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**Hinds Community College District**  
**Accountants' Report and Financial Statements**  
**June 30, 2008**





# **Hinds Community College District**

June 30, 2008

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## **Independent Accountants' Report on Financial Statements and Supplementary Information**

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

We have audited the accompanying basic financial statements of Hinds Community College District (the District) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hinds Community College Development Foundation, Inc. (the Foundation), a discretely presented component unit of the District, which statements reflect total assets of \$5,668,960 as of December 31, 2007, and total revenues of \$1,099,207 for the year then ended. Those statements were audited by other accountants whose report thereon has been furnished to us, and our opinion, insofar as they relate to the amounts included for the Foundation, is based solely on the report of the other accountants.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, based on our audit and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the Hinds Community College District and of its discretely presented component unit as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 August 5, 2009, on our consideration of the District's internal control over financial reporting

and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We and the other accountants have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other accountants in the audits of the basic financial statements and, in our opinion, based on our audit and the report of the other accountants, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

August 5, 2009

# **HINDS COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **JUNE 30, 2008**

#### **OVERVIEW OF THE FINANCIAL REPORT**

This section of the Hinds Community College District (the District) annual financial report presents our discussion and comparative analysis of the financial performance of the District during the fiscal year ended June 30, 2008. 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 nongovernmental component unit, the Hinds Community College Development Foundation, Inc. (the Foundation). The financial statements of the Foundation may be obtained by writing to the Hinds Community College Development Foundation, Inc., P. O. Box 1100, Raymond, MS 39154.

#### **Overview of the Financial Statements**

One of the most important questions asked is whether the District as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets**

The Statement of Net Assets includes all assets and liabilities. The District's net assets, the difference between assets and liabilities, are one indicator of the District's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the District's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. A summary of the District's assets, liabilities and net assets as of June 30, 2008 and 2007 is as follows:



# Condensed Statement of Net Assets - June 30, 2008

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 29,415,129	\$ 30,497,193
Noncurrent assets		
Capital assets, net	119,589,464	108,922,488
Cash, cash equivalents and investments, restricted for capital improvements	5,002,510	1,637,544
Other long-term investments	1,600,000	3,750,000
Endowment investments	<u>43,293</u>	<u>42,065</u>
Total assets	<u>\$ 155,650,396</u>	<u>\$ 144,849,290</u>
Liabilities		
Current liabilities	\$ 12,034,119	\$ 12,506,742
Long-term debt	20,488,398	16,865,854
Other noncurrent liabilities	<u>1,626,864</u>	<u>1,410,848</u>
Total liabilities	<u>34,149,381</u>	<u>30,783,444</u>
Net assets		
Invested in capital assets, net of related debt	101,476,220	89,705,278
Restricted		
Nonexpendable	-	69,374
Expendable	754,321	2,289,479
Unrestricted	<u>19,270,474</u>	<u>22,001,715</u>
Total liabilities and net assets	<u>\$ 155,650,396</u>	<u>\$ 144,849,290</u>

A review of the summary indicates a relatively strong financial position as of June 30, 2008. This is a result of the District's careful and conservative spending habits, its limited use of long-term debt and its continued ability to adhere to its annual financial plans. Total assets have increased by \$10,801,106; the majority of that increase is due to an increase to net capital assets.

## Assets

### Current Assets

- Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents reported as current assets on the District's financial statements were

\$5,195,106 at June 30, 2008, and \$8,036,304 at June 30, 2007. This represents a \$2,841,198 decrease in cash and cash equivalents.

- Investments

Investments are certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of investments reported as current assets on the District's financial statements was \$13,754,563 at June 30, 2008 and \$12,721,452 at June 30, 2007. This represents a \$1,033,111 increase in investments.

- Accounts Receivable

Accounts receivable relate to several transactions, including state appropriations, county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts which totaled \$500,000 in fiscal years 2008 and 2007. The District's receivables totaled \$8,485,963 at June 30, 2008 and \$8,068,602 at June 30, 2007. This represents a 5.17% increase in our accounts receivable. The District has implemented policies to keep our student receivables current. Student receivables are expensed once they have reached approximately one year outstanding. Then the District sends these accounts to an outside firm for collection.

- Inventories

The District maintains inventories of resale merchandise, as well as items for internal consumption. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,879,497 at June 30, 2008. The total is a \$308,662, or 19.65% increase from the amount of \$1,570,835 at June 30, 2007. The bookstore's inventory increased \$265,000 last year to meet increased demand and fall shipments had arrived earlier. The bookstore inventory, which includes textbooks and merchandise, comprises 88% of the total inventory.

- Other Current Assets

The District maintains a \$100,000 deposit as required by an agreement with Valley Innovative Services. The amount remained the same in fiscal year 2008.

#### Noncurrent assets

- Endowment Investments

The District shows the Holtzclaw endowment investments recorded for a total of \$43,293 at June 30, 2008. The amount increased from \$42,065 in fiscal year 2007, with the interest and dividends earned on the investments. The endowment is separate from the investments included in the District's component unit, the Hinds Community College District Foundation, Inc.

- Cash, Cash Equivalents and Investments, Restricted for Capital Improvements

During fiscal year 2008, proceeds were received from a \$6.25 million bond offering for capital improvements. Those proceeds were invested, pending completion of the capital projects. The total amount of investments reported as noncurrent assets on the District's financial statements was \$5,002,510 at June 30, 2008 and \$1,637,544 at June 30, 2007. The 2007 amount invested, \$1,637,544, was spent to complete a number of projects that began in 2005.

- Capital Assets, Net

Capital assets consist of land, buildings, and improvements, construction in progress, equipment, vehicles, and historical library holdings at June 30, 2008. The total amount, net of depreciation, at June 30, 2008, was \$119,589,464. The amount reported net of accumulated depreciation at June 30, 2007, was \$108,922,488. This represents a \$10,666,976 increase in capital assets or a 9.79% increase.

	<u>Beginning Balance</u>	<u>Transfers &amp; Additions</u>	<u>Transfers &amp; Disposals</u>	<u>Ending Balance</u>
Land	\$ 6,890,538	\$ -	\$ -	\$ 6,890,538
Construction in progress	12,839,992	13,455,469	(6,468,861)	19,826,600
Livestock	<u>70,850</u>	<u>-</u>	<u>(4,250)</u>	<u>66,600</u>
Total nondepreciable capital assets	19,801,380	13,455,469	(6,473,111)	26,783,738
Improvements	23,781,816	1,351,992	-	25,133,808
Buildings	98,359,731	5,153,178	-	103,512,909
Equipment	13,847,264	1,196,907	(742,886)	14,301,285
Library books	<u>5,372,773</u>	<u>260,633</u>	<u>(164,782)</u>	<u>5,468,624</u>
Total depreciable property	141,361,584	7,962,710	(907,668)	148,416,626
Total accumulated depreciation	<u>(52,240,476)</u>	<u>(4,209,815)</u>	<u>839,391</u>	<u>(55,610,900)</u>
Total depreciable capital assets	<u>89,121,108</u>	<u>3,752,895</u>	<u>(68,277)</u>	<u>92,805,726</u>
Net capital assets	<u>\$108,922,488</u>	<u>\$17,208,364</u>	<u>\$(6,541,388)</u>	<u>\$119,589,464</u>

In a competitive environment, the District continues to add and/or replace equipment in an attempt to provide our students with the latest technology and employees with the most efficient workplace. In fiscal year 2008, equipment additions outpaced deletions by \$454,021, as the District completed an upgrade in our information services area.

In fiscal year 2008, the District completed construction projects totaling \$6,468,861, which are included in the additions to buildings and improvements as shown above. These projects account for the construction-in-progress deletions and transfers for fiscal year 2008. The completed projects include the following:

NAHC HVAC	Improvement	\$ 359,912
Raymond HVAC Loop	Improvement	78,372
Athletic Fields/Soccer Field Improvements	Improvement	431,805
Airplane Engine Overhaul	Improvement	145,594
Raymond Career Center HVAC	Improvement	<u>300,000</u>
		1,315,683
Mayo Project-Ed Facilities	Building	<u>5,153,178</u>
Total completed projects		<u>\$ 6,468,861</u>

### Liabilities

#### Current Liabilities

- Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2008, for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$3,853,342 at June 30, 2008, and \$5,019,339 at June 30, 2007. This represents a \$1,165,997 decrease in accounts payable and accrued expenses.

