



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

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HOLMES COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2001

HOLMES COMMUNITY COLLEGE

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HOLMES COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

HOLMES COMMUNITY COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

June 25, 2002

Dr. Starkey Morgan and Board of Trustees
Holmes Community College
Goodman, MS 39079

We have audited the general purpose financial statements of Holmes Community College as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of Holmes Community College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

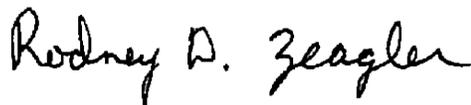
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Holmes Community College as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2002, on our consideration of Holmes Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

HOLMES COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

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HOLMES COMMUNITY COLLEGE
Balance Sheet
June 30, 2001
(With Comparative Figures at June 30, 2000)

Exhibit A

ASSETS	<u>Current Year</u>	<u>Prior Year</u>	LIABILITIES AND FUND BALANCES	<u>Current Year</u>	<u>Prior Year</u>
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 4)	\$ 7,251,718	4,833,136	Accounts payable and accrued expenses	\$ 151,277	
Accounts receivable:			Deposits refundable	28,489	
Students, less allowance of			Deferred credits	87,356	75,555
\$612,607 (2001) and			Fund balances:		
\$440,958 (2000)	219,784	339,526	Unallocated		
Other	191,215		General	5,227,817	3,173,783
Due from other funds		<u>91,420</u>	Auxiliary	<u>2,167,778</u>	<u>2,014,744</u>
Total Current Unrestricted Funds	<u>7,662,717</u>	<u>5,264,082</u>	Total Current Unrestricted Funds	<u>7,662,717</u>	<u>5,264,082</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	5,626		Accounts payable and accrued expenses	5,587	
Other accounts receivable		70,312	Due to other funds		91,420
			Fund balance:		
			Allocated	<u>39</u>	<u>(21,108)</u>
Total Current Restricted Funds	<u>5,626</u>	<u>70,312</u>	Total Current Restricted Funds	<u>5,626</u>	<u>70,312</u>
Total Current Funds	<u>\$ 7,668,343</u>	<u>5,334,394</u>	Total Current Funds	<u>\$ 7,668,343</u>	<u>5,334,394</u>
Plant Funds			Plant Funds		
Cash and other deposits (Note 4)	\$ 2,720,955	5,880,407	Notes payable (Note 5)	\$ 6,798,722	7,122,659
Other accounts receivable	1,157,022	799,854	Fund balances:		
Land	719,007	719,007	Unexpended	3,396,722	6,536,759
Improvements other than buildings	1,681,223	1,559,788	Retirement of indebtedness	481,255	143,502
Buildings	24,695,711	21,615,699	Net investment in plant	35,082,257	30,699,775
Furniture, machinery and equipment	8,835,880	7,591,575			
Books and films	1,650,662	3,127,660			
Construction in progress	<u>4,298,496</u>	<u>3,208,705</u>			
Total Plant Funds	<u>\$ 45,758,956</u>	<u>44,502,695</u>	Total Plant Funds	<u>\$ 45,758,956</u>	<u>44,502,695</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

HOLMES COMMUNITY COLLEGE
Statement of Changes in Fund Balances
For the Year Ended June 30, 2001

Exhibit B

	<u>Current Funds</u>			<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
Revenues and Other Additions						
Tuition and fees	\$ 3,935,418		3,935,418			
Federal appropriations	108,322		108,322			
State appropriations	9,362,612		9,362,612	938,897		
Local appropriations	1,421,653		1,421,653	517,587	586,389	
Federal grants and contracts	373,421	4,276,325	4,649,746			
State grants and contracts	2,486,043	244,502	2,730,545			
Local grants and contracts	50,000		50,000			
Investment income	253,329	2,083	255,412	205,403	3,396	
Additions to plant facilities						5,860,753
Retirement of indebtedness						323,937
Sales and services of educational activities	27,089		27,089			
Sales and services of auxiliary activities	785,861		785,861			
Other	613,554		613,554			
Total Rev. & Other Additions	<u>19,417,302</u>	<u>4,522,910</u>	<u>23,940,212</u>	<u>1,661,887</u>	<u>589,785</u>	<u>6,184,690</u>
Expenditures & Other Deductions						
Educational and general:						
Instruction	9,020,144	505,922	9,526,066			
Academic support	440,707		440,707			
Student services	1,597,907		1,597,907			
Institutional support	1,996,090	7,228	2,003,318			
Operation & maint. of plant	2,021,806		2,021,806			
Student aid	734,903	3,988,613	4,723,516			
Total Educational and General	15,811,557	4,501,763	20,313,320			
Auxiliary	632,827		632,827			
Repairs and maintenance Expended for plant facilities				484,842 4,477,082		
Plant assets sold or retired						636,035
Retirement of indebtedness					323,937	
Interest on indebtedness					358,884	
Provision for uncollectible accts.	171,649		171,649			
Other					3,412	
Total Expenditures and Other Deductions	<u>16,616,033</u>	<u>4,501,763</u>	<u>21,117,796</u>	<u>4,961,924</u>	<u>686,233</u>	<u>636,035</u>

