HINDS COMMUNITY COLLEGE DISTRICT

Audited Financial Statements

Year Ended June 30, 2018

HINDS COMMUNITY COLLEGE DISTRICT
June 30, 2018

CONTENTS

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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, 2018, 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, 2017, 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*.

GranthamPoole PLLC
granthampoole.com
1062 Highland Colony Pkwy, Suite 201, Ridgeland, MS 39157 P 601.499.2400
1200 Jefferson Avenue, Suite 206, Oxford, MS 38655 P 662.234.8130

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, 2018, 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, 2017, 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.

Restatement of Prior Period Net Position

As described in Note 20 to the financial statements, the net position as of June 30, 2017 has been restated due to the recognition of the OPEB liability in accordance with GASB Statement 75 and the correction of errors relating to the pension liability and accounting for advance refunding of debt. Our opinion is not modified with respect to these matters.

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* 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 March 14, 2019, 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 PLLC

Ridgeland, Mississippi
March 14, 2019

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, 2018. 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, 2018 and 2017 is as follows:

Condensed Statement of Net Position – District Only

	2018	RESTATED 2017
Assets		
Current assets	$ 33,040,034	$ 27,244,203
Non-current assets:		
Capital assets, net	192,574,153	194,220,062
Escrow restricted cash	-	-
Promissory note receivable	9,649,800	-
Other	47,925	47,602
Total Assets	235,311,912	221,511,867
Deferred Outflows of Resources	15,199,183	31,356,000
	$ 250,511,095	$ 252,867,867
Liabilities		
Current liabilities	$ 15,801,892	$ 13,691,563
Non-current liabilities, other	56,525,442	49,804,768
Net OPEB liability - non-current portion	6,941,671	7,080,208
Net pension liability	138,183,126	147,526,362
Total liabilities	217,452,131	218,102,901
Deferred Inflows of Resources	4,868,442	4,386,916
Net Position		
Net investment in capital assets	143,021,081	142,375,123
Restricted:		
Capital projects	8,255,558	2,859,221
Other projects	1,469,076	1,211,223
Unrestricted (Deficit)	(124,555,193)	(116,067,517)
Total Net Position	28,190,522	30,378,050
	$ 250,511,095	$ 252,867,867

The District has experienced a decrease in the number of full-time academic student enrollments over the last few years which resulted in less tuition revenues. The District administration is working to adjust administration, staff and instructors to match our enrollment. Current assets increased $5,795,831. Total assets increased by $13,800,045. These increases are the result of a new promissory note. Total Liabilities decreased $650,770. The 2017 comparative statement of net position above was restated for implementation of GASB Statement No. 75, restatement related to pensions, restatement related to advance refunding of bonds and restatement related to amortization of bond premium.

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 $6,708,374 at June 30, 2018, and $3,008,379 at June 30, 2017. This represents a $3,699,995 increase.

Short-Term Investments

The total amount of investments reported as current assets on the District's financial statements was $9,937,412 at June 30, 2018 and $8,933,161 at June 30, 2017. This represents a $1,004,251 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 an allowance for doubtful accounts, which totaled $1,952,423 in fiscal year 2018 and $1,809,703 in fiscal year 2017. The District's net receivables totaled $14,655,002 at June 30, 2018 and $13,416,752 at June 30, 2017. This represents a $1,238,250 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.

Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCROF Investor 120, LLC (the borrower) in connection with the financing of a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program with the Foundation. The balance of the note at June 30, 2018 was $9,649,800. The District issued general obligation notes in the amount of $8,000,000 and received a donation from Enhanced Capital Mississippi NMTC Investment Fund III, LLC and Hinds Mississippi Credit Fund, LLC for $1,847,526 to fund the promissory note.

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 $1,699,649 at June 30, 2018. That is a decrease of $186,262 from the amount $1,885,911 at June 30, 2017. The bookstore inventory, which includes textbooks and merchandise, comprises almost 95% 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.

Non-Current Assets

Trust Investments

The District reflects the Holtzclaw Trust as $47,925 at June 30, 2018. The amount increased slightly from $47,602 in fiscal year 2017 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.

Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, equipment, vehicles, and historical library holdings at June 30, 2018 and 2017. The total capital assets, net of accumulated depreciation, at June 30, 2018 was $192,574,153. The amount reported, net of accumulated depreciation at June 30, 2017 was $194,220,062. This represents a $1,645,909 decrease in capital assets or a 0.9 % decrease. 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.

Summary of Capital Assets – District Only

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Non-Depreciable Capital Assets:					
Land	$ 7,557,303	$ -	$ -	$ -	$ 7,557,303
Construction in progress	12,479,200	3,893,424	(521,103)	(9,245,915)	6,605,606
Livestock	101,300	-	(32,400)	-	68,900
Total Non-Depreciable Capital Assets	20,137,803	3,893,424	(553,503)	(9,245,915)	14,231,809
Depreciable Capital Assets:					
Buildings	174,866,295	-	-	-	174,866,295
Improvements - buildings and other	76,869,221	-	-	9,245,915	86,115,136
Library books	3,308,520	97,496	(434,566)	-	2,971,450
Furniture and equipment	16,206,819	2,171,348	(343,901)	-	18,034,266
Total Depreciable Capital Assets	271,250,855	2,268,844	(778,467)	9,245,915	281,987,147
Less Accumulated Depreciation for:					
Buildings	59,808,101	3,143,028	(11,070)	-	62,940,059
Improvements - buildings and other	22,647,515	2,948,851	-	-	25,596,366
Library books	2,371,057	139,068	(391,109)	-	2,119,016
Furniture and equipment	12,341,923	975,987	(328,548)	-	12,989,362
Total Accumulated Depreciation	97,168,596	7,206,934	(730,727)	-	103,644,803
Total Depreciable Capital Assets, Net	174,082,259	(4,938,090)	(47,740)	9,245,915	178,342,344
Total Capital Assets, Net	$ 194,220,062	$ (1,044,666)	$ (601,243)	$ -	$ 192,574,153

Non-Current Assets (Continued)

Capital Assets, Net (Continued)

The total new buildings and improvements completed include the following:

Projects completed in 2018		Capitalized Amount
Softball Field Improvements	$	1,811,710
Student Union Renovation Phase III Utica		6,516,351
Eagle Ridge Conference Center-HVAC		110,227
Baseball Field Improvements		287,706
RY Vet Tech Improvements		216,087
ERCC Water Heater Replacement		58,786
Gibbes Hall Cooler Replacement		150,710
UT Lewis Lee		46,528
RY Center for Teaching and Learning		47,810
	$	9,245,915

Deferred Outflows of Resources

Deferred Outflows Related to Pensions

As a result of the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions An Amendment of GASB Statement No. 27*, the District recognized a deferred outflow of resources related to the pension liability in the amount of $14,737,030 and $30,918,958 at June 30, 2018 and 2017 respectively. The deferred outflows at June 30, 2017 were restated as a result of a prior period adjustment.

Deferred Outflows Related to OPEB

As a result the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* the District recognized deferred outflows of resources related to the OPEB liability in the amount of $462,153 and $285,298 at June 30, 2018 and 2017 respectively. The June 30, 2017 financial statements were restated as a result of the implementation of GASB 75.

Current Liabilities

Cash Overdraft

Cash overdraft represents the checks, advices, and other charges outstanding at the end of fiscal year 2018, in excess of the bank balance. The amount increased to $4,956,159 at June 30, 2018 from $4,099,391 at June 30, 2017.

Current Liabilities (Continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2018 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled $4,646,615 at June 30, 2018 and $4,199,733 at June 30, 2017. This represents an increase in liabilities of $446,882.

Unearned Revenues

Unearned revenues represent revenues that were received by the District during the fiscal year, but not earned at the end of the fiscal year. 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 $1,610,317 at June 30, 2018 and $1,466,307 at June 30, 2017.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the balances that the District would expect to pay on notes, bonds, accrued leave and OPEB liabilities within the next fiscal year. The amount of the current portion of long-term liabilities at June 30, 2018 was $4,087,044 and $3,152,581 at June 30, 2017.

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, 2018 was $501,757 and $488,254 at June 30, 2017. This was an increase of $13,503.

Non-Current Liabilities

Accrued Leave Liability

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The non-current portion of the accrued compensated absences was calculated to be $2,596,370 at June 30, 2018. This was a increase of $152,982 from the amount at June 30, 2017 of $2,443,388.

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, 2019. The amount of the non-current portion at June 30, 2018 was $53,929,072 as compared to $50,788,000 at June 30, 2017. The non-current portion of long-term debt increased by $3,141,072, due to the issuance of two new bonds. The new bonds are the 2017 refunding bonds which will be used to pay off the 2011 Series Mississippi Development bonds and the HCCD General Taxable Obligation Note relative to the new market tax credit transaction. Also, the loss on refunding bonds, net of amortization and the discount and premium on bonds, net of amortization are being offset against Bonds Payable at June 30, 2018. The Bonds payable, net of current portion at June 30, 2017 was restated as a result of a prior period adjustment.

Non-Current Liabilities (Continued)

Net Pension Liability

The net pension liability at June 30, 2018 is $138,183,126 compared to $147,526,362 at June 30, 2017 (as restated), 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 8 to the financial statements for further information regarding the District's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Net OPEB Liability

As a result of GASB 75 implementation, at June 30, 2018, the District recognized a Net OPEB liability- noncurrent-portion of $6,941,671 and a current portion of $309,112. GASB 75 required retroactive application, therefore a prior period adjustment to beginning net assets of $7,080,208 was reflected. The amount of the OPEB liability as of June 30, 2017, was $7,365,506, with $7,080,208 being reflected as non-current and $285,298 being reflected as current.

Deferred Inflows of Resources

Deferred Inflows Related to Pensions

As a result of GASB 68 implementation, the District reflects a deferred inflow of resources related to the pension liability in the amount of $4,499,235 and $2,718,614 at June 30, 2018 and 2017, respectively. These amounts are related to differences in projected and actual earnings, expected and actual experience and changes in assumptions used in the pension calculation. The deferred inflows at June 30, 2017 were restated as a result of a prior period adjustment.