- Deferred Revenues

Deferred revenues represent revenues that were received by the District during the fiscal year, but the District did not spend the funds by the end of the June 30, 2008 fiscal year. For example, the District allows students to pre-register in the spring for classes scheduled in the fall. The deferred revenue totaled \$5,021,344 at June 30, 2008, and \$4,561,233 at June 30, 2007. There was a \$460,111, or a 10% increase in deferred revenues.

- Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the balances that the District would expect to pay on notes, bonds, and accrued leave liabilities by the end of the June 30, 2009, fiscal year. The amount of the current portion of long-term liabilities at June 30, 2008, was \$2,744,578 and \$2,508,107 at June 30, 2007. This \$236,471 increase was a result of the current portion due on the new \$6,250,000 debt added in fiscal year 2008.

- 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, 2008, was \$414,855 and \$418,063 at June 30, 2007. This was a \$3,208 or .77% decrease for this liability account. This amount will probably increase in the years to come as departments and clubs raise money to supplement their operating budgets.

## Noncurrent Liabilities

- Accrued Leave Liability

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid absences, such as vacation. The noncurrent portion of the accrued compensated balances was calculated to be \$1,626,864 at June 30, 2008. This was a 15.31% increase from the amount at June 30, 2007, of \$1,410,848.

- Long-Term Liabilities Non-Current Portion

Long-term liabilities noncurrent portion represents the portion of notes and bonds payable balances that would be payable after June 30, 2009. The amount of the noncurrent portion at June 30, 2008, was \$20,488,398. The noncurrent portion of long-term debt increased by 21.48%, or \$3,622,544, in fiscal year 2008. This increase was a result of the new \$6,250,000 debt added in fiscal year 2008.

## Net Assets

- Invested in Capital Assets, Net of Related Debt

In 2008, this portion of the District's net assets increased \$11,770,942 to \$101,476,220. The District added \$6,468,861 in capitalized assets mainly through construction projects.

## Restricted Expendable Net Assets

The following is a breakdown of the restricted expendable net assets at June 30, 2008:

Capital projects funds	\$ 628,492
Workforce development and other programs	<u>125,829</u>
Total restricted net assets	<u>\$ 754,321</u>

Restricted expendable net assets consist of local appropriations restricted for capital purposes or debt retirement funds. 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. In fiscal year 2008, the District completed a \$6.25 million bond offering in order to provide resources for a number of capital improvement projects. At the end of fiscal year 2008, the projects had just started. The District planned to renovate one dormitory on the Raymond campus and two dormitorics on the Utica Campus. In addition, the District planned to complete a new Band Hall on the Raymond campus to accommodate a growing band department.

- Unrestricted Net Assets

The following is a breakdown of the unrestricted net assets at June 30, 2008:

Unrestricted	<u>\$ 19,270,474</u>
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Unrestricted net assets represent 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. The District had a \$2,731,241, or 12.41% decrease in the unrestricted fund balance for the year. Some of the District's unrestricted funds were used to complete capital projects like the Utica Fine Arts Complex in 2008.

- Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state appropriations and county appropriations as nonoperating revenues. The District's dependency on these funding sources results in an operating deficit.

	<u>Years Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues		
Tuition and fees	\$ 9,704,268	\$ 10,343,088
Grants and contracts	12,536,498	12,424,539
Auxiliary enterprises	11,765,341	11,055,411
Other operating	<u>1,289,071</u>	<u>1,038,046</u>
Total operating revenues	35,295,178	34,861,084
Operating expenses	<u>101,640,775</u>	<u>93,724,050</u>
Operating loss	(66,345,597)	(58,862,966)
Nonoperating revenues (expenses)		
State appropriations	32,390,378	28,997,209
County appropriations	11,228,074	11,258,629
Federal grants and contracts	19,146,446	17,362,901
Investment income	899,647	1,033,698
Other nonoperating revenues	<u>(761,919)</u>	<u>(569,518)</u>
Net nonoperating revenues	<u>62,902,626</u>	<u>58,082,919</u>
Loss before other revenues	(3,442,971)	(780,047)

	<u>Years Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Capital grants and gifts	\$ -	\$ 2,993,000
Federal capital grants	5,030,931	5,861,253
State and county capital appropriations	<u>5,847,209</u>	<u>5,858,133</u>
Total other revenues	<u>10,878,140</u>	<u>14,712,386</u>
 Total increase in net assets	 7,435,169	 13,932,339
 Net assets, beginning of year	 <u>114,065,846</u>	 <u>100,133,507</u>
 Net assets, end of year	 <u>\$ 121,501,015</u>	 <u>\$ 114,065,846</u>

Operating revenues were up \$434,094, while operating expenses increased \$7,916,725. Therefore, the operating loss for fiscal year 2008 increased by \$7,482,631 to \$66,345,597. The District will continue to show a significant operating loss since two of our largest funding sources, state and county appropriations, are not included in operating revenue per GASB No. 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding from the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin, and Warren.

### Revenues

#### Operating Revenues

- Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$9,704,268. The amount was down \$638,820, or 6.18% from the amount in fiscal year 2007 which was \$10,343,088. The decrease in tuition revenue is due to a higher scholarship allowance, which increased by \$688,068 for fiscal year 2008. 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 2008 fiscal year was \$10,432,859, compared to the fiscal year 2007 amount of \$9,744,791.

- Grants and Contracts

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

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Federal grants and contracts	\$ 5,976,783	\$ 5,846,047
State grants and contracts	6,264,217	6,306,052
Nongovernmental grants and contracts	<u>295,498</u>	<u>272,440</u>
Total sources	<u>\$ 12,536,498</u>	<u>\$ 12,424,539</u>

The District had a \$130,736, or 2.24% increase in federal source grants in fiscal year 2008. Most of the increase is due to the increase in federal financial aid amounts available for students in fiscal year 2008. State source grants decreased by \$41,835 in fiscal year 2008, and the District received \$23,058 more from private sources in fiscal year 2008.

- 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 receipts. The revenues increased \$48,646, or 17.63% in fiscal year 2008.

- Sales and Services, Net

Sales and services, net consists of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. These enterprise entities charge a fee directly related to the cost of those goods or services and are intended to be self-supporting. The activities include the District's bookstores at each location, student housing, faculty housing, the Eagle Ridge Conference Center, and the golf course in Raymond. Auxiliary enterprises revenues increased 6.42% from \$11,055,411 in fiscal year 2007 to \$11,765,341 in fiscal year 2008. Most of the increase in sales is from a \$609,825 increase in bookstore sales.



- Operating Expenses

The following table details the District's operating expenses by natural classification and functional classification for the fiscal years ended June 30, 2008 and 2007:

	<u>Years Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Operating Expenses by Functional Classification		
Instruction	\$ 42,549,755	\$ 40,474,124
Academic support	2,209,541	1,884,801
Student services	6,908,344	5,639,226
Institutional support	9,909,489	10,268,663
Operations and maintenance of plant	11,753,303	10,084,990
Student financial aid	11,356,643	9,973,421
Auxiliary enterprises	12,467,444	11,182,125
Bad debt expenses	276,442	345,623
Depreciation	<u>4,209,814</u>	<u>3,871,077</u>
	<u>\$ 101,640,775</u>	<u>\$ 93,724,050</u>

The College saw increased expenses in almost every area as a result of salary increases given to employees in 2008. Instruction increased by \$2,075,631, student services increased by \$1,269,118 and operation and maintenance of plant increased by \$1,668,313. Student financial aid expenses also increased by \$1,383,222. This trend continues as we see more students relying on financial aid for college expenses. On a positive note, the accounts written off in 2008 decreased as shown by our decrease in bad debt expenses by \$69,181.