Transfers - Additions (Deductions)

Mandatory:

Principal and interest	<u>(434,201)</u>		<u>(434,201)</u>		<u>434,201</u>	
Total Mandatory	<u>(434,201)</u>		<u>(434,201)</u>		<u>434,201</u>	

Other:

Other	<u>(160,000)</u>		<u>(160,000)</u>	<u>160,000</u>		
Total Other	<u>(160,000)</u>		<u>(160,000)</u>	<u>160,000</u>		

Total Transfers	<u>(594,201)</u>		<u>(594,201)</u>	<u>160,000</u>	<u>434,201</u>	
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Net Increase (Decr.) for Year	<u>2,207,068</u>	<u>21,147</u>	<u>2,228,215</u>	<u>(3,140,037)</u>	<u>337,753</u>	<u>5,548,655</u>
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Fund Balance at Beg. of Year

As Previously Reported	5,188,527	(21,108)	5,167,419	6,536,759	143,502	30,699,775
Adjustments (Note 3)						(1,166,173)
Restated	<u>5,188,527</u>	<u>(21,108)</u>	<u>5,167,419</u>	<u>6,536,759</u>	<u>143,502</u>	<u>29,533,602</u>

Fund Balance at End of Year	\$ <u>7,395,595</u>	<u>39</u>	<u>7,395,634</u>	<u>3,396,722</u>	<u>481,255</u>	<u>35,082,257</u>
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See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

HOLMES COMMUNITY COLLEGE
Statement of Current Fund Revenues, Expenditures and Other Changes
For the Year Ended June 30, 2001
(With Comparative Figures for the Year Ended June 30, 2000)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 3,935,418		3,935,418	3,218,039
Federal appropriations	108,322		108,322	110,047
State appropriations	9,362,612		9,362,612	9,500,760
Local appropriations	1,421,653		1,421,653	1,560,603
Federal grants and contracts	373,421	4,256,331	4,629,752	4,776,885
State grants and contracts	2,486,043	243,359	2,729,402	3,095,552
Local grants and contracts	50,000		50,000	70,000
Investment income	253,329	2,073	255,402	128,772
Sales and services of educational activities	27,089		27,089	35,587
Sales and services of auxiliary activities	785,861		785,861	782,691
Other	613,554		613,554	364,935
Total Revenues and Other Additions	<u>19,417,302</u>	<u>4,501,763</u>	<u>23,919,065</u>	<u>23,643,871</u>
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	9,020,144	505,922	9,526,066	10,474,172
Academic support	440,707		440,707	442,099
Student services	1,597,907		1,597,907	1,672,335
Institutional support	1,996,090	7,228	2,003,318	2,566,072
Oper. & maintenance of plant	2,021,806		2,021,806	2,151,058
Student aid	734,903	3,988,613	4,723,516	4,211,210
Total Educational and General Expenditures	15,811,557	4,501,763	20,313,320	21,516,946
Mandatory transfers:				
Principal and interest	434,201		434,201	255,376
Total Educational and General	<u>16,245,758</u>	<u>4,501,763</u>	<u>20,747,521</u>	<u>21,772,322</u>
Auxiliary enterprises:				
Expenditures	632,827		632,827	728,182
Total Auxiliary Enterprises	<u>632,827</u>		<u>632,827</u>	<u>728,182</u>
Total Expenditures and Mandatory Transfers	<u>16,878,585</u>	<u>4,501,763</u>	<u>21,380,348</u>	<u>22,500,504</u>
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		21,147	21,147	(91,578)
Building projects				379,206
Other	(160,000)		(160,000)	
Provision for uncollectible accounts	(171,649)		(171,649)	
Total Other Transfers - Additions (Deductions)	<u>(331,649)</u>	<u>21,147</u>	<u>(310,502)</u>	<u>287,628</u>
Net Change in Fund Balance	\$ <u>2,207,068</u>	<u>21,147</u>	<u>2,228,215</u>	<u>1,430,995</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