Net Position

Net Investment in Capital Assets

In fiscal year 2018, net investment in capital assets portion of the District's net position increased by $645,958 to $143,021,081 at June 30, 2018.

Restricted Net Position

Restricted Net Position at June 30, 2018 was as follows:

Capital Project Funds	$	8,255,558
Other Project Funds		1,469,076
Total Restricted Net Position	$	9,724,634

Net Position (Continued)

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, 2018:

Unrestricted General Fund (Deficit)	$ (124,555,193)

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 2018, 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 and OPEB, management presents the following additional information:

Total unrestricted net position (deficit) at June 30, 2018	$ (124,555,193)
Less unrestricted deficit in net position resulting from the implementation of GASB Statement No. 68, 71 and 75	135,103,168
Unrestricted net position, exclusive of the effect of the net pension liability and OPEB liability	$ 10,547,975

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.

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

	2018	RESTATED 2017
Operating Revenues		
Tuition and fees *	$ 14,620,140	$ 15,337,638
Grants and contracts	21,700,409	15,569,921
Auxiliary enterprises	17,144,744	17,658,160
Other operating	1,546,666	1,347,556
Total operating revenues	55,011,959	49,913,275
Operating Expenses	142,335,456	146,160,842
Operating Income (Loss)	(87,323,497)	(96,247,567)
Non-operating revenues (expenses)		
State appropriations	31,679,782	34,651,036
County appropriations	12,641,731	12,045,768
Federal grants and contracts	30,677,715	29,653,550
Investment income	123,655	251,477
Other non-operating income (expenses)	(2,873,106)	(2,114,654)
Total non-operating revenues (expenses)	72,249,777	74,487,177
Loss before other revenues, expenses, gains and losses	(15,073,720)	(21,760,390)
Federal capital grants	937,731	4,452,632
State & local appropriations restricted for capital purposes	10,766,983	9,510,196
Insurance proceeds	25,510	44,790
Gain on involuntary conversion	-	2,736,221
Contribution income	1,847,526	-
Other non-operating revenues (expenses), net	(691,558)	910,690
Total other revenues	12,886,192	17,654,529
Total increase (decrease) in net position	(2,187,528)	(4,105,861)
Net Position, beginning of year as previously reported	38,523,102	41,577,856
Prior Period Adjustment	(8,145,052)	(7,093,945)
Net Position, beginning of year as restated	30,378,050	34,483,911
Net Position, end of year	$ 28,190,522	$ 30,378,050

* Net of scholarship allowances: 2018 was $21,183,714 and 2017 was $19,119,477.

Net Position (Continued)

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

Operating revenues increased by $5,098,684 and operating expenses decreased by $3,825,386. The operating loss for the fiscal year decreased by $8,924,074 to $(87,323,497). The operating loss for fiscal year 2017 was $(96,247,567). The District will continue to show a significant operating loss since two of the largest funding sources, state and local appropriations are not included in operating revenue per GASB 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 the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin and Warren. The comparative statement of revenues, expenses and changes in net position were restated for the implementation of GASB 75, restatement of pensions restatement related to advance refunding bonds and restatement related to amortization of bond premium.

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling $14,620,140 for fiscal year 2018. The amount decreased by $717,498 from the amount in fiscal year 2017, which was $15,337,638. Our gross tuition and fees collected increased by $1,346,739. The amount went from $34,457,115 in fiscal year 2017 to $35,803,854 in fiscal year 2018. 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 2018 was $21,183,714 compared to fiscal year 2017 amount of $19,119,477. 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, 2018 and 2017:

	2018	2017
Federal grants and contracts	$ 12,491,871	$ 7,540,766
State grants and contracts	8,803,456	7,252,229
Non governmental grants	405,082	776,926
Total sources	$ 21,700,409	$ 15,569,921

The District had a $4,951,105 increase in federal source grants in fiscal year 2018. State grants increased by $1,551,227 in fiscal year 2018.

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 2018 was $335,525 and was $315,220 for fiscal year 2017. The revenues increased $20,305 in fiscal year 2018.

Operating Revenues (Continued)

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 $513,416, from $17,658,160 in fiscal year 2017 to $17,144,744 in fiscal year 2018.

Operating Expenses

The following table details the District's operating expenses by natural and functional classification for the fiscal years ended June 30, 2018 and 2017:

Operating Expenses by Functional Classification	2018	Restated 2017
Instruction	$ 51,377,862	$ 53,347,349
Academic support	1,861,232	1,937,112
Student services	10,164,188	8,459,907
Institutional support	11,768,485	11,518,136
Operations and maintenance of plant	12,029,461	12,532,386
Student financial aid	13,755,715	14,915,386
Auxiliary enterprises	15,918,577	16,334,393
Bad debt expenses	816,121	2,261,505
Pension expenses	17,050,140	17,655,569
OPEB expenses	386,741	285,298
Depreciation	7,206,934	6,913,801
Total	$ 142,335,456	$ 146,160,842

The District's operating expenses decreased by $3,825,386 from 2017. Of this decrease, $605,429 was due to a decrease in pension expense. The District also had a decrease in bad debt expense of $1,445,384. The District paid out $1,159,671 less in scholarships and financial aid awards than in fiscal year 2017. Student services increased $1,704,280 from fiscal year 2017 to 2018 due to an increase in Federal Grants that the college acquired to assist our students and potential students navigate their way through college. Also, OPEB expenses increased as a result of the implementation of GASB 75.

Scholarships and Fellowships decreased by $1,231,321. This includes scholarships paid by federal grants and private partnerships. Salaries and wages decreased by $224,326. 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 2018.

Operating Expenses (Continued)

Operating Expenses by Natural Classification	2018	Restated 2017
Salaries and wages	$ 56,800,703	$ 57,025,029
Fringe benefits	27,118,022	27,561,240
Travel	1,379,879	1,058,633
Contractual services	13,682,823	13,487,998
Utilities	3,515,232	3,250,016
Scholarships and fellowships	17,802,884	19,034,405
Commodities	12,009,699	12,514,992
Depreciation expense	7,206,934	6,913,801
Other operating	2,819,280	5,314,728
Total	$ 142,335,456	$ 146,160,842

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 $31,679,782 for fiscal year 2018 and $34,651,036 in 2017, resulting in a decrease of $2,971,254.

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 $12,641,731 for the fiscal year 2018 from the counties. The amount has increased $595,963 from the fiscal year 2017 amount of $12,045,768.

Federal Pell Grants

The District received $30,677,715 in Pell grants for fiscal year 2018 which is an increase of $1,024,165 from last year's amount of $29,653,550. The amount of Pell grants the District receives is based on how many Pell eligible students come to the college. During our 2017-2018 award year, there were 7,538 students with Pell funds disbursed. During our 2016-2017 award year, there were 7,723 students with Pell disbursements.

Non-Operating Revenues (Expenses) (Continued)

Net Investment Income

Net investment income includes the interest income from cash in bank accounts, various investments in certificates of deposit, federal bond funds, and money market accounts. The investment income for fiscal year 2018 was $123,655. This was a decrease of $127,822 from fiscal year 2017 amount of $251,477. This decrease is due to a decrease in investment accounts. In addition, the District saw historically low interest rates on its investments in fiscal year 2018.

Other Revenues

Federal Capital Grants

The federal capital grants decreased in fiscal year 2018 by $3,514,901 to $937,731. The majority of the federal funds received in fiscal year 2018 were from the Title III grant for renovation of the student union on the Utica Campus.

State and County Appropriations Restricted for Capital Purposes

State and county capital appropriations increased by $1,256,787 to $10,766,983 in fiscal year 2018. 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 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 $5,416,332 for fiscal year 2018. The amount and the millage rates is set by the local county Board of Supervisors.

Insurance Proceeds

Insurance proceeds for the fiscal year 2018 decreased by $19,280 from $44,790 in fiscal year 2017.

Contribution Income

During fiscal year 2018, the District recognized $1,847,526 in contribution income. The contribution resulted from the New Market Credit Program project the District has with the Foundation. The District is involved in financing of the program. The District received donations from the Enhanced Capital Mississippi NMTC Investment Fund III, LLC and Hinds Mississippi Credit Fund, LLC.

Other non-operating revenues and expenses

Other non-operating revenues and expenses decreased $1,602,248 to $(691,558) in fiscal year 2018. This decrease is primarily due to a $550,828 donation to the Foundation for the New Market Credit project and $168,000 of legal fees to close the New Market Credit program transaction.

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.

	2018	2017
Cash and cash equivalents provided by (used in) operating activities	$ (71,785,478)	$ (81,713,822)
Cash flows provided by non-capital financing activities	75,855,996	76,894,585
Cash flows provided by capital and related financing activities	10,160,196	90,007
Cash flows provided by (used in) investing activities	(10,530,719)	1,415,066
Net increase (decrease) in cash and cash equivalents	3,699,995	(3,314,164)
Cash and cash equivalents - beginning of year	3,008,379	6,322,543
Cash and cash equivalents - end of year	$ 6,708,374	$ 3,008,379

The other major sources of funds included in operating activities include student tuition and fees, $14,338,811, auxiliary enterprises, $17,144,744, and grants and contracts, $21,230,225. The major uses of funds were payments made to employees for salaries and fringe benefits, $76,480,329, payments made to vendors and suppliers, $27,904,752 and to scholarships and fellowships, $17,802,884.