	<u>Years Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Operating Expenses by Functional Classification		
Salaries	\$ 46,727,836	\$ 43,614,587
Fringe benefits	13,667,238	12,638,962
Travel	887,660	873,168
Contractual services	9,035,520	7,992,663
Utilities	4,287,826	3,728,716
Scholarships and fellowships	11,050,959	10,165,776
Commodities	10,349,213	8,972,699
Depreciation expense	4,209,815	3,871,077
Other operating	<u>1,424,708</u>	<u>1,866,402</u>
	<u>\$ 101,640,775</u>	<u>\$ 93,724,050</u>

In fiscal year 2008, the District received a \$3.4 million increase in state appropriations. With that increase, the District resolved to increase salaries by 5% for administrative,

nonteaching professionals and support staff and adjusted each faculty salaries by \$3,000. Those increases resulted in an increase in salary and wages of \$3,113,249 and fringe benefits increased by \$1,028,276.

There are some positive notes on operating expenses. For example, travel only increased by \$14,492 in a year with rising fuel prices, and utilities increased by \$559,110. Knowing that energy costs would continue to rise, Hinds began an energy management program in the fall of 2008 to carefully watch utility expenses. Scholarships and fellowships increased by \$885,183 or 8.70%. This increase shows that more students are needing financial aid as our Pell Grant expenses increased significantly in 2008.

#### Nonoperating Revenues (Expenses)

- State Aid

The District's largest source of nonoperating revenue is the State of Mississippi appropriation. The District received \$32,390,378 for fiscal year 2008, of which \$21,354,136 was appropriations received for the District's general fund. The District received an additional \$4,950,133 in Education Enhancement Funds. The total amount received in fiscal year was \$3,393,169 more than in fiscal year 2007.

- County Appropriations

The District enjoys strong financial support from all counties in the District where the school resides. The District uses the funding for salaries and benefits and for operational purposes. The District receives the appropriation in monthly payments, beginning in July of each year. The District received \$11,228,074 for the 2008 fiscal year from the counties. The amount was down \$30,555 from the fiscal year 2007 amount of \$11,258,629.

- Net Investment Income

Net investment income includes the interest income from the cash in the bank accounts, various investments in certificates of deposits, Federal Bond Funds, and money market accounts. The investment income for fiscal year 2008 was \$899,647. This was a decrease of \$134,051, or 12.97% less than the fiscal year 2007 amount due to decreased interest rates.

#### Other Revenues

- Capital Grants and Gifts

The capital grants and gifts decreased in fiscal year 2008 by \$2,993,000. In 2007, the District received an extraordinary one-time donation of two tracts of land, totaling approximately 60 acres, which are contiguous to the Rankin campus from a private donor and from the Rankin County Board of Supervisors. The new land more than doubles the size of the Rankin campus and allows for further development of the campus.

- Federal Capital Grants

The federal capital grants decreased in fiscal year 2008 by \$830,322, or 14.17% from fiscal year 2007. This decrease was due to fewer costs associated with the Utica Fine Arts Building Project as it neared completion during fiscal year 2008.

- State and County Capital Appropriations

The state and county capital appropriation amount consists of revenue received from the state and counties in the District where the school resides restricted for capital purposes. The amount decreased by \$10,924 from \$5,858,133 in fiscal year 2007 to \$5,847,209 in fiscal year 2008. In the spring of 2008, the District received bond funds for a new Welcome Center on the Raymond Campus and reconstruction of the grounds building on the Raymond campus.

### 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.

- Condensed Statement of Cash Flows (Direct Method)

For the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents provided by (used in):		
Operating activities	\$ (63,125,899)	\$ (57,163,823)
Noncapital financing activities	62,496,385	57,876,808
Capital and related financing activities	(862,026)	(6,254,515)
Investing activities	<u>(1,349,658)</u>	<u>6,580,617</u>
Net increase (decrease) in cash and cash equivalents	(2,841,198)	1,039,087
Cash and cash equivalents, beginning of year	<u>8,036,304</u>	<u>6,997,217</u>
Cash and cash equivalents, end of year	<u>\$ 5,195,106</u>	<u>\$ 8,036,304</u>

The major sources of funds included in operating activities include student tuition and fees, \$10,002,468; auxiliary enterprises, \$11,624,374; and grants and contracts, \$12,504,971. The major uses of funds were payments made to employees, \$60,218,587; payments made to vendors and suppliers, \$21,747,052; and to scholarships and fellowships, \$11,050,959.

#### **FACTORS IMPACTING FUTURE PERIODS**

The District is largely dependent on the ongoing financial and political support from the State of Mississippi. For the fiscal year 2009 budget year, the District expects to see a decrease in state appropriations as a result of the downturn in the national and the state economy. As a result, Hinds Community College has begun to search for savings and cost reductions. On the other hand, the downturn in the economy makes our institution more attractive, as cost becomes a larger factor in a college student's decision process. The District provides a reasonable tuition cost compared to our competitors, and we offer numerous programs to retrain workers in a different skill or trade who may have lost their job in a difficult economy.

Our focus remains on recruitment and retaining students. In recent years, the District's enrollment has not increased at the same rate as some of the other community/junior colleges in Mississippi. This is an area of concern because the State Board of Community and Junior Colleges (SBCJC) places emphasis on enrollment growth in their formula which they use to divide the state's general fund appropriation among the community and junior colleges. Therefore, to keep our financial picture bright, the District must focus on its ability to recruit and retain high quality students.

With recruitment and retention in mind, the District continues a commitment to renovations and upgrading of our facilities. The College should begin two major construction projects in fiscal year 2009 to improve programs and services offered to students. On the Raymond Campus, the District has broken ground on the Sonny Fountain Welcome Center at the edge of campus, which will house the President's office and the Institutional Advancement Center. The District has also begun a new \$5.3 million Band Hall on the Raymond Campus to offer students a wonderful setting to continue their studies. In December 2008, the District purchased a vocational and technical building to offer more classroom space on the Rankin Campus.

## **FINANCIAL STATEMENTS**

**HINDS COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 5,195,106
Short-term investments (net of unrealized loss on investments of \$1,596)	13,754,563
Accounts receivable, net of allowance of \$500,000	8,485,963
Inventories	1,879,497
Other current assets	<u>100,000</u>

TOTAL CURRENT ASSETS	29,415,129
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**NONCURRENT ASSETS**

Endowment investments	43,293
Cash, cash equivalents and investments, restricted for capital improvements	5,002,510
Other long-term investments	1,600,000
Capital assets, net	<u>119,589,464</u>

TOTAL NONCURRENT ASSETS	<u>126,235,267</u>
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TOTAL ASSETS	<u>\$ 155,650,396</u>
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See Notes to Financial Statements

## **LIABILITIES AND NET ASSETS**

### **CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 3,853,342
Deferred revenues	5,021,344
Long-term liabilities - current portion	2,744,578
Other current liabilities	<u>414,855</u>

TOTAL CURRENT LIABILITIES 12,034,119

### **NONCURRENT LIABILITIES**

Accrued compensated absences	1,626,864
Long-term debt	<u>20,488,398</u>

TOTAL NONCURRENT LIABILITIES 22,115,262

TOTAL LIABILITIES 34,149,381

### **NET ASSETS**

Invested in capital assets, net of related debt	101,476,220
Restricted for	
Expendable	
Capital projects	628,492
Workforce development and other programs	125,829
Unrestricted	<u>19,270,474</u>

TOTAL NET ASSETS 121,501,015

TOTAL LIABILITIES AND NET ASSETS \$ 155,650,396

**HINDS COMMUNITY COLLEGE DISTRICT**  
**HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 68,855
Receivables	
Student loans	2,900
Unconditional promises to give, short-term	<u>2,300</u>

TOTAL CURRENT ASSETS 74,055

CASH AND CASH EQUIVALENTS DESIGNATED FOR LONG-TERM USE 398,946

**INVESTMENTS**

Marketable securities	4,873,238
Other investments	30,762
Investments held for sale, net of valuation allowance	<u>280,000</u>

TOTAL INVESTMENTS 5,184,000

**OTHER RECEIVABLES**

Note receivable	9,401
Unconditional promises to give, net of short-term portion and discounts	<u>2,558</u>

TOTAL OTHER RECEIVABLES 11,959

TOTAL ASSETS \$ 5,668,960

**LIABILITIES AND NET ASSETS**

**NET ASSETS**

Unrestricted	\$ 506,782
Temporarily restricted	1,739,623
Permanently restricted	<u>3,422,555</u>