HOLMES COMMUNITY COLLEGE

Summary of Significant Accounting Policies For the Year Ended June 30, 2001

The significant accounting policies followed by Holmes Community College are described below to enhance the usefulness of the financial statements to the reader.

(1) Basis of Accounting.

Holmes Community College uses the accounting system set out in the "Accounting Manual for Mississippi's Public Junior Colleges." This manual conforms in most respects with the principles set forth in the "Financial and Reporting Manual for Higher Education" issued by the National Association of College and University Business Officers (NACUBO) and the Industry Audit Guide, "Audits of Colleges and Universities" issued by the American Institute of Certified Public Accountants, while acknowledging the goals and activities of Mississippi's public community colleges.

The accompanying financial statements have been prepared generally on the accrual basis with the following exceptions, which are common practices in colleges and universities:

- A. Depreciation on physical plant and equipment has not been provided.
- B. To the extent that Current Funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures, in the case of normal acquisition and/or replacement of moveable equipment and library books; (b) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewals and replacements; and (c) transfers of a nonmandatory nature for all other cases.
- C. Interest on student loans is recorded only when received.
- D. Interest expense on debt is recorded when paid.

Gifts, grants and pledges are generally recorded when received or when billable.

Property, buildings and equipment are stated at cost at the date of acquisition or fair market value at date of donation. Improvements made as part of repair and renovation projects are capitalized based upon institution estimates which approximate cost. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the institution, are capitalized.

All revenues and related expenditures incurred in connection with summer sessions are reported within the fiscal year in which the summer sessions are predominantly conducted.

(2) Fund Accounting.

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the institution are maintained in accordance with the principles of "fund accounting". This accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

HOLMES COMMUNITY COLLEGE

Summary of Significant Accounting Policies For the Year Ended June 30, 2001

The Current Funds are used primarily to account for transactions which are expended in performing the primary and support objectives of the institution.

Current Funds consist of the following:

- A. The Unrestricted Fund which is used to account for:
 - 1. The appropriated budget as approved by the Mississippi State Legislature and the Board of Trustees of Holmes Community College.
 - 2. The transactions of substantially self-supporting activities that primarily provide services for students, faculty and staff.
- B. The Restricted Fund which is used to account for Current Funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Other funds consist of the following:

The Plant Funds which are used to account for the transactions relating to institution physical properties include:

- 1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties.
- 2. The Retirement of Indebtedness Plant Fund which represents resources held for the retirement of and interest on debt and includes sinking funds established under bond indentures and note and lease amortization payments accumulated, but not yet due.
- 3. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress, as well as any associated liabilities.

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2001

(1) Appropriations - General Operations.

Holmes Community College receives funds from the state of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the state of Mississippi. In addition, the institution receives funds from taxes levied by the counties in the district for general support, maintenance and capital improvement.

(2) Accrued Leave.

Because the institution does not provide for the accumulation of sick leave or vacation beyond one fiscal year, no liability has been accrued in the financial statements.

(3) Prior Period Adjustments.

For the year ended June 30, 2001, prior period adjustments were made which consisted of the following additions and deduction to the fund balance:

<u>Explanation</u>	<u>Additions (Deductions)</u>
<u>Investment in Plant Fund</u>	
An addition to construction in progress for architecture fees paid for by the institution in fiscal year 1999 for the new media center in Ridgeland.	\$ 103,696
An addition to equipment for vocational equipment purchased and transferred in fiscal year 2000.	263,819
A deletion of library books resulting from the institution changing its valuation of books from average cost to actual cost.	(1,533,688)

(4) Cash and Other Deposits.

For financial statement purposes, cash and other deposits are represented by demand accounts and time deposits such as savings accounts, certificates of deposit and money market funds. Also included in this account are imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 2001, was \$9,978,299, and the depository balance, including accrued interest of \$2,181, was \$10,616,761. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$400,000. The amount of \$10,216,761 was collateralized with securities held by a pledging financial institution's trust department or agent in the institution's name.