Factors Impacting Future Periods

Every year the College leaders participate in strategic planning sessions to consider the future of the College. This year the college will adopt a Five-year strategic plan. It focuses on the following:

1. Find a way to provide increased cash flow to provide the President with the capability for reinvestment in the College
   - If we assume that our revenue remains flat, then we must increase our focus on resource allocation and maximization.
2. Establish annual operating budgets within the context of this plan, incorporating annual variance against targets into operational management and subsequent budget planning.
3. Localize aspects of budget management to administrative and academic units, so that those units are more accountable, and are able to directly accomplish budget transfers and adjustments within annual allocations and realized cost savings.
   - Continue working on ROI calculations to assists us determining the necessity and efficiency of admin, academic and auxiliary units
   - Continue to push out monthly reports on budget performance
4. Continue to strategically facilitate entrepreneurial programs and initiatives to achieve enrollment growth and alternative revenue generation.

Factors Impacting Future Periods (Continued)

5. Focused spending on essential categories
   - Increase employee recruitment, retention, and development
   - Renewal and replacement of technology
   - Renovation and repair of physical plant and OCR compliance requirements

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 2019 budget year and beyond, the District does expect to see a significant change in state appropriations or local appropriations. We expect our tuition revenue could be our largest percentage of total revenue in fiscal year 2019 and beyond. If we increase our dependency on tuition revenue, then any change to tuition rates and state and federal financial aid packages offered to students will impact their ability to pay tuition and our revenue stream.

The College also continues to see a change in our enrollment patterns. For example, there are fewer students choosing to attend classes in on campus academic classroom settings. The College students are choosing on-line courses over face to face courses. Hinds Community College has grown our E-Learning department to match the demand. We currently have the largest enrollment amongst Community Colleges and are able to deliver classes around the world to students. We have also developed a Center for On-Line Teaching and Learning to make sure that our faculty is delivering a quality product.

In addition, the College has seen significant increases in dual enrollment students who receive a deep tuition discount because almost all expenses are covered by our K-12 school district partners. However, the College has enjoyed those dual credit students being counted as part the FTE numbers used to calculate our State funding. However, the dual credit student growth has decreased the number of post-secondary students hours required. That has had an effect on enrollment and tuition numbers.

The final shift in our enrollment patterns is a move in our district to partner with business and industry to provide Career and Technical Training and Workforce training. Business partners are providing equipment, personnel and scholarships to make sure they have a trained workforce available. As a result, our Career and Technical enrollment has grown 10% in the last three years. Many of those students are older and in many cases already have a college degree. That opens up a different demographic for our College. However, we will take over three more secondary centers at local high schools to introduce students to many of the Career Tech Programs that we offer.

With the shifting enrollment patterns above, the District chose to spend resources on Career Tech and E-Learning facilities and labs. In May of 2019, the District will open a new $12M Career Tech Building in Vicksburg which will include state of the art Fabrication Labs and Mechatronic/Robotic labs. The College has spent $1.8M to upgrade the Cosmetology Building on the Utica Campus, Partnered with a Local Business to Open a Diesel Technology Equipment program in Rankin County.

Factors Impacting Future Periods (Continued)

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 and continue to strive to provide relevant instruction and programs that attract focused and retainable 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, 2018
(Component Unit - December 31, 2017)

ASSETS	Hinds Community College District	Component Unit Hinds Community College Foundation
Current Assets		
Cash and cash equivalents	$ 6,708,374	$ -
Cash restricted for investment in property and equipment	-	12,642,132
Short-term investments	9,937,412	-
Accounts receivable, net	14,655,002	210,147
Inventories	1,699,649	-
Other current assets	39,597	-
Total Current Assets	33,040,034	12,852,279
Noncurrent Assets		
Marketable securities	47,925	13,082,613
Cash and cash equivalents designated for long term purposes	-	571,005
Promissory note receivable	9,649,800	-
Property held for sale, net of valuation allowance	-	17,000
Capital assets, net of accumulated depreciation	192,574,153	584,855
Total Noncurrent Assets	202,271,878	14,255,473
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	14,737,030	-
Deferred outflows related to OPEB	462,153	-
Total Deferred Outflows of Resources	15,199,183	-
	$ 250,511,095	$ 27,107,752
LIABILITIES		
Current Liabilities		
Cash overdraft	$ 4,956,159	$ 91,372
Accounts payable and accrued liabilities	4,646,615	-
Unearned revenues	1,610,317	-
Long-term liabilities - current portion	4,087,044	-
Other current liabilities	501,757	-
Total Current Liabilities	15,801,892	91,372
Noncurrent Liabilities		
Accrued leave liability	2,596,370	-
Bonds payable, net of current portion and other charges	53,929,072	12,868,100
Net OPEB liability - long-term portion	6,941,671	
Net pension liability	138,183,126	-
Total Noncurrent Liabilities, net	201,650,239	12,868,100
Total Liabilities	217,452,131	12,959,472
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	4,499,235	-
Deferred inflows related to OPEB	369,207	-
Total Deferred Inflows of Resources	4,868,442	-
NET POSITION		
Net investment in capital assets	143,021,081	358,887
Restricted:		
Nonexpendable	-	8,266,908
Expendable		
Capital projects	8,255,558	-
Other restricted items	1,469,076	5,148,108
Unrestricted (Deficit)	(124,555,193)	374,377
Total Net Position	28,190,522	14,148,280
	$ 250,511,095	$ 27,107,752

See accompanying notes to financial statements.

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018
(Component Unit - Year Ended December 31, 2017)

	Hinds Community College District	Component Unit Hinds Community College Foundation
Operating Revenues		
Tuition and fees (net of scholarship allowances of $21,183,714)	$ 14,620,140	$ -
Proceeds from gifts and pledges	-	1,157,323
Net investment income	-	1,475,105
Federal grants and contracts	12,491,871	-
State grants and contracts	8,803,456	-
Nongovernmental grants and contracts	405,082	-
Sales and services of educational departments	333,525	-
Auxiliary enterprises		
Student housing	3,834,637	-
Food services	3,297,097	-
Bookstore	7,489,067	-
Other auxiliary revenues	2,523,943	-
Other operating revenues	1,213,141	571,783
Total Operating Revenues	55,011,959	3,204,211
Operating Expenses		
Salaries and wages	56,800,703	35,406
Fringe benefits	27,118,022	-
Travel	1,379,879	-
Contractual services	13,682,823	-
Utilities	3,515,232	-
Scholarships and fellowships	17,802,884	642,068
Commodities	12,009,699	-
Depreciation expense	7,206,934	-
Other operating expense	2,819,280	588,287
Total Operating Expenses	142,335,456	1,265,761
Operating Income (Loss)	(87,323,497)	1,938,450
Non-operating Revenues (Expenses)		
State appropriations	31,679,782	-
County appropriations	12,641,731	-
Federal grants and contracts	30,677,715	-
Investment income	123,655	-
Interest expense and other related debt expenses	(2,873,106)	-
Total Net Non-operating Revenue	72,249,777	-
Income (Loss) Before Other Revenues (Expenses)	(15,073,720)	1,938,450
Federal capital grants	937,731	-
Insurance proceeds	25,510	-
Contribution income	1,847,526	-
Other non-operating revenues (expenses), net	(691,558)	-
State and county capital appropriations	10,766,983	-
Total Other Revenues	12,886,192	-
Increase (Decrease) in Net Position	(2,187,528)	1,938,450
Net Position:		
Beginning of Year, as previously reported	38,523,102	12,209,830
Prior period adjustment	(8,145,052)	-
Beginning of Year, as restated	30,378,050	12,209,830
End of Year	$ 28,190,522	$ 14,148,280

See accompanying notes to financial statements.

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
Year Ended June 30, 2018
(Component Unit - Year Ended December 31, 2017)

	Hinds Community College District	Component Unit Hinds Community College Foundation
Cash Flows from Operating Activities		
Tuition and fees	$ 14,338,811	$ -
Gifts and pledges	-	962,755
Net investment income	-	292,858
Grants and contracts	21,230,225	-
Sales and services of auxiliary enterprises	17,144,744	-
Payments to employees for salaries and fringe benefits	(76,480,329)	(35,406)
Payments to vendors and suppliers	(27,904,752)	(642,068)
Payments for utilities	(3,515,232)	-
Payments for scholarships and fellowships	(17,802,884)	-
Other receipts	1,203,939	(16,504)
Net Cash Provided by (Used in) Operating Activities	(71,785,478)	561,635
Cash Flows from Non-Capital Financing Activities		
County appropriations	12,641,731	-
State appropriations	31,679,782	-
Federal grants and contracts	30,677,715	-
Cash overdraft	856,768	91,372
Net Cash Provided by Non-Capital Financing Activities	75,855,996	91,372
Cash Flows from Capital and Related Financing Activities		
Federal capital grants	937,731	-
State and county capital appropriations	10,766,983	-
Proceeds from capital debt	8,000,000	13,880,000
Other financing source - refunding bonds	17,218,591	-
Principal paid on capital debt	(2,967,000)	-
Interest paid on capital debt	(2,658,837)	-
Other financing use - payment to refunded bond escrow agent	(17,218,591)	-
Contribution income	1,873,036	-
Other non-operating revenues (expenses), net	(137,692)	-
Purchase of capital assets	(5,654,025)	(1,385,593)
Net Cash Provided by Capital and Related Financing Activities	10,160,196	12,494,407
Cash Flows from Investing Activities		
Investment income	123,655	-
Proceeds from sales of investments	2,035,826	4,878,201
Promissory note receivable	(9,649,800)	-
Purchase of investments	(3,040,400)	(5,256,612)
Net Cash Provided By (Used In) Investing Activities	(10,530,719)	(378,411)
Net Increase in Cash and Cash Equivalents	3,699,995	12,769,003
Cash and Cash Equivalents, Beginning of Year	3,008,379	444,134
Cash and Cash Equivalents, End of Year	$ 6,708,374	$ 13,213,137

See accompanying notes to financial statements.