TOTAL NET ASSETS 5,668,960

TOTAL LIABILITIES AND NET ASSETS \$ 5,668,960

See Notes to Financial Statements



**HINDS COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2008**

<b>OPERATING REVENUES</b>	
Tuition and fees (net of scholarship allowances of \$10,432,859)	\$ 9,704,268
Federal grants and contracts	5,976,783
State grants and contracts	6,264,217
Nongovernmental grants and contracts	295,498
Sales and services of educational departments	324,558
Auxiliary enterprises	
Student housing (net of scholarship allowances of \$139,328)	1,428,202
Food services	1,655,121
Bookstore	6,595,837
Other auxiliary revenues	2,086,181
Other operating revenues	<u>964,513</u>
<b>TOTAL OPERATING REVENUES</b>	<b>35,295,178</b>
<b>OPERATING EXPENSES</b>	
Salaries and wages	46,727,836
Fringe benefits	13,667,238
Travel	887,660
Contractual services	9,035,520
Utilities	4,287,826
Scholarships and fellowships	11,050,959
Commodities	10,349,213
Depreciation expense	4,209,815
Other operating expense	<u>1,424,708</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>101,640,775</u></b>
<b>OPERATING LOSS</b>	<b>(66,345,597)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State appropriations	32,390,378
County appropriations	11,228,074
Federal grants and contracts	19,146,446
Investment income	899,647
Interest expense on capital asset-related debt	<u>(761,919)</u>
<b>NET NONOPERATING REVENUES</b>	<b><u>62,902,626</u></b>
<b>LOSS BEFORE OTHER REVENUES</b>	<b>(3,442,971)</b>
<b>FEDERAL CAPITAL GRANTS</b>	<b>5,030,931</b>
<b>STATE AND COUNTY CAPITAL APPROPRIATIONS</b>	<b><u>5,847,209</u></b>
<b>INCREASE IN NET ASSETS</b>	<b>7,435,169</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>114,065,846</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 121,501,015</u></b>

See Notes to Financial Statements

**HINDS COMMUNITY COLLEGE DISTRICT**  
**HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Gifts and pledges	\$ 78,718	\$ 547,457	\$ 217,394	\$ 843,569
Special events	90,118	-	-	90,118
Interest and investment income	72,161	304,173	-	376,334
Realized gain (loss) on investments	(6,944)	20,671	-	13,727
Unrealized loss on investments	(27,925)	(20,306)	-	(48,231)
Loss on impairment of investments held for sale	-	(153,250)	-	(153,250)
Intra-fund revenues	-	(41,609)	-	(41,609)
Other income	-	18,549	-	18,549
Reclassification of net assets	(14,700)	(351,651)	366,351	-
Net assets released from restrictions	<u>478,236</u>	<u>(478,236)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>669,664</u>	<u>(154,202)</u>	<u>583,745</u>	<u>1,099,207</u>
<b>EXPENSES</b>				
<b>Program services</b>				
Scholarships	342,786	-	-	342,786
Faculty and staff development	43,825	-	-	43,825
College departments and organizations	62,055	-	-	62,055
Alumni groups	66,161	-	-	66,161
Cain Hall	1,275	-	-	1,275
Other	24,630	-	-	24,630
Intra-fund expenses	<u>(41,609)</u>	<u>-</u>	<u>-</u>	<u>(41,609)</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>499,123</u>	<u>-</u>	<u>-</u>	<u>499,123</u>
<b>Supporting services</b>				
General administration	84,188	-	-	84,188
Fund raising	<u>49,024</u>	<u>-</u>	<u>-</u>	<u>49,024</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>133,212</u>	<u>-</u>	<u>-</u>	<u>133,212</u>
<b>TOTAL EXPENSES</b>	<u>632,335</u>	<u>-</u>	<u>-</u>	<u>632,335</u>
<b>CHANGE IN NET ASSETS</b>	<u>37,329</u>	<u>(154,202)</u>	<u>583,745</u>	<u>466,872</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>469,453</u>	<u>1,893,825</u>	<u>2,838,810</u>	<u>5,202,088</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 506,782</u>	<u>\$ 1,739,623</u>	<u>\$ 3,422,555</u>	<u>\$ 5,668,960</u>

See Notes to Financial Statements

**HINDS COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2008**

**OPERATING ACTIVITIES**

Tuition and fees	\$ 10,002,468
Grants and contracts	12,504,971
Sales and services of auxiliary enterprises	11,624,374
Payments to employees for salaries and fringe benefits	(60,218,587)
Payments to vendors and suppliers	(21,747,052)
Payments for utilities	(4,287,826)
Payments for scholarships and fellowships	(11,050,959)
Other receipts	<u>46,712</u>

**NET CASH USED IN OPERATING ACTIVITIES** (63,125,899)

**NONCAPITAL FINANCING ACTIVITIES**

County appropriations	11,239,639
State appropriations	32,110,300
Federal grants and contracts	<u>19,146,446</u>

**NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES** 62,496,385

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Federal capital grants	5,030,931
State and county capital appropriations	5,525,868
Proceeds from capital debt	6,250,000
Principal paid on capital debt	(2,351,456)
Interest paid on capital debt	(761,919)
Purchase of capital assets, net	<u>(14,555,450)</u>

**NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES** (862,026)

**INVESTING ACTIVITIES**

Investment income	901,243
Net change in investments	<u>(2,250,901)</u>

**NET CASH USED IN INVESTING ACTIVITIES** (1,349,658)

**DECREASE IN CASH AND CASH EQUIVALENTS** (2,841,198)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 8,036,304

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 5,195,106

See Notes to Financial Statements

## STATEMENT OF CASH FLOWS (CONTINUED)

### RECONCILIATION OF OPERATING EXPENSES TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating loss	\$ (66,345,597)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities	
Depreciation	4,209,815
Changes in assets and liabilities	
Accounts receivable, net	(148,848)
Inventories	(308,662)
Accounts payable and accrued expenses	(1,165,997)
Deferred revenues	460,111
Accrued compensated absences	176,487
Other liabilities	<u>(3,208)</u>

NET CASH USED IN OPERATING ACTIVITIES \$ (63,125,899)

### SUPPLEMENTAL CASH FLOWS INFORMATION

Capital asset purchases paid directly by the State of Mississippi	\$ 321,341
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See Notes to Financial Statements.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

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

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

Basis of Accounting and Presentation

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

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Reporting Entity

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

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

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

During the year ended June 30, 2008, the Foundation provided \$355,885 of support to the District. Complete financial statements of the Foundation may be obtained by writing to Hinds Community College Development Foundation, Inc., P.O. Box 1100, Raymond, MS 39154-1100.

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

Use of Estimates

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Cash Equivalents

The District considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2008, cash equivalents consisted primarily of money market mutual funds and certificates of deposit.

Short-term Investments

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

Accounts Receivables

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

Inventories

Inventories consist of bookstore, physical plant, agriculture, printing and food service supplies. 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 assets.

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 assets.

Capital Assets

Capital assets are recorded at cost at 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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. No interest costs were capitalized for the year ended June 30, 2008.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned. At June 30, 2008, deferred revenues and related accounts receivable included \$3,145,258, \$598,493 and \$445,440 for tuition, housing and meal plan revenues, respectively, for the fall 2008 semester.

Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for 0 to 3 years of service; 14 hours per month for 3 years of service; 16 hours per month for 8 to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave.

Net Assets

Net assets of the District are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are 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 assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Classification of Revenues

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

- Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of



**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

scholarship allowances, (2) sales and services of auxiliary enterprises, net of scholarship allowances and (3) most federal, state and local grants and contracts.

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

State Appropriations

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

Scholarship Discounts and Allowances

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

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

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.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Deposits

Custodial risk is the risk that in the event of a depository failure, the District's deposits may be returned to it. The District does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. By signed agreement, the Mississippi State Treasurer's office is acting on behalf of the District.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the District's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the District's deposits with financial institutions reported in the statement of net assets as cash and cash equivalents was \$5,195,106. Additionally, the District had certificates of deposit with a carrying value of \$10,533,118 reported as investments in the statement of net assets. At June 30, 2008, none of the District's deposits were exposed to custodial credit risk.