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2001

(5) Long-term Debt.

The institution has long-term obligations of the following:

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Owed at June 30, 2001</u>
Notes Payable:				
Dormitory notes, Series 2000 *	\$ 4,000,000	4.5%-5.5%	2015	\$ 3,820,000
Department of Education - college facilities note	1,200,000	5.50%	2018	973,722
Educational facilities notes, Series 1998	<u>2,215,000</u>	4.125-5.875%	2013	<u>2,005,000</u>
Total Notes Payable	<u>\$ 7,415,000</u>			<u>\$ 6,798,722</u>

* In the prior year's audit, this was reported as bonds payable.

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

<u>Year Ending June 30</u>	<u>Total</u>	<u>Notes</u>
2002	\$ 681,487	681,487
2003	680,346	680,346
2004	677,899	677,899
2005	674,698	674,698
2006	676,284	676,284
Later years	<u>6,209,882</u>	<u>6,209,882</u>
Total	9,600,596	9,600,596
Less: Amounts Representing Interest	<u>2,801,874</u>	<u>2,801,874</u>
Total at Present Value	<u>\$ 6,798,722</u>	<u>6,798,722</u>

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2001

(6) Construction Commitments and Financing.

The institution has contracted for the construction of a new media center in Ridgeland, Mississippi, and new men's and women's dormitories in Goodman, Mississippi. At June 30, 2001, estimated costs to complete the projects are \$1,808,045. The remaining costs are to be funded with local appropriations from supporting counties, contributions from the Bureau of Building, Grounds and Real Property Management, and with institutional funds.

<u>Project</u>	<u>Cost to Complete</u>
New media center - Ridgeland	\$ 252,761
New men's and women's dormitories - Goodman	<u>1,555,284</u>
Total	<u>\$ 1,808,045</u>

(7) Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 2001, 2000 and 1999 were \$902,317, \$939,529 and \$832,699, respectively, equal to the required contributions for each year.

(8) Foundation.

Holmes Community College Foundation, Inc. is an independent corporation formed for the purpose of receiving funds for the sole benefit of the institution. Following is a summary of the foundation's audited financial position at December 31, 2000, which amounts are not included in the financial statements of the institution:

<u>Assets</u>	<u>Amount</u>
Cash and investments	\$ <u>2,864,821</u>
Total Assets	<u>\$ 2,864,821</u>

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2001

<u>Fund Balances</u>	<u>Amount</u>
Fund balances:	
Current Funds:	
Unrestricted	\$ 2,129,246
Restricted	<u>735,575</u>
Total Fund Balances	<u>\$ 2,864,821</u>

(9) Investigations.

There is an ongoing investigation of the operations in the business office at the Grenada branch of the institution.

HOLMES COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

HOLMES COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2001

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster:			
<u>U.S. Department of Education</u>			
Federal PELL Grant Program	84.063		\$ 3,571,386
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		67,244
Federal Family Educational Loan Program (FFEL)*	84.032		1,288,695
Federal Work-study Program (FWS)	84.033		121,073
Pass-through program from:			
Board of Trustees of the Institutions of Higher Learning State Student Incentive Grant Program	84.069		<u>2,679</u>
Total U.S. Department of Education			<u>5,051,077</u>
<u>U.S. Department of Labor</u>			
Job Training Partnership Act	17.250		<u>2,771</u>
Total U.S. Department of Labor			<u>2,771</u>
Total Student Financial Aid			<u>5,053,848</u>
Other Programs:			
<u>U.S. Department of Education</u>			
Direct programs:			
Small Business Administration	59.037		77,182
Student Support Services	84.042A		<u>169,787</u>
Subtotal direct programs			<u>246,969</u>
Pass-through programs from:			
State Department of Education - Vocational Education Basic Grant	84.048		103,591
State Department of Education - Tech-Prep Education	84.243		259,960
State Board of Community and Junior Colleges - Adult Education - State Grant Programs	84.002		<u>255,450</u>
Subtotal pass-through programs			<u>619,001</u>
Total U.S. Department of Education			<u>865,970</u>
<u>U.S. Department of Labor</u>			
Pass-through program from:			
State Department of Education Job Training Partnership Act	17.250		<u>3,502</u>
Total U.S. Department of Labor			<u>3,502</u>

