, 2017, of \$8,403,543 were reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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	Amount
2018	\$ 8,368,987
2019	6,248,259
2020	4,088,460
2021	2,914,416
Total	\$ 21,620,122

**Actuarial Assumptions**

The total pension liability at June 30, 2017, was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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**NOTE 7 PENSION PLAN (CONTINUED)**

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
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 7.75%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate (9%) and the Employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 7 PENSION PLAN (CONTINUED)**

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.75)%	Current Discount Rate (7.75)%	1% Increase (8.75)%
District’s proportionate share of the net pension liability	\$ 189,161,873	\$ 147,526,362	\$ 112,982,385

Pension Plan Fiduciary Net Position

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

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**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit - Year Ended December 31, 2016**

**NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES**

	Salaries & Wages	Fringe Benefits	Travel	Contractual	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 37,585,952	\$ 6,016,601	\$ 545,275	\$ 2,877,988	\$ -	\$ 3,754,816	\$ 1,562,501	\$ -	\$ 1,289,514	\$ 53,632,647
Academic support	1,198,338	236,332	32,564	177,319	-	56	56,994	-	235,509	1,937,112
Student services	5,153,965	894,098	253,654	829,265	-	51,276	699,931	-	577,718	8,459,907
Institutional support	5,768,355	1,058,681	186,719	3,800,951	-	-	454,260	-	249,170	11,518,136
Operation of plant	4,841,438	1,197,979	19,200	2,132,309	2,141,213	-	1,672,319	-	527,928	12,532,386
Student aid	-	-	-	-	-	14,854,134	61,252	-	-	14,915,386
Auxiliary enterprises	2,476,981	501,980	21,221	3,670,166	1,108,803	374,123	8,007,735	-	173,384	16,334,393
Bad debt expense	-	-	-	-	-	-	-	-	2,261,505	2,261,505
Pension expense	-	15,832,250	-	-	-	-	-	-	-	15,832,250
Depreciation expense	-	-	-	-	-	-	-	6,913,801	-	6,913,801
Total district expenses	57,025,029	25,737,921	1,058,633	13,487,998	3,250,016	19,034,405	12,514,992	6,913,801	5,314,728	144,337,523
Foundation expenses	97,496	-	-	-	-	622,496	-	-	371,687	1,091,679
Total expenses	<u>\$ 57,122,525</u>	<u>\$ 25,737,921</u>	<u>\$ 1,058,633</u>	<u>\$ 13,487,998</u>	<u>\$ 3,250,016</u>	<u>\$ 19,656,901</u>	<u>\$ 12,514,992</u>	<u>\$ 6,913,801</u>	<u>\$ 5,686,415</u>	<u>\$ 145,429,202</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

**NOTE 9 CONSTRUCTION COMMITMENTS AND FINANCING**

The District has contracted for various construction projects as of June 30, 2017. Estimated costs to complete the various board-approved projects, some of which have signed contracts in place at June 30, 2017, and the sources of anticipated funding are presented below:

	Total Costs to Complete	Funded By		
		Federal Sources	State Sources	Institutional Funds
Vicksburg CTE Building	\$ 13,000,000	\$ -	\$ -	\$ 13,000,000
Williams Dorm Replacement	12,000,000	-	-	12,000,000
Jenkins Hall	1,150,000	-	1,000,000	150,000
Softball Field Improvements	25,000	-	-	25,000
Student Union Renovation Ph III - Utica	200,000	200,000	-	-
Eagle Ridge Conference Center - HVAC	15,000	-	-	15,000
Soccer/Tennis Facility	450,000	-	-	450,000
Pedestrian Sidewalk - Raymond - MDOT	1,500,000	1,200,000	-	300,000
Cosmetology Building Renovation - Utica	950,000	950,000	-	-
Baseball Stadium Improvements	300,000	-	-	300,000
RV Vet Tech Improvements	100,000	-	-	100,000
ERCC Water Heater Replacement	20,000	-	-	20,000
Gibbs Hall Cooler Replacement	25,000	-	-	25,000
RY Center for Teaching and Learning	25,000	25,000	-	-
ATC Tech Nest	25,000	25,000	-	-
RY Fab Lab	50,000	50,000	-	-
Grey-Partridge Vo-Tech Renovation				
Phase I	8,000,000		8,000,000	-
Total	<u>\$ 37,835,000</u>	<u>\$ 2,450,000</u>	<u>\$ 9,000,000</u>	<u>\$ 26,385,000</u>

**NOTE 10 ENDOWMENT FUND**

The Foundation has an endowment fund established to support scholarships and other departments for the District. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended for scholarships.