Investments

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

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

At June 30, 2008, the District owns investments totaling \$2,604,147 that are not permitted by state statute. Of this total, \$1,600,000 is invested in auction rate preferred stocks which pay dividends, which accrue daily and are reset either weekly or monthly by an auction. If the auctions do not successfully clear, the dividend payment rate over the next period for the stocks is set at a specified maximum applicable rate until such time the stock auctions are successful. Auctions have not cleared since February 13, 2008, due to the imbalance of sell orders over bids to buy the stocks; therefore, the dividend rates since that date have been the maximum applicable rates, averaging approximately 5.00% to 5.25% for the stocks' years ended April 30, 2008 and May 31, 2008. These stocks are redeemable at the option of the stock issuer and not at the option of the District. Due to the illiquid nature of these stocks, they have been presented as long-term investments in the statement of net assets. The District has sold \$1,079,147 of these nonpermitted investments subsequent to the end of the year. As of May 31, 2009, the remaining balance of nonpermitted investments was \$1,525,000.

At June 30, 2008, the District had the following investments, maturities and credit ratings:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities Less than One Year</u>	<u>Credit Rating S&amp;P/Moody's</u>
U.S. agencies obligations	\$ 5,047,019	\$ 5,047,019	AAA/Aaa
Bond mutual funds	1,003,842	1,003,842	
Money market mutual funds	2,216,082	<u>2,216,082</u>	
		<u>\$ 8,266,943</u>	
Corporate stocks	305		
Auction rate preferred stocks	<u>1,600,000</u>		AAA/Aaa
	<u>\$ 9,867,248</u>		

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

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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, 2008, approximately \$2,604,000 of investments are held in other than the District's name.

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. At June 30, 2008, the following investments exceeded 5% of the District's total investments:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation	\$ 1,993,260	20%
Federal Home Loan Bank	2,056,319	21%
Federal National Mortgage Association	997,441	10%
Eaton Vance Limited Duration Income Fund		
Auction Rate Preferred Stock (T)	975,000	10%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net assets as follows:

Carrying value	
Deposits	\$ 15,728,224
Investments	<u>9,867,248</u>
	<u>\$ 25,595,472</u>
Included in the following balance sheet captions	
Cash and cash equivalents	\$ 5,195,106
Short-term investments	13,754,563
Endowment investments	43,293
Cash, cash equivalents and investments, restricted for capital improvements	5,002,510
Other long-term investments	<u>1,600,000</u>
	<u>\$ 25,595,472</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Investment Income

Investment income for the year ended June 30, 2008, consisted of:

Interest and dividend income	\$ 901,243
Net increase (decrease) in fair value of investments	<u>(1,596)</u>
	<u><u>\$ 899,647</u></u>

**NOTE 3 - ACCOUNTS RECEIVABLE**

The District's accounts receivable consisted of the following at June 30, 2008:

Student tuition	\$ 5,050,912
Federal, state and private grants and contracts	1,608,958
State and county appropriations	1,443,590
Auxiliary enterprises and other operating activities	420,566
Other	<u>461,937</u>
	8,985,963
Less allowance for doubtful accounts	<u>(500,000)</u>
	<u><u>\$ 8,485,963</u></u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008, was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Nondepreciable capital assets</b>					
Land	\$ 6,890,538	\$ -	\$ -	\$ -	\$ 6,890,538
Construction in progress	12,839,992	13,455,469	-	(6,468,861)	19,826,600
Livestock	70,850	-	(4,250)	-	66,600
	<u>19,801,380</u>	<u>13,455,469</u>	<u>(4,250)</u>	<u>(6,468,861)</u>	<u>26,783,738</u>
<b>Depreciable capital assets</b>					
Improvements other than buildings	23,781,816	36,309	-	1,315,683	25,133,808
Buildings	98,359,731	-	-	5,153,178	103,512,909
Equipment	13,847,264	1,196,907	(742,886)	-	14,301,285
Library books	5,372,773	260,633	(164,782)	-	5,468,624
	<u>141,361,584</u>	<u>1,493,849</u>	<u>(907,668)</u>	<u>6,468,861</u>	<u>148,416,626</u>
<b>Less accumulated depreciation</b>					
Improvements other than buildings	4,977,722	973,088	-	-	5,950,810
Buildings	33,104,394	2,028,547	-	-	35,132,941
Equipment	10,105,068	1,029,857	(691,088)	-	10,443,837
Library books	4,053,292	178,323	(148,303)	-	4,083,312
	<u>52,240,476</u>	<u>4,209,815</u>	<u>(839,391)</u>	<u>-</u>	<u>55,610,900</u>
Total net depreciable capital assets	<u>89,121,108</u>	<u>(2,715,966)</u>	<u>(68,277)</u>	<u>6,468,861</u>	<u>92,805,726</u>
Net capital asset	<u>\$ 108,922,488</u>	<u>\$ 10,739,503</u>	<u>\$ (72,527)</u>	<u>\$ -</u>	<u>\$ 119,589,464</u>

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

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

# HINDS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### JUNE 30, 2008

#### NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities of the District consist of notes and bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2008.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2008, is listed in the following schedule.

	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<u>Bonds and notes payable</u>								
Housing Revenue Bonds, Series 1983 (A)	\$ 3,500,000	3.00%	04/01/13	\$ 869,000	\$ -	\$ 160,000	\$ 709,000	\$ 160,000
Housing Revenue Bonds, Series 1987 (A)(B)	3,500,000	3.00%	10/01/17	1,730,000	-	130,000	1,600,000	140,000
HAHS Bonds of 1998 (C)	587,000	5.00%	04/01/18	412,000	-	29,000	383,000	30,000
Educational Facilities Refunding Note, Series 1998 (D)	7,325,000	4.95%	03/01/13	3,750,000	-	550,000	3,200,000	580,000
Mississippi Development Bank Note, 1999 (E)	1,000,000	variable	08/03/24	854,167	-	50,000	804,167	50,000
General Obligation Educational Facilities Notes, Series 2000 (F)	3,000,000	4.75%	03/01/10	1,250,000	-	380,000	870,000	415,000
Mississippi Development Bank Note, 2001 (E) (G)	6,000,000	variable	10/03/11	3,222,043	-	602,456	2,619,587	602,356
Educational Facilities Notes, Series 2005 (H)	8,000,000	3.00-4.00%	04/01/20	7,130,000	-	450,000	6,680,000	460,000
Educational Facilities Notes, Series 2008 (I)	6,250,000	4.00-5.125%	04/01/23	-	6,250,000	-	6,250,000	190,000
Total bonds and notes payable				<u>19,217,210</u>	<u>6,250,000</u>	<u>2,351,456</u>	<u>23,115,754</u>	<u>2,627,356</u>
<u>Other noncurrent liabilities</u>								
Accrued compensated absences				<u>1,567,599</u>	<u>176,487</u>	<u>-</u>	<u>1,744,086</u>	<u>117,222</u>
Total				<u>\$ 20,784,809</u>	<u>\$ 6,426,487</u>	<u>\$ 2,351,456</u>	<u>24,859,840</u>	<u>\$ 2,744,578</u>
Due within one year							<u>(2,744,578)</u>	
Total long-term liabilities							<u>\$ 22,115,262</u>	

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

The debt service requirements as of June 30, 2008, are as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,627,356	\$ 878,899	\$ 3,506,255
2010	2,864,356	789,086	3,653,442
2011	2,476,356	675,164	3,151,520
2012	2,448,118	580,850	3,028,968
2013	2,069,500	488,792	2,558,292
2014 - 2018	6,431,000	1,549,956	7,980,956
2019 - 2023	4,145,000	421,510	4,566,510
2024 - 2025	<u>54,068</u>	<u>859</u>	<u>54,927</u>
	<u>\$ 23,115,754</u>	<u>\$ 5,385,116</u>	<u>\$ 28,500,870</u>

The interest payments reflected in the table above for the variable rate Mississippi Development Bank notes were calculated based on the interest rate in effect at June 30, 2008, which was 2.75%.

- (A) Bonds are secured by the net revenues derived from certain dorm operations.
- (B) Bonds maturing after April 1, 1998, are subject to early redemption in inverse chronological order in multiples of \$5,000 at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 1998.
- (C) Bonds are secured by and payable solely from Mississippi Adequate Education Program ("MAEP") moneys received from the State of Mississippi by the Hinds Agricultural High School. Bonds maturing after April 1, 2008 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 2008.
- (D) Notes maturing after March 1, 2005 are subject to early redemption at par or premium values plus accrued interest prior to the stated dates of maturity at the option of the District on or after March 1, 2005.
- (E) Interest rates for variable rate debt are calculated weekly using the Bond Market Association (BMA) index, which was 1.55% at June 30, 2008, plus a fixed rate of 1.20%.
- (F) Notes maturing after March 1, 2006 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 March 1, 2006.