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
Year Ended June 30, 2018
(Component Unit - Year Ended December 31, 2017)

	Hinds Community College District	Component Unit Hinds Community College Foundation
Reconciliation to Statement of Net Position:		
Cash	$ 6,708,374	$ -
Cash restricted for investment in property and equipment	-	12,642,132
Cash and cash equivalents designated for long-term purposes	-	571,005
Total cash and cash equivalents	$ 6,708,374	$ 13,213,137
Supplemental Disclosures of Cash Flow Information		
Non-Cash Capital and Related Financing Activities		
Capital assets purchased	$ 6,082,128	$ -
Assets transferred to component unit	(428,103)	-
Net capital assets purchased	$ 5,654,025	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ (87,323,497)	$ 1,938,450
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	7,206,934	-
Unrealized gains and losses on investments	-	(636,270)
Realized gains and losses on investments	-	(535,459)
Contributions of investments	-	(10,518)
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	(1,238,250)	(194,568)
Inventories	186,262	-
Other assets	(39,597)	-
Deferred outflows related to pensions	16,181,928	-
Deferred outflows related to OPEB	(462,153)	-
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable and accrued expenses	446,882	-
Unearned revenues	144,010	-
Accrued compensated absences	121,333	-
Deferred inflows related to OPEB	369,207	-
Net OPEB liability	170,575	-
Deferred inflows related to pensions	1,780,621	-
Net pensions liability	(9,343,236)	-
Other liabilities	13,503	-
Net Cash Provided by (Used in) Operating Activities	$ (71,785,478)	$ 561,635

See accompanying notes to financial statements.

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 and other individuals and businesses. The Foundation is being included as a discretely presented component unit 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (Continued)

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 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, 2017.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consist primarily of money market mutual funds and certificates of deposit.

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 for which the fair 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 revenues, expenses and changes in net position as increases or decreases in unrestricted net position unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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.
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 5 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, 2018.

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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 and other post-employment benefits (OPEB) plan are further described in Notes 8 and 9.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $(124,555,193). This deficit can be attributed to the full recognition of net pension and OPEB 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.

- 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 Standards.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Discounts and Allowances (Continued)

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, 2018 and the Foundation at December 31, 2017 were comprised of the following:

	District	Foundation
Certificates of Deposit	$ 1,843,784	$ -
Mutual Funds	-	4,284,288
Common Stock	-	5,644,915
Fixed Income	-	3,153,410
Government Obligations	8,141,553	-
	$ 9,985,337	$ 13,082,613

Of the above investments, the District held government obligations of $8,141.553 reflected on the statement of net position as short-term investments of $8,141,553.

At December 31, 2017, the Foundation's investments were valued at fair market value. The Foundation recognized $636,270 in unrealized gains for the year ended December 31, 2017.

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

NOTE 2 DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (CONTINUED)

Deposits (Continued)

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 $6,708,374 for the District and $12,550,760 for the Foundation. There was also $571,005 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 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 of 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, 2018, there is no custodial credit risk associated with any investments.

NOTE 2 DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (CONTINUED)

Investments (Continued)

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, 2018, 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's deposits and investments are reflected at June 30, 2018 and the Foundation balances are reflected as of December 31, 2017.

Carrying value	District	Foundation
Deposits	$ 6,708,374	$ 13,213,137
Investments	9,985,337	13,082,613
	$ 16,693,711	$ 26,295,750
Included in the following balance sheet captions		
Cash and cash equivalents	$ 6,708,374	$ 12,642,132
Cash and cash equivalents, restricted for long-term use	-	571,005
Short-term investments	9,937,412	-
Marketable securities	47,925	13,082,613
	$ 16,693,711	$ 26,295,750

Net Investment Income

Net investment income for the District for the year ended June 30, 2018 and the Foundation for the year ending December 31, 2017 consisted of the following:

	District	Foundation
Interest and dividend income - operating	$ -	$ 303,376
Realized and unrealized gains - operating	-	1,171,729
	$ -	$ 1,475,105
Interest and dividend income - non-operating	$ 123,655	$ -

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 RECEIVABLE

The District's accounts receivable at June 30, 2018 and the Foundation's account receivable at December 31, 2017 consisted of the following:

	District	Foundation
Student Tuition	$ 4,758,826	$ -
Federal, State and Private Grants and Contracts	9,497,839	-
Auxiliary Enterprises	266,400	-
County Appropriations and Other	2,084,360	210,147
Less Allowance for Doubtful Accounts	(1,952,423)	-
Total Accounts Receivable, Net	$ 14,655,002	$ 210,147

NOTE 4 PROMISSORY NOTE RECEIVABLE

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCRF Investor 120, LLC (the borrower). The note commenced on December 18, 2017. The note is secured by a security agreement with the borrower. Interest is due to the District quarterly on March 15, June 15, September 15 and December 15 of each year. Interest will be earned at an annual rate of 1%. The balance of the promissory note at June 30, 2018 was $9,649,800. Payments will be made for interest only through December 15, 2024; commencing on March 15, 2025 payments of principal and interest will be made. The note matures on December 17, 2047. See Note 18.

NOTE 5 CAPITAL ASSETS

Capital assets activity for the District for the year ended June 30, 2018, was:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Non-Depreciable Capital Assets:					
Land	$ 7,557,303	$ -	$ -	$ -	$ 7,557,303
Construction in progress	12,479,200	3,893,424	(521,103)	(9,245,915)	6,605,606
Livestock	101,300	-	(32,400)	-	68,900
Total Non-Depreciable Capital Assets	20,137,803	3,893,424	(553,503)	(9,245,915)	14,231,809
Depreciable Capital Assets:					
Buildings	174,866,295	-	-	-	174,866,295
Improvements - buildings and other	76,869,221	-	-	9,245,915	86,115,136
Library books	3,308,520	97,496	(434,566)	-	2,971,450
Furniture and equipment	16,206,819	2,171,348	(343,901)	-	18,034,266
Total Depreciable Capital Assets	271,250,855	2,268,844	(778,467)	9,245,915	281,987,147
Less Accumulated Depreciation for:					
Buildings	59,808,101	3,143,028	(11,070)	-	62,940,059
Improvements - buildings and other	22,647,515	2,948,851	-	-	25,596,366
Library books	2,371,057	139,068	(391,109)	-	2,119,016
Furniture and equipment	12,341,923	975,987	(328,548)	-	12,989,362
Total Accumulated Depreciation	97,168,596	7,206,934	(730,727)	-	103,644,803
Total Depreciable Capital Assets, Net	174,082,259	(4,938,090)	(47,740)	9,245,915	178,342,344
Total Capital Assets, Net	$ 194,220,062	$ (1,044,666)	$ (601,243)	$ -	$ 192,574,153

NOTE 5 CAPITAL ASSETS (CONTINUED)

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
Construction in progress	373,693
Artwork	24,162
	$ 584,855

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NOTE 6 NONCURRENT 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, 2018.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2018 is listed in the following schedule.

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Restated Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
2011 MS Dev Bank-Raymond Dorm Bonds (a)	$ 18,330,000	3.00 - 5.25%	04/01/21	$ 17,135,000	$ -	$ (15,810,000)	$ 1,325,000	$ 425,000
2012 Mayo Refunding Notes (b)	4,395,000	2.00%	04/01/20	1,940,000	-	(635,000)	1,305,000	645,000
2009 Rankin Facilities Bonds (c)	27,035,000	3% - 5.75%	10/01/19	2,000,000	-	(555,000)	1,445,000	615,000
2015 Utica Student Union Note (d)	5,000,000	.50 - 1.8%	02/01/22	3,700,000	-	(687,000)	3,013,000	712,000
2016 MS Development Bank, Refunding Bond (e)	26,060,000	3.00-5.30%	10/01/33	25,885,000	-	(185,000)	25,700,000 *	190,000
2017 Education Facilities Refunding (f)	3,095,000	2.25%	04/01/23	3,095,000	-	(495,000)	2,600,000	490,000
2017 HCCD General Taxable Obligation Note (g)	8,000,000	3.99%	08/01/32	-	8,000,000	-	8,000,000	392,000
2017 MS Dev Bank -Special Obl Refunding Bonds (h)	17,700,000	3.22%	04/01/41	-	17,770,000	-	17,770,000 *	155,000
				53,755,000	25,770,000	(18,367,000)	61,158,000	3,624,000
Deferred Charges and Bond Discount/ Premium								
Deferred charges on advance refundings, net				(3,389,681)	(1,970,336)	370,081	(4,989,936) *	
Bond discount, net				(151,744)	(90,543)	154,604	(87,683) *	
Bond premium, net				1,631,362	-	(158,671)	1,472,691 *	
Bonds and Notes Payable, net				51,844,937	23,709,121	(18,000,986)	57,553,072	
Other Noncurrent Liabilities								
Net pension liability				147,526,362	-	(9,343,236)	138,183,126	-
Net OPEB liability				7,080,208	170,575	-	7,250,783	309,112
Accrued leave liability				2,628,969	121,333	-	2,750,302	153,932
				$ 209,080,476	$ 24,001,029	$ (27,344,222)	$ 205,737,283	$ 4,087,044
Current portion of long-term liabilities							(4,087,044)	
Total Noncurrent Liabilities, net							$ 201,650,239	

The debt service requirements for the bonds and notes as of June 30, 2018 are as follows:

Maturity Date	Principal	Interest	Total
2019	$ 3,624,000	$ 2,116,000	$ 5,740,000
2020	3,933,000	1,891,835	5,824,835
2021	3,443,000	1,783,480	5,226,480
2022	3,579,000	1,690,376	5,269,376
2023	2,913,000	1,590,734	4,503,734
2024-2028	14,168,000	6,447,840	20,615,840
2029-2033	18,658,000	3,427,662	22,085,662
2034-2038	7,525,000	1,057,994	8,582,994
2039-2043	3,315,000	217,750	3,532,750
	$ 61,158,000	$ 20,223,671	$ 81,381,671

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

a) The District will exercise its option to call for redemption on April 1, 2021. 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.

b) 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.

c) 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.

d) The notes mature on February 1, 2022. Interest payments are due February 1 and August 1 each year.

e) 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.

f) The notes mature through April 1, 2023. Interest and principal payments are due April 1 and October 1 each year.

g) General obligation note maturing August 1, 2032. Interest at 3.99% and principal payments due semi-annually February 1 and August 1 of each year. The Note is secured by revenues generated from an advalorem tax in Warren County, MS.

h) Bonds maturing after April 1, 2041. Interest payments will be due semi-annually on April 1 and October 1 of each year. The note will be subject to the intercept of sufficient portion of the State Appropriated Funds if the District is deficient in its payments.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Accrued Leave Liability	$ 2,628,969	$ 121,333	$ -	$ 2,750,302
Current portion				(153,932)
Noncurrent portion				$ 2,596,370
Bonds Payable	$ 53,755,000	$ 25,770,000	$ (18,367,000)	$ 61,158,000
Deferred charges, discount/premium	(1,910,021)	(2,060,879)	365,972	(3,604,928)
				57,553,072
Current portion				(3,624,000)
Noncurrent portion				$ 53,929,072
Net Pension Liability	$ 147,526,362	$ -	$ (9,343,236)	$ 138,183,126
Net OPEB Liability	$ 7,080,208	$ 170,575	$ -	$ 7,250,783
Current portion				(309,112)
Noncurrent portion				$ 6,941,671

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Advance Refunding Bonds

During the year ended June 30, 2016, the District defeased the 2009 Rankin Facilities Bonds by placing the proceeds of a new bond in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, $23,825,000 of bonds outstanding are considered defeased.