Endowment net assets, beginning	\$ 7,686,531
Contributions	193,242
Scholarship transfers	110,906
Endowment net assets, ending	<u>\$ 7,990,679</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

**NOTE 11 EXPENDABLE/ NONEXPENDABLE NET POSITION**

Expendable and nonexpendable net position consisted of the following:

	District	Foundation
District Expendable Net Position:		
Grant restricted net position	\$ 1,162,436	\$ -
W.S. Russell Trust	48,787	-
Expendable for capital projects	2,859,221	-
	4,070,444	-
Foundation Restricted Net Assets:		
Foundation Nonexpendable Restricted Assets:		
Provide scholarship assistance	-	7,523,124
Provide for college departments and foundations	-	26,000
Provide for faculty and staff development	-	391,555
Provide for student loans and other	-	50,000
		7,990,679
Foundation Expendable Restrictions:		
Provide scholarship assistance	-	2,717,850
Provide for reconstruction of Cain Hall	-	2,360
Provide for college departments and foundations	-	325,455
Provide for faculty and staff development	-	193,700
Provide for alumni chapters	-	53,005
Grants	-	82,758
Other	-	120,326
	-	3,495,454
Total	\$ 4,070,444	\$ 11,486,133

**NOTE 12 UTILIZATION OF HINDS COMMUNITY COLLEGE DISTRICT'S FACILITIES AND STAFF BY THE FOUNDATION**

The District provides facilities to the Foundation at no charge. The value associated with these items has not been recorded, as it would not be material.

The Foundation did not owe the District for payroll related expenses of the Donor Relations/Specialist Projects Coordinator as of June 30, 2017.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

Claims and Litigation

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Government Grants

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

**NOTE 14 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Except as described below, the District carries commercial insurance for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

**NOTE 15 CURRENT ECONOMIC CONDITIONS**

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

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**  
**Component Unit – Year Ended December 31, 2016**

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**NOTE 15 CURRENT ECONOMIC CONDITIONS (CONTINUED)**

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

**NOTE 16 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 District evaluated the activity through January 29, 2018, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

The District is in the process of constructing a Career Technical Building on the Vicksburg campus. Subsequent to June 30, 2017, the District borrowed \$8,000,000 and plans to participate in a New Market Tax Credit Program with the Foundation to complete the construction of the building and the purchase of expensive career tech equipment for programs which will be located in the building. The Warren County Board of Supervisors added sufficient tax millage to cover the yearly debt service.



**REQUIRED  
SUPPLEMENTARY INFORMATION**

**HIND COMMUNITY COLLEGE DISTRICT**  
**Schedules of the District's Proportionate Share**  
**of the Net Pension Liability - PERS**  
**Last 10 Fiscal Years**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Corporation's proportion percentage of the net pension liability	0.82590%	0.827972%	0.84638%
Corporation's proportionate share (amount) of the net pension liability	\$ 147,526,362	\$ 127,988,143	\$ 102,734,671
Corporation's covered payroll	\$ 52,834,806	\$ 50,720,444	\$ 51,718,000
Corporation's proportionate share of the net pension liability as a percentage of its employee payroll	279.22%	242.24%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.00%	67.21%

**HIND COMMUNITY COLLEGE DISTRICT**  
**Schedules of the District's Contributions to the Pension Plan**  
**Last 10 Fiscal Years**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,403,543	\$ 8,321,482	\$ 7,988,470
Contributions in relation to the contractually required contribution	<u>(8,403,543)</u>	<u>(8,321,482)</u>	<u>(7,988,470)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered payroll	\$ 53,355,829	\$ 52,834,806	\$ 50,720,444
Contribution's as a percentage of covered payroll	15.75%	15.75%	15.75%

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2017**

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**PENSION SCHEDULES**

Basis of Presentation

The amounts presented for the fiscal years regarding the District's proportionate share were determined as of the measurement date of June 30 of the year prior to the fiscal years presented.

These schedules are required to provide information for ten years. However, GASB 68 was implemented in fiscal year June 30, 2015, and until a full ten-year trend is compiled, the District has only presented information for the years in which it is available.

Changes in Assumptions

In 2015 and later, the expectation of retired life mortality was changed to be the RP-2014 Healthy Annuitant Blue Collar Table projected in 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price of inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.5% to 2.0%.