**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

- (G) The note is subject to prepayment prior to maturity, in whole or in part, in an amount equal to the outstanding par value plus accrued interest.
- (H) Notes maturing on or after April 1, 2014, are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 2013.
- (I) Notes maturing on or after April 1, 2018, are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after April 1, 2017.

**NOTE 6 - OPERATING LEASES**

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

2009	\$ 143,560
2010	132,959
2011	65,881
2012	<u>5,829</u>
	<u>\$ 348,229</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ended June 30, 2008, was \$119,727.

**NOTE 7 - PENSION PLAN**

Plan Description

The District participates in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 601.359.3589 or 1.800.444.PERS.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The District's contributions to PERS for the years ended June 30, 2008, 2007 and 2006, were \$5,002,200, \$4,338,523 and \$3,925,309, respectively, which equaled the required contributions for each year.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 8 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

The District's operating expenses by functional classification were as follows for the year ended June 30, 2008:

<u>Functional Classification</u>	<u>Salaries &amp; Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships &amp; Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Other</u>	<u>Total</u>
Instruction	\$ 30,887,831	\$ 8,495,076	\$ 440,224	\$ 903,625	\$ -	\$ 126,188	\$ 1,260,919	\$ -	\$ 435,892	\$ 42,549,755
Academic support	1,227,403	387,447	14,893	73,057	-	-	88,880	-	417,861	2,209,541
Student services	3,747,228	1,046,891	223,240	1,193,469	-	16,698	495,504	-	185,314	6,908,344
Institutional support	5,045,736	1,597,313	185,754	2,819,157	-	33,950	351,771	-	(124,192)	9,909,489
Operation of plant	3,729,393	1,433,406	5,838	1,991,810	3,169,049	40	1,423,767	-	-	11,753,303
Student aid	-	-	-	-	-	10,729,853	626,790	-	-	11,356,643
Auxiliary enterprises	2,090,245	707,105	17,711	2,054,402	1,118,777	144,230	6,101,582	-	233,392	12,467,444
Bad debt	-	-	-	-	-	-	-	-	276,442	276,442
Depreciation	-	-	-	-	-	-	-	4,209,814	-	4,209,814
	<u>\$ 46,727,836</u>	<u>\$ 13,667,238</u>	<u>\$ 887,660</u>	<u>\$ 9,035,520</u>	<u>\$ 4,287,826</u>	<u>\$ 11,050,959</u>	<u>\$ 10,349,213</u>	<u>\$ 4,209,814</u>	<u>\$ 1,424,709</u>	<u>\$ 101,640,775</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 9 - CONSTRUCTION COMMITMENTS AND FINANCING**

The District has contracted for various construction projects as of June 30, 2008. Estimated costs to complete the various board-approved projects, some of which have signed contracts in place at June 30, 2008, and the sources of anticipated funding are presented below:

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Funded By</u>		
		<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>
Fine Arts Complex-Utica/Davis	\$ 25,000	\$ -	\$ -	\$ 25,000
Faculty Housing Improvements	10,000	-	-	10,000
Grounds Building	715,000	-	715,000	-
Specialty Produce Market	50,000	-	-	50,000
Raymond Band Hall	5,000,000	-	-	5,000,000
Institutional Advancement Building	6,000,000	-	6,000,000	-
Plumbers and Pipefitters Union Building	1,200,000	-	-	1,200,000
Muti-Purpose Building and Campus	25,000,000	-	-	25,000,000
Pickett Hall Improvements	150,000	-	-	150,000
Airport Gate #7	7,500	-	-	7,500
Airport Gate #8	165,000	-	165,000	-
Jackson Pharmacy Lab	25,000	-	-	25,000
Utica Dorm Improvements	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
	<u>\$ 39,097,500</u>	<u>\$ -</u>	<u>\$ 6,880,000</u>	<u>\$32,217,500</u>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

Claims and Litigation

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

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Government Grants

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

**NOTE 11 – RISK MANAGEMENT**

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

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

**NOTE 12 - HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also required recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

Investments and Investment Return

Marketable securities at December 31, 2007, consisted of the following:

Government obligations	\$ 1,673,164
Mutual funds	3,064,117
Common stock	<u>135,957</u>
	<u>\$ 4,873,238</u>

At December 31, 2007, other investments consisted of the following:

Land and buildings	\$ 7,000
Lithographic artwork	<u>23,762</u>
	<u>\$ 30,762</u>

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

Unconditional Promises to Give

Unconditional promises to give consisted of the following:

Due within one year	\$ 2,300
Due in one to five years	<u>3,500</u>
	5,800
Less unamortized discount	<u>(942)</u>
Unconditional promises to give	<u>\$ 4,858</u>

Promises to give that are due in more than one year are discounted at 5%.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Net Assets

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at December 31, 2007:

	<u>December 31, 2007</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Scholarships	\$ 1,046,915	\$ 2,983,620
Reconstruction of Cain Hall	23,263	-
College departments and organizations	149,981	11,000
Faculty/staff development	131,555	377,935
Alumni chapters	30,537	-
Property held for scholarship	284,000	-
Student loans and other	-	50,000
Other	<u>73,372</u>	<u>-</u>
	<u>\$ 1,739,623</u>	<u>\$ 3,422,555</u>

**NOTE 13 - SUBSEQUENT EVENTS**

In December 2008, the District purchased a building and related equipment in Rankin County for approximately \$3,200,000. The 47,000 square foot, two-story building hosts a large administrative and classroom area with library, classroom and office equipment, as well as computer networking capability. Within this area are classroom offices, workrooms, a large lecture hall, a caterer's kitchen and numerous storage rooms.

In February 2009, the Mississippi Development Bank issued \$27,035,000 of Special Obligation Bonds, Series 2009 (Hinds Community College District Capital Improvement Project). The bond proceeds will be used to construct a multi-purpose building on the Rankin campus and to make other capital improvements.

**NOTE 14 - CURRENT ECONOMIC CONDITIONS**

The current economic environment presents institutions of higher education with unprecedented circumstances and challenges, which, in some cases, have resulted in declines in student financial aid, enrollment revenue, governmental support, grant revenue, tax revenue,