On October 12, 2017, the District issued $17,770,000 in Special Obligation Refunding Bonds with an average interest rate of 3.134% to advance refund $15,400,000 of 2011 Series Special Obligation Bonds with an average interest rate of 5.038%. The net proceeds of $17,218,592 (after and original issue discount of $90,543 and payment of $460,865 in underwriting fees, insurance and other issuance costs), were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on a refunded amount of $15,400,000 on the 2011 Series bonds. As a result, $15,400,000 of the 2011 series bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements although the balance of the bonds is still outstanding.

Although the advance refunding resulted in the recognition of an accounting loss of $1,970,337 for the year ended June 30, 2018, the District in effect reduced its aggregate debt service payments by almost $1,576,100 over the next 23 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $1,142,397.

Deferred Charges, Bond Discount and Bond Premium

The following intangibles are being amortized using the effective interest method and amortization is being recorded as a component of interest expense. The unamortized portion is netted against the bond debt.

		Year Ended June 30, 2018			
	Original	Amortization			Unamortized
Intangible Asset	Amount	Beginning	Current	Total	Amount
Deferred loss on 2016 Series Refunding	$ 3,675,520	$ 285,841	$ 307,838	$ 593,679	$ 3,081,841
Deferred loss on 2017 Series Refunding	1,970,336	-	62,241	62,241	1,908,095
	5,645,856	285,841	370,079	655,920	4,989,936
Bond premium on the 2012 refunding bonds	(105,540)	(64,074)	(14,282)	(78,356)	(27,184)
Bond premium on the 2016 refunding bonds	(1,723,967)	(134,071)	(144,389)	(278,460)	(1,445,507)
	(1,829,507)	(198,145)	(158,671)	(356,816)	(1,472,691)
Bond discount on the 2017 refunding bonds	90,543	-	2,860	2,860	87,683
	$ 3,906,892	$ 87,696	$ 214,268	$ 301,964	$ 3,604,928

Anticipated amortization of intangible assets for the next five years is as follows:

2019	$ 286,878
2020	287,352
2021	296,431
2022	290,049
2023	278,683

NOTE 7 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, 2018 was $239,820. The following is a schedule of the future minimum rental payments required under those operating leases:

Year	Amount
2019	$ 215,987
2020	145,170
2021	74,783
2022	36,621
Total	$ 472,561

As further discussed in Note 18, the District and the Foundation are constructing a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program. In connection with this project, the District and the Foundation executed leases considered necessary to complete the transaction between the Foundation and the District to move forward with construction.

The initial lease is a ground lease whereby the District leases to the Foundation the land at the Vicksburg-Warren campus where the building is to be constructed. This lease has a term of fifty years from December 18, 2017, and consideration paid to the District under the lease was $10.

Secondary to the ground lease, the District and the Foundation entered into a lease whereby the District will lease the completed building from the Foundation. This lease commences on June 1, 2019 (the estimated completion date of the building) and has a term of twenty-nine years. This lease will be paid in varying monthly installments ranging from $8,333 per month to $60,049 per month over a period of twenty-eight years and seven months. In addition to the monthly payments, the District will pay all operating costs relating to the building, including utilities, taxes, insurance and any operating maintenance costs.

Finally, the District and the Foundation entered into an equipment lease whereby the District will lease from the Foundation certain furniture, fixtures, and equipment to be installed in the completed building. This equipment lease commences on June 1, 2019 and has a term of five years. The lease requires monthly installments of $43,185 for the term of the lease. In addition to the monthly payments, the District will pay all operating and maintenance cost associated with the leased items. At the expiration of the lease all leased items will revert to the Foundation.

Upon expiration of the ground lease agreement described above, the Foundation will surrender to the District the land and all improvements constructed on the land.

NOTE 7 LEASES (CONTINUED)

The following is a schedule of future minimum rental payments required under the leases:

Year	Equipment	Building	Total
2019	$ 43,185	$ 8,333	$ 51,518
2020	518,225	100,000	618,225
2021	518,225	150,000	668,225
2022	518,225	250,000	768,225
2023	518,225	350,000	868,225
Thereafter	475,040	17,273,423	17,748,463
	$ 2,591,125	$ 18,131,756	$ 20,722,881

NOTE 8 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

NOTE 8 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, 2018 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, 2018, 2017 and 2016 were $8,430,827 ,$8,403,543 and $8,321,482 respectively, which equaled the required contributions for each year.

For the year ended June 30, 2018, the District recognized pension expense of $17,050,140.

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

At June 30, 2018, the school district reported a liability of $138,183,126 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Districts proportion of the net pension liability was based on a projection of the school district's long- term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 0.831257%, which was based on a measurement date of June 30, 2017. This was an increase of .00537% from its proportionate share used· to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

NOTE 8 PENSION PLAN (CONTINUED)

At June 30, 2018, 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	$ 1,985,350	$ 1,748,052
Changes in assumptions	3,124,576	233,944
Net difference between projected and actual earnings on pension plan investment	-	1,008,281
District contributions subsequent to the measurement date	8,430,827	-
Changes in proportionate share and differences between District contributions and proportionate share of contributions	1,196,277	1,508,958
Total	$ 14,737,030	$ 4,499,235

District contributions for the year ended June 30, 2018, of $8,430,827 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, 2019.

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
2019	$ 3,123,264
2020	2,520,215
2021	544,906
2022	(2,246,058)
2023	(2,135,357)
Total	$ 1,806,970

Actuarial Assumptions

The total pension liability at June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males with adjustments.

NOTE 8 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27%	4.60%
International Equity	18%	4.50%
Emerging Markets Equity	4%	4.75%
Global	12%	4.75%
Fixed Income	18%	0.75%
Real Estate	10%	3.50%
Private Equity	8%	5.10%
Emerging Debt	2%	2.25%
Cash	1%	0.00%
Total	100%	

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.

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:

NOTE 8 PENSION PLAN (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

	1% Decrease (6.75)%	Current Discount Rate (7.75)%	1% Increase (8.75)%
District's proportionate share of the net pension liability	$ 181,236,395	$ 138,183,126	$ 102,439,557

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued PERS financial report.

NOTE 9 OPEB PLAN

The following brief description of the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Plan) is provided for general information purposes only. Participants should refer to Title 25 Chapter 15 of the Mississippi statutes as amended or the Plan Document for more complete information.

The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan is maintained solely for the benefit of eligible employees, dependents and retirees. The Plan is a fund of the State of Mississippi (the State).

The 14-member board, which administers the Plan, is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan.

NOTE 9 OPEB PLAN (CONTINIUED)

Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of $7,250,783 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net OPEB liability was determined by comparing the District's average monthly employees participating in the plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. At June 30, 2018, The District's proportionate share percentage was 0.9241% which was based on the measurement date of June 30, 2017. This was a increase of .022% from its proportionate share percentage used to calculate the June 30, 2017 net OPEB liability, which was based on the measurement date at June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense at $386,741. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources released to OPEB from the following sources:

Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 369,207
Changes in proportionate share differences between employer contributions and proportionate share of contributions	153,041	-
Contributions subsequent to measuring date	309,112	-
	$ 462,153	$ 369,207

NOTE 9 OPEB PLAN (CONTINUED)

District contributions of $309,112, for the year ended June 30, 2018, were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Amortization of Deferred Outflows and Inflows of Resources

Year	Amount
2019	$ (37,924)
2020	(37,924)
2021	(37,924)
2022	(37,924)
2023	(37,924)
Thereafter	(26,546)
	$ (216,166)

Actuarial Methods and Assumptions

Measurement Date	June 30, 2016	June 30, 2017
Actuarial assumptions		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	3.00%	3.00%
Long-term expected rate of return	NA	NA
Discount rate	3.01%	3.56%
Projected cash flows	NA	NA
Projected salary increases	3.25%-18.50%	3.25%-18.50%
Healthcare cost trend rates	7.75% decreasing to 5.00% by 2023	7.75% decreasing to 5.00% by 2023

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future. An experience study was performed dated April 18, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 and June 30, 2017 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return

Since no trust was set up as of June 30, 2018, there is no projection of cash flows for the Plan and no long-term expected rate of return on plan assets.