Changes in Benefit Provisions

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

## **SUPPLEMENTARY INFORMATION**

**Hinds Community College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Project or Pass Through Grantor's Number	Federal Expenditures
<b>U.S. Department of Education</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Pell Grant Program	84.063	P063P161703	\$ 29,656,124
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	P007A162240	504,310
Federal Work-Study Program (FWS)	84.033	P033A162240	336,302
Total Student Financial Assistance			<u>30,496,736</u>
Federal Direct Student Loan Program	84.268	P268K171703	<u>24,395,962</u>
Total Student Financial Assistance Cluster			54,892,697
<b>TRIO Cluster</b>			
Talent Search Program	84.044	P044A11030-15	39,955
Talent Search Program	84.044	P044A160318	251,829
Student Support Services Program	84.042	P042A151411	296,843
Total TRIO Cluster			<u>588,628</u>
<b>Higher Education - Institutional Aid (Title III)</b>			
Historically Black Colleges and Univ. Program	84.031B	P031B120547	4,709,545
Historically Black Colleges and Univ. Program - SAFRA	84.031B	P031B150038	443,448
Predominantly Black Institutions Program - Formula Grants	84.031P	P031P160007	957,169
Total Higher Education Institutional Aid - Title III			<u>6,110,162</u>
Predominantly Black Institutions Program - Competitive Grants	84.382A	P382A110047-14	<u>165,489</u>
Total Direct Programs			61,756,976
<b>Pass through from Mississippi State Department of Education:</b>			
Vocational Rehabilitation State Grants	84.126	H126A170034	183,442
Career and Technical Education -- Basic Grants to States	84.048	V048A170024	913,551
Adult Education--Basic Grants to States	84.002	V002A150025	378,832
Total pass-through programs			<u>1,475,825</u>
Total US Department of Education			63,232,801
<b>US Department of Agriculture</b>			
Soil and Water Conservation Program	10.902	68-4423-15-2475	74,757
<b>Pass through from University of Mississippi Medical Center</b>			
Delta Health Care Services Grant Program	10.874	66105240915-HCC	7,988
<b>Pass through from Mississippi Department of Agriculture</b>			
Specialty Crop Block Grant Program - Farm Bill	10.170	15-SCBGP-MS-0002	3,077
<b>Supplemental Nutrition Assistance Program Cluster</b>			
<b>Pass through from Mississippi Department of Human Services</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	175MS405S2520	423,144
<b>Pass through from Mississippi Community College Board</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	175MS405S2520	9,681
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	175MS405S2514	196,711
Total Supplemental Nutrition Assistance Program Cluster			<u>629,536</u>
Total US Department of Agriculture			715,359

**Hinds Community College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Project or Pass Through Grantor's Number	Federal Expenditures
<b>US Department of Labor</b>			
<b>Workforce Innovation and Opportunity Act Cluster</b>			
<b>Pass through from Central Mississippi Planning and Development District, Inc.</b>			
WIOA Adult Program/WIOA Youth Activities/WIOA Dislocated Workers	17.258/17.259/17.260	16-01-87-01	16,004
WIOA Adult Program	17.258	16-01-87-01	227,555
WIOA Youth Activities	17.259	16-01-87-01	227,539
Total Workforce Innovation and Opportunity Act Cluster			<u>471,097</u>
Trade Adjustment Assistance	17.245	TC23860-12-60-a-28	54,399
Trade Adjustment Assistance - Community College and Career Training Grant	17.282	TC25094MED	355,037
<b>Pass through from Mississippi Community College Board</b>			
Apprenticeship USA Grant	17.285	16-S90-004-6026-1	599
Total US Department of Labor			<u>881,132</u>
<b>US Department of Transportation</b>			
Airport Improvement Program	20.106	3-28-0064-020-2015	104,366
<b>Pass through from Mississippi Department of Transportation</b>			
Airport Improvement Program	20.106	3-28-0064-021-2016	334,479
Total US Department of Transportation			<u>438,845</u>
<b>National Aeronautics and Space Administration</b>			
<b>Pass through from University of Mississippi</b>			
National College Space Program	43.001	NNX15AH78H	7,500
<b>National Science Foundation</b>			
<b>Research and Development Cluster</b>			
Education and Human Resources	47.076	1623282	265,353
Education and Human Resources	47.076	1623160	66,574
Education and Human Resources	47.076	1533537	238,159
Total National Science Foundation - R&D Cluster			<u>570,086</u>
<b>National Endowment for the Humanities</b>			
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162	AB-234469-16	34,146
<b>Small Business Administration</b>			
<b>Pass through from University of Mississippi</b>			
Small Business Development Centers	59.037	17-11-029	54,962
Small Business Development Centers	59.037	16-12-032	7,140
Total Small Business Administration			<u>62,102</u>
<b>U.S. Department of Health and Human Services</b>			
<b>Pass through from Moorehouse School of Medicine</b>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	hbcu.efe 16-17/12	6,814
<b>Pass through from Mississippi Community College Board</b>			
Child Care and Development Block Grant	93.575	1701MSCCDF	58,151
Temporary Assistance for Needy Families	93.558	1701MSTANF	8,141
Total US Department of Health and Human Services			<u>73,106</u>
<b>Total Federal Expenditures</b>			<u>\$ 66,015,077</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