**HINDS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

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

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



## **SUPPLEMENTARY INFORMATION**

**HINDS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA or Grant Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Pass-through programs from		
Mississippi Community College Foundation - Cooperative Extension Service	10.500	\$ 4,165
Mississippi Department of Education - National School Lunch Program	10.555	153,959
Mississippi Natural Resource Conservation Service - Soil and Water Conservation	10.902	<u>113,679</u>
<b>Total U.S. Department of Agriculture</b>		271,803
<b>U.S. Department of Housing and Urban Development</b>		
Montgomery Institute - MYBiz - Community Development Block Grants/Small Cities Program	14.219	5,350
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	792,000
Historically Black Colleges and Universities Program	14.520	<u>142,580</u>
<b>Total U.S. Department of Housing and Urban Development</b>		939,930
<b>U.S. Department of Labor</b>		
Pass-through programs from Central Mississippi Planning and Development District, Inc.		
Workforce Investment Act (WIA) Cluster		
WIA Adult Program	17.258	93,731
WIA Youth Activities	17.259	75,777
WIA Dislocated Workers	17.260	<u>61,903</u>
		231,411
Passed-through from Trillium		
WIA Pilots, Demonstrations and Research Projects	17.261	<u>106,231</u>
<b>Total U.S. Department of Labor</b>		337,642
<b>U.S. Department of Transportation</b>		
Federal Aviation Association - Airport Improvement Program	20.106	<u>3,163,963</u>
<b>Total U.S. Department of Transportation</b>		3,163,963
<b>National Aeronautics and Space Administration</b>		
Pass-through program from The University of Mississippi		
Aerospace Education Services Program	43.001	<u>4,476</u>
<b>Total National Aeronautics and Space Administration</b>		4,476
<b>Small Business Administration</b>		
Internet-Based Technical Assistance	59.005	<u>71,226</u>
<b>Total Small Business Administration</b>		71,226
<b>U.S. Department of Energy</b>		
Pass-through programs from Jackson State University		
FAZD Flu	43WT10301	11,100
Math Academy	43WT10301	<u>345</u>
<b>Total U.S. Department of Energy</b>		<u>11,445</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA or Grant Number	Expenditures
<b>U.S. Department of Education</b>		
Student Financial Assistance Cluster		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 380,079
Federal Family Education Loans	84.032	17,585,888
Federal Work-Study Program	84.033	438,168
Federal Pell Grant Program	84.063	19,146,446
Academic Competitiveness Grants	84.375	553,166
Pass-through program from Jackson State University - Scholarships for Health Professions		
Students from Disadvantaged Backgrounds	93.925	15,012
<b>Total Student Financial Assistance Cluster</b>		<b>38,118,759</b>
<b>TRIO Cluster</b>		
TRIO - Student Support Services	84.042	255,318
TRIO - Talent Search	84.044	248,933
TRIO - Upward Bound	84.047	162,994
<b>Total TRIO Cluster</b>		<b>667,245</b>
Title I Grants to Local Educational Agencies	84.010	131,180
Higher Education - Institutional Aid	84.031	1,649,803
Minority Science and Engineering Improvement	84.120	12,314
State Grants for Innovative Programs	84.298	882
Improving Teacher Quality State Grants	84.367	5,910
<b>Subtotal Direct Programs</b>		<b>1,800,089</b>
Pass-through programs from Mississippi Department of Education		
Adult Education - Basic Grants to States	84.002	338,139
Career and Technical Education - Basic Grants to States	84.048	848,879
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	260,911
Tech-Prep Education	84.243	99,165
<b>Subtotal pass-through programs</b>		<b>1,547,094</b>
<b>Total U.S. Department of Education</b>		<b>42,133,187</b>
<b>U.S. Department of Health and Human Services</b>		
Pass-through programs from		
Mississippi Department of Health - Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	308,988
Mississippi Department of Human Services - Child Care and Development Block Grant	93.575	93,784
<b>Total U.S. Department of Health and Human Services</b>		<b>402,772</b>
<b>U.S. Department of Homeland Security</b>		
Pass-through program from Mississippi Emergency Management Agency		
Hazard Mitigation Grant	97.039	17,442
<b>Total U.S. Department of Homeland Security</b>		<b>17,442</b>
<b>Total Federal Expenditures</b>		<b>\$ 47,353,886</b>

**Notes to Schedule**

1. This schedule includes the federal awards activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. There were no subrecipients during the year.

**Independent Accountants' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

We have audited the financial statements of Hinds Community College District (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 5, 2009. We did not audit the financial statements of the discretely presented component unit, the Hinds Community College Development Foundation, Inc. (the Foundation), which represents 100% of the assets and revenues of the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the

District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-01 through 2008-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01, 2008-02 and 2008-04 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

We also noted certain additional matters that we reported to the District's management in a separate letter dated August 5, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management, others within the District and the Mississippi Office of the State Auditor 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.

BKD, LLP

August 5, 2009

**Independent Accountants' Report on Compliance and Internal Control Over  
Compliance with Requirements Applicable to Major Federal Awards Programs**

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

Compliance

We have audited the compliance of Hinds Community College District (the District) 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 each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District 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 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in item 2008-06 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Davis-Bacon Act that are applicable to its Higher Education – Institutional Aid Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of

our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-05.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-05 and 2008-06 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-06 to be a material weakness.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management, the Mississippi Office of the State Auditor 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.

BKD, LLP

August 5, 2009



**Independent Accountants' Report on Compliance  
with State Laws and Regulations**

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi

We have audited the financial statements of Hinds Community College District (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 5, 2009. We did not audit the financial statements of the discretely presented component unit, the Hinds Community College Development Foundation, Inc. (the Foundation), which represents 100% of the assets and revenues of the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 the procedures performed to test compliance with certain laws and regulations and our audit of the financial statements disclosed the instance of noncompliance described in Finding 2008-07 in the schedule of findings and questioned costs.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

This report is intended solely for the information and use of the governing body, management and the Mississippi Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

August 5, 2009

**HINDS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

***Summary of Auditor's Results***

1. The opinion expressed in the independent accountants' report was:  
☒ Unqualified      ☐ Qualified      ☐ Adverse      ☐ Disclaimed
  
2. The independent accountants' report on internal control over financial reporting described:  
Significant deficiency(ies) noted considered material weakness(es)?      ☒ Yes      ☐ No  
Significant deficiency(ies) noted that are not considered to be a material weakness?      ☒ Yes      ☐ No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?      ☐ Yes      ☒ No
  
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
Significant deficiency(ies) noted considered material weakness(es)?      ☒ Yes      ☐ No  
Significant deficiency(ies) noted that are not considered to be a material weakness?      ☒ Yes      ☐ No
  
5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was (were):  
☒ Unqualified – Student Financial Assistance Cluster      ☒ Qualified - Higher Education - Institutional Aid      ☐ Adverse      ☐ Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?      ☒ Yes      ☐ No

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	
Federal Supplementary Educational Opportunity Grants	84.007
Federal Family Educational Loans	84.032
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Academic Competitiveness Grant	84.375
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925
Higher Education - Institutional Aid	84.031

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$893,040.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

☐ Yes

☒ No

**HINDS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2008**

**Findings Required to be Reported by Government Auditing Standards**

Reference Number	Finding	Questioned Costs
2008-01	<p><b>Criteria or Specific Requirement</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in accounts receivable.</p> <p><b>Condition</b> – The external auditors discovered and recorded an adjustment to county appropriations receivable for amounts received by certain counties in June 2008, but were not received by the District until after June 30, 2008.</p> <p><b>Effect</b> – Had the error not been discovered by the external auditor, the assets in the financial statements would have been understated by approximately \$363,000.</p> <p><b>Cause</b> – The District has not designed internal control procedures for appropriate review of reconciliations of ending county appropriations receivable balances.</p> <p><b>Recommendation</b> – The District should implement procedures whereby reviews of accounts receivable reconciliations performed by someone other than the preparer in order to reduce the risk of undetected errors resulting in misstatement of financial information.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The District will implement year-end reporting procedures to help ensure receivables and revenues related to county appropriations are properly recorded on the accrual basis. Account receivable reconciliations will be performed by the general ledger accountant and reviewed by the controller for accuracy and completeness.</p>	
2008-02	<p><b>Criteria or Specific Requirement</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p>	

Reference Number	Finding	Questioned Costs
	<p><b>Condition</b> – County appropriations revenues were not accrued as accounts receivable and the related county appropriation revenue was not recognized in accordance with the provisions of Governmental Accounting Standards Board Statement No. 33, <i>Accounting and Financial Reporting for Nonexchange Transactions</i> (GASB 33), for levies made during the District's fiscal year, but not collected until after fiscal year end. At the District's fiscal year end of June 30, 2008, there are approximately four months of outstanding county appropriations receipts that should be accrued (HCCD receipts from counties from July through October, which are from actual cash receipts from the counties from June through September). The District currently only accrues amounts received from the counties in July for amounts the counties collect in June, but does not accrue remaining amounts received from the counties for August through October, for amounts the counties collect from July through September.</p> <p><b>Effect</b> – The District's county appropriations receivable and related revenue accounts are understated at the District's fiscal year end.</p> <p><b>Cause</b> – Except for accruing July amounts received from the counties at June 30, 2008, the District records county appropriations on the cash basis of accounting instead of an accrual basis of accounting.</p> <p><b>Recommendation</b> – The District should implement year-end reporting procedures to help ensure receivables and revenues related to county appropriations are properly recorded on the accrual basis in accordance with the provisions of GASB 33.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The District will implement year-end reporting procedures to help ensure receivables and revenues related to county appropriations are properly recorded on the accrual basis in accordance with the provisions of GASB 33. Accounts receivable reconciliations will be performed by the general ledger accountant and reviewed by the controller for accuracy and completeness. The controller will estimate the amounts remaining from the counties for the period August through October after discussions with the county officials. The Vice President for Business Services will review the reasonableness of the estimates and review the accruals for accuracy and completeness.</p>	