NOTE 9 OPEB PLAN (CONTINUED)

Mortality

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

Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018, there were:

- Changes in employer proportion since the prior measurement date (employer specific deferral)
- No differences between expected and actual experience
- Changes of assumptions or other inputs
- No net difference between projected and actual earnings on OPEB plan investments

Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2018 measurement period is 6.7 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

Health Care Cost Trend Rates

The following presents the district's proportionate share of the net OPEB liability calculated using the health care cost trend rate, as well as what the district's proportionate share of the net OPEB liability would be if it were calculated using a health care cost rend rate that is 1 percentage-point lower or 1 percentage-point higher) than the current rate:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability	$ 6,696,584	$ 7,250,783	$ 7,883,459

Discount Rate Sensitivity

The following presents the district's proportionate share of the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the district's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.56 percent) or 1 percentage-point higher (4.56 percent) than the current rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Net OPEB liability	$ 7,442,274	$ 7,250,783	$ 7,108,181

There were no assets in a trust as of the measurement date, therefore, the fiduciary net position is projected to be depleted immediately.

NOTE 10 NATURAL CLASSIFICATION WITH FUNCTIONAL CLASSIFICATIONS

	Salaries & Wages	Fringe Benefits	Travel	Contractual	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	$36,766,862	$ 5,744,007	$ 517,675	$ 2,499,092	$ -	$ 3,494,239	$ 2,150,590	$ -	$ 205,397	$ 51,377,862
Academic support	1,120,218	224,291	42,107	232,702	-	129	39,653	-	202,132	1,861,232
Student services	5,777,355	986,951	641,179	1,084,897	-	220,354	760,130	-	693,322	10,164,188
Institutional support	6,040,585	1,101,913	134,396	3,728,177	-	340	385,630	-	377,444	11,768,485
Operation of plant	4,680,623	1,163,632	10,294	2,632,663	2,400,353	-	1,141,896	-	-	12,029,461
Student aid	-	-	-	-	-	13,699,699	56,016	-	-	13,755,715
Auxiliary enterprises	2,415,060	460,347	34,228	3,505,292	1,114,879	388,123	7,475,784	-	524,864	15,918,577
Bad debt expense	-	-	-	-	-	-	-	-	816,121	816,121
Pension expense	-	17,050,140	-	-	-	-	-	-	-	17,050,140
OPEB expense		386,741								386,741
Depreciation expense	-	-	-	-	-	-	-	7,206,934	-	7,206,934
Total expenses	$56,800,703	$27,118,022	$1,379,879	$ 13,682,823	$ 3,515,232	$ 17,802,884	$ 12,009,699	$ 7,206,934	$ 2,819,280	$ 142,335,456

NOTE 11 CONSTRUCTION COMMITMENTS AND FINANCING

The District has contracted for various construction projects as of June 30, 2018. Estimated costs to complete the various board-approved projects, some of which have signed contracts in place at June 30, 2018, and the sources of anticipated funding are presented below:

		Funded By		
	Total Costs to Complete	Federal Sources	State Sources	Institutional Funds
Dorm Replacement	$ 8,000,000	$ -	$ -	$ 8,000,000
Jenkins Hall	330,000	-	330,000	-
Administrative Building Renovation	50,000	-	-	50,000
Soccer/Tennis Facility	450,000	-	-	450,000
Pedestrian Sidewalk - Raymond - MDOT	1,500,000	1,200,000	-	300,000
Cosmetology Building Renovation - Utica	1,420,000	500,000	-	920,000
Airport New Apron	50,000	50,000	-	-
MDOT Airport Improvement	50,000	-	-	50,000
T-Hanger Taxi lane	120,000	100,000	10,000	10,000
FAA Subsurface Drainage Improvement	120,000	100,000	10,000	10,000
Jackson ATC Alexander Cooling Tower	450,000	-	450,000	-
ATC Tech Nest	25,000	25,000	-	-
RY Fab Lab	50,000	50,000	-	-
Grey-Partridge Vo-Tech Renovation	2,000,000	-	2,000,000	-
Total	$ 14,615,000	$ 2,025,000	$ 2,800,000	$ 9,790,000

NOTE 12 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	$ 7,990,679
Contributions	164,650
Scholarship transfers	111,579
Endowment net assets, ending	$ 8,266,908

Investment Policy

The endowment's purpose is to enhance the educational mission of Hinds Community College by providing a vehicle for private sector support and by increasing community awareness of the programs and services offered by the College. All endowed accounts and accounts with donors actively working toward endowment status will be invested in the Hinds Community College Foundation endowment fund. The total in each account will receive a proportional amount of income or loss that it has generated on a monthly basis.

NOTE 12 ENDOWMENT FUND (CONTINUED)

Endowed scholarships will be established with a minimum cash gift of $15,000 donated to the Foundation. The gift will constitute the initial principal of the endowment. The principal of endowed funds is maintained indefinitely and only the income earned is awarded in the form of scholarships.

Endowed scholarship accounts may be established with less than $15,000 with a designation of "endowment pending". While any account is in the "endowment pending" status, all gifts and income will be held until the account reaches the minimum required endowment level.

The Board of Directors has delegated management of the investment policy to the Finance Committee. It is their duty to develop policies that will state the manner and to what extent the funds of the Foundation shall be invested from time to time. No funds shall be invested without the approval of the Finance Committee. It is their responsibility to monitor performance, including that of approved investment managers. These policies will be evaluated and updated annually.

Endowed funds are to be invested in a moderate growth strategy portfolio. Investment managers may invest up to 85% of funds in a combination of equities and alternative investments, however, no more than 15% of the maximum 85% allocation shall be invested in alternatives.

Interpretations of Relevant Law

The Foundation's Board has interpreted the State of Mississippi Code of 1972, cited as the "Uniform Management of Institutional Funds Act" (UMIFA) as requiring the Board to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds.

Spending Policy

The Foundations spending policy is to allocate funds available for scholarships based on the three-year rolling average percentage return on endowments at the time scholarships are to be awarded. The rolling average is applied to the endowment funds balance to determine the amount of scholarships available. The Foundation believes this method is appropriate to apply the most recent investment earnings of the investments and to maintain its long-term goals.

NOTE 13 EXPENDABLE/ NONEXPENDABLE NET POSITION

Expendable and nonexpendable net position consisted of the following:

	District	Foundation
District Expendable Net Position:		
Grant restricted net position	$ 1,416,605	$ -
W.S. Russell Trust	52,471	-
Expendable for capital projects	8,255,558	-
	9,724,634	-
Foundation Restricted Net Assets:		
Foundation Nonexpendable Restricted Assets:		
Provide scholarship assistance	-	7,766,252
Provide for college departments and foundations	-	26,000
Provide for faculty and staff development	-	392,155
Provide for student loans and other	-	82,501
		8,266,908
Foundation Expendable Restrictions:		
Provide scholarship assistance	-	3,672,623
Provide for reconstruction of Cain Hall	-	1,271
Provide for college departments and foundations	-	364,366
Provide for faculty and staff development	-	337,426
Provide for alumni chapters	-	58,438
Grants	-	47,043
Other	-	666,941
	-	5,148,108
Total	$ 9,724,634	$13,415,016

NOTE 14 RELATED PARTY TRANSACTIONS

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, 2018.

Other transaction between the Foundation and the District for the year ended June 30, 2018 are as follows:

Scholarships to the District	$ 648,896
Reimbursement to the District for Salaries and Miscellaneous	121,163
Various fees to the District	16,990
	$ 787,049

NOTE 15 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.

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 16 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 17 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.

NOTE 17 CURRENT ECONOMIC CONDITIONS (CONTINUED)

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

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

NOTE 18 NEW MARKET TAX CREDIT PROGRAM

During fiscal year ended June 30, 2018, the District along with the Foundation, entered into a New Market Tax Credit Program which is administered by the Community Development Financial Institution (CDFI) of the U.S. Department of the Treasury. This program is designed to encourage capital investment in low-income communities that have inadequate access to capital. Investment vehicles known as Community Development Entities (CDEs) are certified by the CDFI Fund to apply for allocation credits. These credits allow investors a credit against federal and state income taxes for making a qualified investment in the CDE. These credits are extended over a seven-year period to generate private investment. The purpose of the program is to construct a new facility at the Vicksburg-Warren Campus of the District.

The transaction was structured with the Foundation establishing a separate operating segment as the qualified active low-income community business for the purpose of administering the loan proceeds, constructing the facility, renting the facility to the District and making payments on the loan (See Note 7 for lease information). The $13,880,000 loan carries an interest rate of 1.307692% and is collateralized by the building. Payments on this loan will be interest only through the year 2024 and principal and interest beginning in 2025 through December 17, 2047.

The District is involved with certain financing of the program. The District received donations from the Enhanced Capital Mississippi NMTC Investment Fund III, LLC and Hinds Mississippi Credit fund, LLC, totaling $1,847,526. The District also issued its Taxable General Obligation Notes, Series 2017, in the original principal amount of $8,000,000. The proceeds from these transactions were used to provide a loan to COCRF Investor 120, LLC (borrower). These funds were in turn used by the borrower to provide funding to the Foundation. See Note 4 for details on the promissory note to the borrower.

NOTE 19 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 has evaluated subsequent events through March 14, 2019, the date the financial statements were available to be issued, and determined that there were no subsequent events requiring disclosure.