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**NOTE 1    BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the federal awards expended by Hinds Community College District (the District) for the year ended June 30, 2017.

For the purposes of the Schedule, federal awards include all grants, contracts, loans, and loan guarantee agreements entered into directly between the District and agencies and departments of the federal government. The District has classified all awards into major and nonmajor programs in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Major programs include the following:

Student Financial Aid Program Cluster  
Supplemental Nutrition Assistance (SNAP) Program Cluster  
Adult Basic Education Program

Fiscal period audited: Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2017.

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amounts presented in this schedule have been reconciled to the District's basic financial statements.

Cost allocation: The District allocates indirect costs related to grant programs in accordance with, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance. The indirect cost rate used to allocate amounts to grant programs during the fiscal year ended June 30, 2017, are primarily based on rates with the granting agency.

**NOTE 3    STUDENT LOAN PROGRAMS**

Loans made under the Federal Direct Student Loan program are issued to eligible students of the District.



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

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**NOTE 3    STUDENT LOAN PROGRAMS (CONTINUED)**

The loan programs include subsidized and unsubsidized Stafford Loans and Parent PLUS Loans. The value of loans issued for the Federal Student Loan Program is based on disbursement amounts. The loan amounts issued during the year are disclosed on the Schedule. The District is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs.

**NOTE 4    OTHER NONCASH ASSISTANCE**

The District did not receive federal noncash assistance during the fiscal year ended June 30, 2017.

**NOTE 5    AMOUNT OF FEDERAL INSURANCE IN EFFECT DURING THE YEAR**

No federal insurance was received by the District during the year ended June 30, 2017.

**REPORTS ON INTERNAL CONTROL  
AND COMPLIANCE**



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

Board of Trustees  
Hinds Community College District  
Raymond, 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 of Hinds Community College District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which comprise Hinds Community College District's basic financial statements and have issued our report thereon dated January 29, 2018. We conducted our audit 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 of the United States. Our report includes a reference to other auditors who audited the financial statements of Hinds Community College Foundation (Foundation), which is a discretely presented component unit. The audit of the Foundation was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-1 and 2017-2 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Hinds Community College District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ridgeland, Mississippi  
January 29, 2018



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

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

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

We have audited Hinds Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hinds Community College District's major federal programs for the year ended June 30, 2017. Hinds Community College District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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



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

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

In our opinion, Hinds Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

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

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

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



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

*Grantham Lode REC*

Ridgeland, Mississippi  
January 29, 2018



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

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

We have audited the financial statements of the business-type activities of Hinds Community College District as of and for the year ended June 30, 2017, which comprise Hinds Community College District's basic financial statements and have issued our report thereon dated January 29, 2018. 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. Our report includes a reference to other auditors who audited the financial statements of Hinds Community College Foundation (Foundation), which is a discretely presented component unit. The audit of the Foundation was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on compliance with state laws and regulations associated with the Foundation.

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

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

This report is intended solely for the information and use of Hinds Community College District's board and management, entities with accreditation overview, federal awarding agencies, and the Office of the State Auditor 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.