HOLMES COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2001

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Rural Health Appropriations	10.855		<u>108,323</u>
Total U.S. Department of Agriculture			<u>108,323</u>
Total Other Programs			<u>977,795</u>
Total Expenditures of Federal Awards			\$ <u><u>6,031,643</u></u>

Notes to Schedule of Expenditures of Federal Awards

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

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

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HOLMES COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 25, 2002

Dr. Starkey Morgan and Board of Trustees
Holmes Community College
Goodman, MS 39079

We have audited the general purpose financial statements of Holmes Community College as of and for the year ended June 30, 2001, and have issued our report thereon dated June 25, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the institution's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

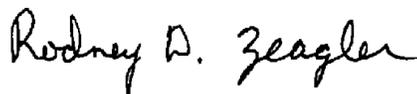
In planning and performing our audit, we considered the institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the institution's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 01-1 through 01-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the findings referred to above is a material weakness.

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 25, 2002

Dr. Starkey Morgan and Board of Trustees
Holmes Community College
Goodman, MS 39079

Compliance

We have audited the compliance of Holmes Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2001. The institution's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the institution's compliance with those requirements.

In our opinion, Holmes Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

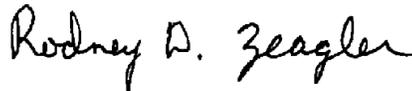
The management of Holmes Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the institution's internal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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

HOLMES COMMUNITY COLLEGE

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

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

June 25, 2002

Dr. Starkey Morgan and Board of Trustees
Holmes Community College
Goodman, MS 39079

We have audited the general purpose financial statements of Holmes Community College as of and for the year ended June 30, 2001, and have issued our report thereon dated June 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

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

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

Handwritten signature of Phil Bryant in cursive.

PHIL BRYANT
State Auditor

Handwritten signature of Rodney D. Zeagler in cursive.

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

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HOLMES COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as a major program: | |
| | Student financial aid cluster | |
| | CFDA #84.063 | |
| | CFDA #84.007 | |
| | CFDA #84.032 | |
| | CFDA #84.033 | |
| | CFDA #84.069 | |
| | CFDA #17.250 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses

01-1. Finding

Our review of accounts receivable and the corresponding revenues at June 30, 2001, revealed that some accruals were not made.

Recommendation

More care should be taken when recording year-end accounts receivable, particularly state and local appropriations.

01-2. Finding

During our test work of equipment, we noted the following:

- A. Some equipment was not recorded as additions on the general ledger because they had mistakenly been coded as supplies on the purchase order.
- B. Some items of equipment that are included on the state property exceptions list have not been included as equipment.
- C. Vocational equipment additions and deletions should be recorded on the general ledger.

Recommendation

The institution should strengthen its procedures for coding purchase orders to insure all items of equipment are reported as equipment. Purchase orders should be reviewed carefully to determine if the item purchased is on the state property exceptions list. Additions and deletions to vocational equipment should be recorded on the general ledger.

01-3. Finding

The institution did not maintain a construction in progress account to accumulate the costs of construction projects.

Recommendation

A construction in progress account should be maintained in the Investment in Plant Fund to accumulate the costs of construction. When the project is complete, the cost should then be transferred to the building asset account. Audit adjustments were made to record these transactions.

01-4. Finding

As previously reported, detailed listings of land and improvements other than buildings asset accounts are not maintained by the institution.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001

Recommendation

The institution should maintain detailed listings of land and improvements other than buildings. Audit adjustments were made to record fiscal year 2001 additions to improvements other than buildings.

01-5. Finding

Our review of accounts payable and the corresponding expenditures at June 30, 2001, revealed that some accruals were not made.

Recommendation

More care should be taken when recording year-end accounts payable, particularly, vendor payables and salaries and fringe benefits payable.

Section 3: Federal Award Findings and Questioned Costs

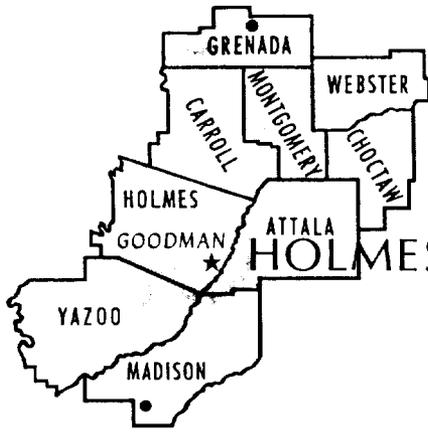
The results of our tests did not disclose any findings and questioned costs related to the federal awards.