Reference Number	Finding	Questioned Costs
2008-03	<p data-bbox="394 338 1182 499"><b>Criteria or Specific Requirement</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements in fixed assets.</p> <p data-bbox="394 541 1214 877"><b>Condition</b> – Three projects included in construction in progress (CIP) at fiscal year end were determined to have been completed in the prior fiscal year and should have been transferred to the capital assets category improvements other than buildings. The District tracks CIP utilizing individual accounts to reflect specific costs related to each project. In order to properly record and depreciate capital assets, the District should implement procedures to closely monitor and evaluate the status for all CIP projects in order to determine when projects are complete and should begin to be depreciated.</p> <p data-bbox="394 919 1190 1108">Additionally, the District does not calculate capitalized interest associated with CIP. In order to properly reflect the total costs of CIP in accordance with accounting standards, the District should develop and implement procedures to provide for annual calculations and evaluations of potential capitalized interest amounts.</p> <p data-bbox="394 1150 1174 1350"><b>Effect</b> – Certain capital assets are not being depreciated as early as items should be, which reduced depreciation expense in the current and previous year. Also, certain CIP projects were understated, and interest expense was overstated due to capitalized interest not being calculated and added to the total cost of each CIP project.</p> <p data-bbox="394 1392 1174 1549"><b>Cause</b> – The District has not designed internal control procedures for appropriate monitoring of CIP projects to determine the time of project completion. In addition, the District has not designed internal control procedures to analyze and calculate capitalized interest association with CIP projects.</p> <p data-bbox="394 1591 1174 1686"><b>Recommendation</b> – Procedures should be developed to strengthen internal controls related to appropriate accounting for CIP balances.</p> <p data-bbox="394 1728 1174 1917"><b>Views of Responsible Officials and Planned Corrective Actions</b> – The District will develop procedures to strengthen internal controls to monitor construction projects to determine the time of project completion and whether interest needs to be capitalized in association with CIP projects. The controller will prepare the construction-in-progress footnote, and the Vice</p>	

Reference Number	Finding	Questioned Costs
	President for Business Services will review the reasonableness of the estimates and review the accruals for accuracy and completeness.	
2008-04	<p><b>Criteria or Specific Requirement</b> – The 1983 Housing Revenue Bonds loan agreement requires the District to maintain certain restricted cash accounts and sinking fund accounts.</p> <p><b>Condition</b> – The District does not currently maintain the three separate restricted cash and sinking fund accounts mentioned in the loan agreement.</p> <p><b>Effect</b> – The District is not in compliance with these requirements of the loan agreement.</p> <p><b>Cause</b> – The District was not aware the loan agreement required these restricted accounts.</p> <p><b>Recommendation</b> – The District should analyze the requirements of the loan agreement and consult an attorney in order to determine what actions are necessary to achieve compliance with the requirements of the loan agreement.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The District has analyzed the 1983 Housing Revenue Bonds requirements and consulted the District's attorney on the matter. The District will make the necessary changes to the accounts to comply with the requirements in the loan agreement.</p>	

#### Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2008-05	<p><b>Federal Program</b> – Student Financial Assistance Cluster – Federal Family Education Loans, CFDA No. 84.032, U.S. Department of Education, Program Year 2008</p> <p><b>Criteria or Specific Requirement</b> – Special Tests and Provisions – Federal regulations require that unless the District expects to complete its next Student Status Confirmation Report within 60 days, the District must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan</p>	\$ 0

Reference Number	Finding	Questioned Costs
	<p>either did not enroll or ceased to be enrolled on at least a half-time basis (34 CFR section 682.610).</p> <p><b>Condition</b> – The District’s procedures for processing changes in student enrollment status from full-time to less than half-time basis do not always allow for timely updating of the National Student Loan Data System (NSLDS) or timely reporting directly to the lender or guaranty agency.</p> <p><b>Context</b> – Notification of a change in student status of 2 out of 30 students sampled from a total population of 2,216 students was not provided within the required time frames.</p> <p><b>Effect</b> – The students’ status as less than half-time was not timely reported within either the 30-day or 60-day time frame.</p> <p><b>Cause</b> – Changes in the students’ status are not always timely reported to the National Student Clearinghouse (NSC), a third-party service provider that assists the District in performing its student status updates, or the NSC is not timely reporting the student status changes to the NSLDS.</p> <p><b>Recommendation</b> – The District should review the frequency which it updates its student status updates with the NSLDS either directly or through the NSC and consider increasing the frequency of reporting updates in order to achieve timely reporting within the required time frames.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The Financial Aid Office has verified with the District Office of Admissions and Records that beginning with the 2008-2009 school, the enrollment information was sent to the National Student Clearinghouse (NSC) on the 15<sup>th</sup> of each month. With this process in place, all enrollment information will be updated in a timely manner, including the situations addressed in this finding. This procedure will be followed.</p>	
2008-06	<p><b>Federal Program</b> – Higher Education – Institutional Aid, CFDA No. 84.031, U.S. Department of Education, Program Year 2008</p> <p><b>Criteria or Specific Requirement</b> – Davis-Bacon Act – Federal regulations require all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor.</p>	Undeterminable



Reference Number	Finding	Questioned Costs
	<p><b>Condition</b> – The District had no controls in place to ensure compliance with the provisions of the Davis-Bacon Act.</p> <p><b>Context</b> – Construction contracts for work performed on the Utica Campus Fine Arts Building did not include Davis-Bacon Act provisions.</p> <p><b>Effect</b> – As the requirements of the Davis-Bacon Act were not included in the construction contracts, reports required to monitor the job were not established, and prevailing wages were not monitored by the District.</p> <p><b>Cause</b> – The District had no controls in place to ensure compliance with the provisions of the Davis-Bacon Act.</p> <p><b>Recommendation</b> – The District should develop policies and procedures and establish internal controls to monitor compliance with the Davis-Bacon Act compliance requirement described in the U.S. Office of Management and Budget (OMB) Circular A-133 <i>Compliance Supplement</i>. Assignment of a compliance officer with grant experience to monitor the various compliance requirements and contract provisions would help to ensure compliance with the requirements as described in the <i>Compliance Supplement</i>.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The initial finding of noncompliance with the Davis Bacon Act occurred in our 2007 audit, which was completed in the fiscal year 2008 year. Since the initial finding, the District has hired a construction project manager to oversee construction projects and monitor contracts for compliance with laws and regulations. In addition, the grants accountant has worked to educate program managers on the requirements of the Davis Bacon Act to help ensure compliance.</p>	

#### Findings Required to be Reported by Mississippi Office of the State Auditor

- 2008-07**    **Criteria or Specific Requirement** – Section 37-59-43, Miss. Code Ann. (1972), authorizes the District to invest surplus funds in only the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972).
- Condition** – The District currently owns investments totaling approximately \$2,600,000 that are not permitted investments

Reference Number	Finding	Questioned Costs
	<p>per state statutes. Of this total, \$1,600,000 is invested in auction rate preferred shares that are illiquid, since the District is unable to sell them due to the nature of the shares and the limited liquidity in the market.</p> <p><i>Effect</i> – The District is not in compliance with Mississippi state statutes governing permitted investments.</p> <p><i>Cause</i> – The District was initially unaware the investments were not permitted and intends to continue selling the remaining shares as soon as possible.</p> <p><i>Recommendation</i> – The District should dispose of the shares as soon as possible.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The District is now aware that the auction rate securities are not permitted investments under Mississippi Code Section 37-59-43. The District will dispose of the shares as soon as possible.</p>	

**HINDS COMMUNITY COLLEGE DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2008**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2007-04	Exit interviews were not being conducted for all students under the FFEL loan program that graduated, withdrew, enrolled less than half time or ceased to be enrolled.	Corrected.
2007-05 2005-03	Post-withdrawal disbursement to borrowers and refunds to lenders were not made within 30 days after the District determined the student withdrew.	Corrected.
2007-06	Reporting of changes in student enrollment status to the National Student Loan Data System from full time to less than half time, withdrawn or graduated was not performed within the required 30 or 60 day timeframe.	Not corrected. See current year finding 2008-05.
2007-07	The District did not monitor compliance with the provision of the Davis-Bacon Act for its construction contracts.	Not corrected. See current year finding 2008-06.