*GranthamPoole PCC*

Ridgeland, Mississippi  
January 29, 2018



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Section 1: Summary of Auditors' Report**

Financial Statements:

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued:  | Unmodified |
| 2. | Internal control over financial reporting:  |            |
|    | Material weakness(es) identified  | No         |
|    | Significant deficiencies identified (Section II)  | Yes        |
| 3. | Noncompliance material to financial statements which would be required to be reported in accordance with <i>Government Auditing Standards</i> | No         |

Federal Awards

- |    |   |               |
|----|---|---------------|
| 4. | Internal Control over major programs:   |               |
|    | Material weakness identified  | No            |
|    | Significant deficiencies 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 2 CFR 200.516(a) (Section III) | None          |
| 7. | The programs tested as major programs were:   |               |

<u>Name of Federal Program</u>	<u>CFDA Number(s)</u>
Student Financial Assistance Cluster	#84.007, 84.033, 84.063, 84.268
Supplemental Nutrition Assistance Program- State Administrative Match	#10.561
Adult Education – Basic Grants to States	#84.002

- |    |  |             |
|----|--|-------------|
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | \$1,980,452 |
| 9. | Auditee qualified as low-risk auditee                                    | Yes         |

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Section II: Financial Statement Findings**

**Significant Deficiencies not considered to be Material Weaknesses**

**2017-1** Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting. Internal control should allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements in accounts payable tracking.

Condition - The external auditors discovered there was not a subsidiary aged accounts payable listing available for the year ended June 30, 2017.

Effect – The District accountants had a difficult time determining which account payable items were outstanding at June 30, 2017 during their substantive audit procedure testing.

Cause - The District has not designed internal control procedures for preparation of subsidiary accounts payable listings.

Recommendation - The District should implement procedures for the review of subsidiary accounts payable listings monthly to ensure the reconciliations tie back to the general ledger.

Views of Responsible Officials and Planned Corrective Action - The District will implement year-end reporting procedures to ensure an accurate aged account payable listing is prepared. The listing will be prepared by someone in the accounting department and any discrepancies or unusual items will be reported back to the controller.

**2017-2** Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting. Internal control should allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements related to fixed asset management and depreciation.

Condition - The external auditors discovered and recorded a passed adjustment to reflected differences noted in several reconciliations from the detailed subsidiary depreciation schedules to the general ledger.

Effect – Although the past adjustment was immaterial. The potential effect, if uncorrected, could cause the subsidiary ledgers to remain unreconciled with the general ledger.

Cause - The District has not designed appropriate control procedures related to reconciling fixed asset and depreciation subsidiary schedules to the general ledger.

Recommendation - The District should implement procedures whereby a reconciliation of the fixed asset subsidiary records is performed periodically and compared to the general ledger by the controller's assistant and reviewed by the controller and Vice President of Business Affairs for completeness.

Views of Responsible Officials and Planned Corrective Action- The District will design procedures whereby the subsidiary fixed asset records are reconciled to the general ledger. The reconciliation will be completed by the controller's assistant and reviewed by the controller and Vice President of Business Affairs.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Section III: Federal Awards Findings**

None



# HINDS COMMUNITY COLLEGE

Russell Shaw • Vice President for Business Services  
P.O. Box 1100 • Raymond, Mississippi 39154-1100  
Office: 601.857.3961 • Fax: 601.857.3566 • e-mail: rdshaw@hindsec.edu

## Hinds Community College District

### Response to Schedule of Findings and Questioned Costs

Year Ended June 30, 2017


#### 2017-1

Hinds Community College will implement a procedure to review subsidiary accounts payable listings against the accounts payable general ledger control account. The Controller, Systems Analyst, and Accounts Payable Manager will work together to initiate a listing of subsidiary accounts payable to be sent on a monthly basis to the Controller for reconciliation to the general ledger. Any differences will be resolved by the Accounts Payable Manager and the Controller.

#### 2017-2

Hinds Community College will implement a procedure that requires quarterly reconciliation of fixed asset subsidiary records to the general ledger. The Inventory Accountant will submit quarterly reports to the Controller who will reconcile to the general ledger. Any differences will be resolved by the Controller and Inventory Accountant.

  
\_\_\_\_\_  
Russell D. Shaw  
Vice-President for Business Services

  
\_\_\_\_\_  
Date

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2017**

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<b>Reference Number</b>	<b>Summary of Findings</b>	<b>Status</b>
<b><u>Financial Statement Findings</u></b>		
2016-1	Incorrect calculation on depreciation expenses on assets deleted during the fiscal year.	Corrected
2016-2	Procedures had not been established to correctly account for new bonds issued.	Corrected
2016-3	The District did not maintain reconciliations for test of large revenue accounts (tuition, dorm fees, cafeteria and transport fees)	Corrected
<b><u>Federal Awards Findings</u></b>		
2016-4	The program administrator did not verify that all program compensation and benefits paid from the federal awards were allowable costs.	Corrected
2016-5	The controller and student financial aid administrators did not require reconciliations of student financial aid administration records for revenues and awards with the accounting records and general ledger.	Corrected