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HOLMES COMMUNITY COLLEGE

AUDITEE'S CORRECTIVE ACTION PLAN

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HOLMES COMMUNITY COLLEGE

GOODMAN, MS 39079

601/472-2312

BUSINESS MANAGER

Auditee's Corrective Action Plan For the Year Ended June 30, 2001

As required by Section ____315(b) of OMB Circular A-133, Holmes Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2001:

Finding

Corrective Action Plan Details

2001-1

a. Name of Contact Person Responsible for Corrective Action:

Dale Lewis, Executive Vice President, 662-472-2312

b. Corrective Action Planned:

Holmes Community College has established and refined procedures to properly handle accruals at the end of each fiscal year.

c. Anticipated Completion Date:

We have completed the steps necessary to correct this finding.

2001-2

a. Name of Contact Person Responsible for Corrective Action:

Dale Lewis, Executive Vice President, 662-472-2312

b. Corrective Action Planned:

Holmes Community College will carefully evaluate coding of purchase orders and recording of equipment on the general ledger including items purchased that are on the exceptions list.

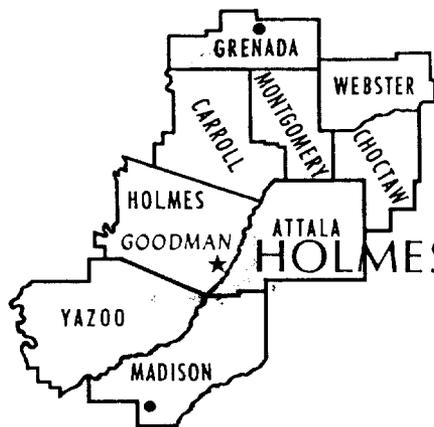
c. Anticipated Completion Date:

We have completed the steps necessary to correct this finding.

2001-3

a. Name of Contact Person Responsible for Corrective Action:

Dale Lewis, Executive Vice President, 662-472-2312



HOLMES COMMUNITY COLLEGE

GOODMAN, MS 39079
601/472-2312

BUSINESS MANAGER

Auditee's Corrective Action Plan For the Year Ended June 30, 2001

b. Corrective Action Planned:

Holmes Community College will maintain a Construction in Process account to accumulate the costs of current and future construction and will transfer from this to the Building asset account when construction is complete.

c. Anticipated Completion Date:

We have completed the steps necessary to correct this finding.

2001-4

a. Name of Contact Person Responsible for Corrective Action:

Dale Lewis, Executive Vice President, 662-472-2312

b. Corrective Action Planned:

Holmes Community College will maintain subsidiary ledgers in the Investment in Plant fund to accumulate cost of land and improvements other than Buildings. These balances will also be updated to the general ledger at year-end.

c. Anticipated Completion Date:

We have established the procedures necessary to correct this finding.

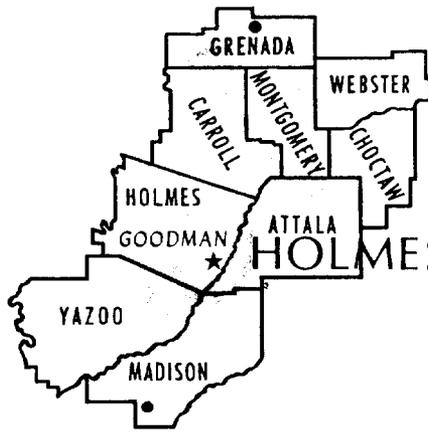
2001-5

a. Name of Contact Person Responsible for Corrective Action:

Dale Lewis, Executive Vice President, 662-472-2312

b. Corrective Action Planned:

Holmes Community College has established and refined procedures to properly handle accruals at the end of each fiscal year.



HOLMES COMMUNITY COLLEGE

GOODMAN, MS 39079

601/472-2312

BUSINESS MANAGER

Auditee's Corrective Action Plan For the Year Ended June 30, 2001

c. Anticipated Completion Date:

We have established the procedures necessary to correct this finding.

Date Submitted

6/24/2002

Submitted by

Dale on Lewis