NOTE 20 PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2018, corrections were identified that affect the beginning unrestricted net position as of July 1, 2017. The corrections are noted as follows:

a) The effects of the implementation of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).
b) The effects of a calculation error in the deferred inflows and outflows related to pensions as of June 30, 2017.
c) The effects of correcting an advance refunding of debt as debt defeasance related to the 2009 Rankin Facilities Bonds, removing the related refunding escrow and corresponding transactions and recording the deferred loss on refunding.
d) The effects of correcting amortization method for refunding bond premium.

a) Restatement related to Implementation of GASB 75 (not previously reported):			
Net OPEB liability	$ (7,365,506)		
Deferred outflows - OPEB contributions made during year 2017	285,298		
Restatement related to OPEB liability			$ (7,080,208)
b) Restatement related to pensions:			
Deferred outflows related to pensions, as previously reported	37,225,915		
Deferred outflows related to pensions, as restated	30,918,958		
Change in deferred outflows		(6,306,957)	
Deferred inflows related to pensions, as previously reported	(7,202,250)		
Deferred inflows related to pensions, as restated	(2,718,614)		
Change in deferred inflows		4,483,636	
Restatement related to pensions			(1,823,321)
c) Restatement related to advance refunding bonds:			
Bonds payable, as previously reported	(74,613,000)		
Bonds payable, as restated	(50,788,000)		
Change in bonds due to defeasance		23,825,000	
Bond refunding escrow, as previously reported	26,299,784		
Bond refunding escrow, as restated	-		
Remove refunding escrow		(26,299,784)	
Deferred outflows related to bond discount, as previously reported	345,104		
Deferred outflows related to bond discount, as restated	151,744		
Remove discount on defeased bonds/ correct amortization		(193,360)	
Deferred outflows related to refunding bonds (not previously reported)		3,389,681	
Restatement related to advance refunding bonds			721,537
d) Restatement related to correcting amortization for bond premium:			
Deferred inflows related to bond premium, net of amortization, as previously reported	(1,668,302)		
Deferred inflows related to bond premium, net of amortization, as restated (net against debt)	(1,631,362)		
Restatement related to amortization of bond premium			36,940
Restatement of prior period unrestricted net position			$ (8,145,052)

Required
Supplementary Information

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

	2018	2017	2016	2015
District's proportionate percentage of the net pension liability	.831257%	0.82590%	0.827972%	0.84638%
District's proportionate share (amount) of the net pension liability	$ 138,183,126	$ 147,526,362	$ 127,988,143	$ 102,734,671
District's covered payroll	$ 53,355,829	$ 52,834,806	$ 50,720,444	$ 51,718,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	258.98%	279.22%	242.24%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.00%	67.21%

See notes to required supplementary information.

HIND COMMUNITY COLLEGE DISTRICT
Schedules of Contributions to the Pension Plan
Last 10 Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	$ 8,430,827	$ 8,403,543	$ 8,321,482	$ 7,988,470
Contributions in relation to the contractually required contribution	(8,430,827)	(8,403,543)	(8,321,482)	(7,988,470)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 53,529,060	$ 53,355,829	$ 52,834,806	$ 50,720,444
Contribution's as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

See notes to required supplementary information.

HINDS COMMUNITY COLLEGE DISTRICT
Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios
Last 10 Fiscal years

	2018	2017
District’s proportionate percentage of the Net OPEB Liability	0.9241%	0.9021%
District’s proportion share amount of the Net OPEB Liability	$ 7,250,783	$ 7,365,506
District's covered employee payroll	$ 53,529,060	$ 53,355,829
District’s proportionate share of the net OPEB Liability as a percentage of its covered employee payroll	13.55%	13.80%
Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%	0.00%

HINDS COMMUNITY COLLEGE DISTRICT
Schedule of Contributions to the OPEB Plan
Last 10 Fiscal Years

	2018	2017
Contractually required contribution	$ 309,112	$ 285,298
Contributions in relation to the contractually required contribution	(309,112)	(285,298)
Contribution deficiency (excess)	$ -	$ -
District's covered employee payroll	$ 53,529,060	$ 53,355,829
Contributions as a percentage of covered employee payroll	0.58%	0.53%

See note to required supplementary information.

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

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

PENSION SCHEDULES

Changes in Assumptions (Continued)

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

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.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB 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 75 was implemented in fiscal year June 30, 2018, and until a full ten-year trend is compiled, the District has only presented information for the years in which it is available.

Changes to benefit terms

None.

Changes in actuarial assumptions and methods

The SEIR was changed from 3.01% for the prior Measurement Date to 3.56% to the current Measurement Date.

Methods and assumptions used in calculations of Actuarially Determined Contributions

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions (Schedule A) are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3.00%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	7.75%
Ultimate health care cost trend rates	
Medicare Supplement Claims – Pre Medicare	5.00%
Year of ultimate trend rates	
Medicare Supplement Claims – Pre Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

SUPPLEMENTARY INFORMATION

HINDS COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Project or Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	P063P161703	$ 30,677,715
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	P007A162240	375,704
Federal Work-Study Program (FWS)	84.033	P033A162240	301,228
Total Student Financial Assistance			31,354,647
Federal Direct Student Loan Program	84.268	P268K171703	24,084,043
Total Student Financial Assistance Cluster			55,438,690
TRIO Cluster			
Talent Search Program	84.044	P044A160318	320,510
Student Support Services Program	84.042	P042A151411	295,495
Upward Bound - Hinds	84.047A	P047A171075	210,999
Upward Bound - Copiah / Claiborne	84.047A	P047A171061	210,062
Upward Bound - JPS South	84.047A	P047A171088	196,591
Upward Bound - Warren	84.047A	P047A171066	208,150
Upward Bound - JPS Central	84.047A	P047A171054	211,215
Upward Bound, Math and Science - JPS South	84.047M	P047M170640	164,636
Upward Bound, Math and Science - Vicksburg	84.047M	P047M170618	194,989
Upward Bound, Math and Science - Copiah / Claiborne	84.047M	P047M170606	181,707
Total TRIO Cluster			2,194,354
Higher Education - Institutional Aid (Title III)			
Historically Black Colleges and Unv. Program	84.031	P031B120547	655,516
Historically Black Colleges and Unv. Program - SAFRA	84.031	P031B150038	854,734
Historically Black Colleges and Unv. Program - Title III B	84.031B	P031B170073	639,342
Predominantly Black Institutions Program - Formula Grants	84.031P	P031P160007	1,666,051
Total Higher Education Institutional Aid - Title III			3,815,643
Predominantly Black Institutions Program - Minority Male Leadership	84.382A	P382A110047-14	29,566
Minority Science Improvement - Women Interested in STEM	84.120A	P120A170097	71,691
Total Direct Programs			61,549,944
Pass through from Mississippi State Department of Education			
Vocational Education - Basic Grants to States	84.048	V048A170024	1,014,647
Adult Education - Adult Basic Ed.	84.002	V002A150025	1,351
Adult Education - Adult Basic Ed.	84.002	V002A160025	694,477
Adult Education - Adult Basic Ed. , ESL	84.002A	V002A170025	44,616
Total pass through Mississippi State Department of Education			1,755,091
Pass through from Vocational Rehabilitation			
Vocational Rehabilitation State Grants - Post Sec. Deaf Ed.	84.126	H126A170034	311,939
Total pass through programs			2,067,030
Total US Department of Education			63,616,974
US Department of Agriculture			
Soil and Water Conservation Program	10.902	68-4423-15-2475	6,304
Pass through from Mississippi Department of Agriculture			
Specialty Crop Block Grant Program - Farm Bill	10.170	15-SCBGP-MS-0002	12,281
Summer Food Service	10.559	5MS300326	28,700
Child Nutrition Service	10.558	5MS300326	26,969
Supplemental Nutrition Assistance Program Cluster			
Pass through from Mississippi Department of Human Services			
State Administrative Matching Grants for SNAP - Project TRAIN	10.561	175MS405S2520	122,346
State Administrative Matching Grants for SNAP - Employment and Tra	10.561	185MS405S2520	542,918
Pass through from Mississippi Community College Board			
State Administrative Matching Grants for SNAP - 50% Grant	10.561	175MS405S2520	3,172
State Administrative Matching Grants for SNAP - 100% Grant	10.561	175MS405S2514	200,364
Total Supplemental Nutrition Assistance Program Cluster			868,800
Total US Department of Agriculture			943,054

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

HINDS COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Project or Pass Through Grantor's Number	Federal Expenditures
US Department of Labor			
Workforce Innovation and Opportunity Act Cluster			
Pass through from Central Mississippi Planning and Development District, Inc.			
WIOA - Career Readiness	17.258/17.259/17.260	17-01-87-01	54,734
WIOA - Adult Program	17.258	17-01-87-01	377,213
WIOA - Youth Activities	17.259	17-01-87-02	7,425
WIOA - OSO	17.259	17-01-87-01	311,136
WIOA - Dislocated Worker	17.278	17-01-87-01	208,029
Total Workforce Innovation and Opportunity Act Cluster			958,537
Pass through from Mississippi Community College Board			
Apprenticeship USA Grant	17.285	16-S90-004-6026-1	71,507
Total US Department of Labor			1,030,044
US Department of Transportation			
Pass through from Mississippi Department of Transportation			
Airport Improvement Program	20.106	3-28-0064-021-2016	52,486
Airport Improvement Program	20.106	3-28-0064-021-2017	97,835
Total US Deparment of Transportation			150,321
National Aeronautics and Space Administration			
Pass through from University of Mississippi			
National College Space Program	43.001	NNX15AH78H	7,500
National Science Foundation			
Research and Development Cluster			
Education and Human Resources	47.076	1533537	37,976
Education and Human Resources - STEM UP	47.076	1623282	346,876
Education and Human Resources - M in STEM	47.076	1623160	79,403
Education and Human Resources - RGEMS+T	47.076	1657174	78,717
Total National Science Foundation - R&D Cluster			542,972
National Endowment for the Humanities			
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162	AB-234469-16	40,534
Small Business Administration			
Pass through from University of Mississippi			
Small Business Development Centers	59.037	17-11-029	73,209
U.S. Department of Health and Human Services			
Pass through from Moorehouse School of Medicine			
Substance Abuse and Mental Health Services Projects of Regional and National Significance - U HELP II	93.243	hbcu.efe 16-17/12	365
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Healthy Emotions	93.243	1H79T1080315-01	6,697
Pass through from Mississippi Community College Board			
Career Development Academies	93.558	6013282	304,846
Child Care and Development Block Grant	93.575	1701MSCCDF	191,798
Temporary Assistance for Needy Families - UnPlanned Pregnancy	93.558	1701MSTANF	28,604
Pass through from Institutions of Higher Learning			
Complete 2 Compete	93.558	16-S90-33-6726-1	25,000
Total U.S. Department of Health and Human Services			557,310
Total Federal Expenditures			$ 66,961,918

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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, 2018.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate: The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Pass Through Entities

There were no funds passed through to subrecipients for the year ended June 30, 2018.

NOTE 3 STUDENT LOAN PROGRAMS

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

The loan programs include subsidized and unsubsidized Stafford Loans and Parent PLUS Loans. The value of loans issued for the Federal Student Loan Program are 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, 2018.

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, 2018.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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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, 2018, 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 March 14, 2019. 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.

GranthamPoole PLLC
granthampoole.com
1062 Highland Colony Pkwy, Suite 201, Ridgeland, MS 39157 P 601.499.2400
1200 Jefferson Avenue, Suite 206, Oxford, MS 38655 P 662.234.8130

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 2018-1, 2018-2, 2018-3, 2018-4 and 2018-5 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.

Grantham Poole PLLC

Ridgeland, Mississippi
March 14, 2019

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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.

GranthamPoole PLLC
granthampoole.com
1062 Highland Colony Pkwy, Suite 201, Ridgeland, MS 39157 **P** 601.499.2400
1200 Jefferson Avenue, Suite 206, Oxford, MS 38655 **P** 662.234.8130

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, 2018.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2018-6 that we consider to be a significant deficiency.

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 Poole PLLC

Ridgeland, Mississippi
March 14, 2019

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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, 2018, which comprise Hinds Community College District's basic financial statements and have issued our report thereon dated March 14, 2019. 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 PLLC

Ridgeland, Mississippi
March 14, 2019

GranthamPoole PLLC
granthampoole.com
1062 Highland Colony Pkwy, Suite 201, Ridgeland, MS 39157 P 601.499.2400
1200 Jefferson Avenue, Suite 206, Oxford, MS 38655 P 662.234.8130

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: 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 *Government Auditing Standards*	No

Federal Awards

4. Internal Control over major programs:	
Material weakness identified	No
Significant deficiencies identified (Section III)	Yes
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

7. The programs tested as major programs were:

Name of Federal Program	CFDA Number(s)
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
TRIO Custer	84.042, 84.044, 84.047A, 84.047M
Workforce Innovation and Opportunity Act Cluster	17.258, 17.259, 17.260, 17.278

8. Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,008,858
9. Auditee qualified as low-risk auditee	Yes

Section II: Financial Statement Findings

Significant Deficiencies not considered to be Material Weaknesses

2018-1 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, 2018.

Effect – The District accountants had a difficult time determining which account payable items were outstanding at June 30, 2018 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.

2018-2 Criteria or Specific Requirement – Miss. Code Ann. (1972), addresses reemployment of PERS retirees by an entity covered under the PERS system. Before an entity hires an individual as an employee, the entity should verify if the prospective employee is a current retiree of the Public Employee's Retirement System (PERS) receiving retirement benefits. If the prospective employee is a PERS retiree, and the person is deemed to be an employee, the entity should file the PERS Form 4-B "Certification/Acknowledgement of Reemployment of Retiree" within five days of employment.

Condition - The external auditors discovered during testing that a number of the PERS rehires tested Form 4-B was not submitted to PERS within five days of employment.

Effect –The District is not in compliance with Mississippi state statutes regarding the public employees' retirement system.

Cause - The District did not submit Form 4-B for PERS rehires to PERS within the d five days of employment.

Recommendation - The District should implement procedures whereby the Human Resource Manager ensures that PERS Form 4-B is completed and submitted to PERS in a timely manner.

Views of Responsible Officials and Planned Corrective Action- The District's Human Resource Manager will design procedures whereby each returning rehire complete and submit Form 4-B within the required time frame.

<u>Section II: Financial Statement Findings</u> (Continued)

2018-3 Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting. Internal controls should be maintained so fund balances can be reconciled back to the financial statement presentation of net position.

Condition - The external auditors discovered the District did not maintain a reconciliation of fund balances to the financial statement presentation of net position per the audited financial statements.

Effect - If reconciliations are not maintained the net position could be inaccurately reflected on the financial statements.

Cause - The District management does not maintain a reconciliation of fund balances to financial statement net position presentation.

Recommendation - The District should reconcile fund balances to the financial statement net position presentation at least annually.

Views of Responsible Officials and Planned Corrective Action - The District will prepare an annually a reconciliation of fund balances to financial statement net position presentation.

2018-4 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 non-routine accounting transactions.

Condition - The external auditors discovered adjustments required to properly record the transactions related to the new market tax credit program project with the Foundation.

Effect - Had the errors not been discovered the assets in the Statement of Net Position would have been understated by $9,649,800 for a promissory note receivable not recorded. In addition, donations received from investors of $1,847,526 had not been properly recorded on the Statement of Revenue, Expenses and Changes in Net Position.

Cause - The District has not designed internal control procedures for appropriate review of procedures relating to recording unusual and or non-routine report transactions.

Recommendation - The District should implement procedures and consult outside accounting professionals when necessary for proper recording of non-routine transactions in the future.

Views of Responsible Officials and Planned Corrective Action - The District will implement procedures and consult outside professionals when necessary when they encounter non-routine accounting transactions in the future.

2018-5 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 fixed asset management and depreciation.

Section II: Financial Statement Findings (Continued)

2018-5 Condition - The external auditors discovered building improvement assets and the related depreciation associated with these assets were not reflected on the general ledger.

Effect - Had the error not been discovered capital assets and related accumulated depreciation in the Statement of Net Position would have been understated by a net of approximately $9,060,997 during the year ended June 30, 2018.

Cause - The District has not designed internal control procedures for appropriate review of reconciliations of fixed asset management and depreciation to the general ledger.

Recommendation - The District should implement procedures for the review of fixed asset accounting in order to reduce the risk of undetected errors resulting in misstatement of financial information related to fixed asset management and depreciation.

Views of Responsible Officials and Planned Corrective Action - The District will implement a year-end reporting review to ensure the fixed asset schedule reconciles to the general ledger. This review should be performed by someone outside of the fixed asset/ inventory department. The District will ensure this review will be done by someone in accounting periodically and report back any discrepancies to the Controller.

Section III: Federal Awards Findings

Significant Deficiency Not Considered To Be Material Weaknesses

2018-6 Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting of Federal grant revenue and awards.

Condition - The external auditors discovered that revenue and expenditures for Student Financial Aid and other Federal grants were not periodically reconciled to the general ledger or at the end of the fiscal year.

Effect - The Student Financial Aid and Federal grant accounts could be materially misstated if timely reconciliations are not conducted.

Cause - The College Controller did not require reconciliations of Student Financial Aid and Federal grants records the College's accounting records and general ledger.

Recommendation - Internal control should be maintained so Student Financial Aid and other Federal grants records are reconciled to the general ledger. The College Controller, Student Financial Aid administrators, and Federal grant accountants should reconcile the Student Financial Aid and other Federal grant records with the College's accounting records and general ledger. Reconciliations should be performed at a minimum quarterly and annually.

Views of Responsible Officials and Planned Corrective Action - The College Controller, Student Financial Aid administrators, and Federal grant accountants will reconcile the Student Financial Aid and other Federal grant records with the College's accounting records and general ledger. Reconciliations will be performed at a minimum quarterly and annually.

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@hindscc.edu

Hinds Community College District

Response to Schedule of Findings and Questioned Costs

Year Ending June 30, 2018

2018-1

The District created a new position (Financial Reporting Accountant) within the accounting department, under the supervision of the Controller, to implement year-end report procedures to ensure an accurate aged account payable listing is prepared and correctly and accurately maintained. The listing will be prepared by the Financial Accountant and any discrepancies or unusual items will be reported back to the Controller. In addition, the District hopes to implement a new accounting software in FY2020 that will strengthen internal controls and increase the accuracy, timeliness, completeness, and relevancy of financial and grant reporting.

2018-2

The District will implement design and procedures to require completion of the Form 4B before the returning rehire starts work at the College. The College will also begin mandatory Management training this spring for Supervisors. In those training sessions, we will cover the new procedures for rehiring a PERS retiree.

2018-3

The District created a new position (Financial Reporting Accountant) within the accounting department, under the supervision of the Controller, to implement year-end report procedures which include reconciling fund balances to the financial statement net asset presentation. In addition, the District hopes to implement a new accounting software in FY2020 that will strengthen internal controls and increase the accuracy, timeliness, completeness, and relevancy of financial and grant reporting.

2018-4

The District will implement design and procedures to and consult with outside professionals when necessary to correctly record complex transactions in the future. The College will also commit to sending accounting personnel to outside training like Community College Business Officers (CCBO) and Southern Association of College and Business Officials (SACUBO) to increase the staff's knowledge accounting transactions for Colleges.

2018-5

The District has created a new position (Financial Reporting Accountant) within the accounting department, under the supervision of the Controller, by implementing a year-end reporting review to ensure the fixed asset schedule reconciles to the general ledger. This review will be conducted periodically by the Financial Reporting Accountant. In addition, the District hopes to implement a new accounting software in FY2020 that will strengthen internal controls, increase the accuracy, timeliness, completeness, and relevancy of financial, and grant reporting.

2018-6

Monthly reconciliations will continue to be performed by the Office of Financial Aid and will be expanded to include monthly balancing to the general ledger accounts. Monthly meetings will begin immediately between the College's Controller, Federal Grant Accountants, Director of Financial Aid, Asst. Director of Financial Aid and Acct. Receivable Refund Specialist to perform these reconciliations.

Russell D. Shaw
Vice-President for Business Services

3/25/19
Date

HINDS COMMUNITY COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number	Summary of Findings	Status
Financial Statement Findings		
2017-1	A subsidiary aged account payable listing is not being prepared and reconciled to the general ledger.	Not Corrected See Finding 2018-1
2017-2	Several reconciliations from the subsidiary detail depreciation Schedules did not agree with the general ledger.	Not Corrected See Finding 2018-5

Federal Awards Findings

None in 2017