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**HINDS COMMUNITY  
COLLEGE DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2009**

**HINDS COMMUNITY COLLEGE DISTRICT**  
**June 30, 2009**

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# Grantham Poole

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

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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, 2009, 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 \$4,781,590 as of December 31, 2008, and total revenues of \$800,718 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, 2009, 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 June 18, 2010, 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 to the 2009 financials, 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. The audit for the year ended June 30, 2008 was conducted by other accountants who performed similar procedures on the Management Discussion and Analysis June 30, 2008 financial information, but also did not express an 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.

*Grantham, Poole, Rundell, Reitano, Arrington + Cunningham, PLLC*

June 18, 2010

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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**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, 2009. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

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

**Overview of the Financial Statements**

One of the most important questions asked is whether the District as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net 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 non-financial 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, 2009 and 2008 is as follows:

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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**Condensed Statement of Net Assets**

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current Assets	\$ 33,010,622	\$ 29,415,129
Noncurrent Assets:		
Capital assets, net	129,618,239	119,589,464
Cash, cash equivalents and investments, restricted for capital improvements	24,014,235	5,002,510
Other long-term investments	<u>1,258,157</u>	<u>1,643,293</u>
Total Assets	<u>\$ 187,901,253</u>	<u>\$ 155,650,396</u>
<b>Liabilities</b>		
Current liabilities	\$ 14,149,241	\$ 12,034,119
Long-term debt	<u>46,313,014</u>	<u>22,115,262</u>
Total Liabilities	<u>60,462,255</u>	<u>34,149,381</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	105,374,648	101,476,220
Restricted:		
Expendable	1,610,177	754,321
Unrestricted	<u>20,454,173</u>	<u>19,270,474</u>
Total Net Assets	<u>127,438,998</u>	<u>121,501,015</u>
Total Liabilities and Net Assets	<u>\$ 187,901,253</u>	<u>\$ 155,650,396</u>

A review of the summary indicates a relatively strong financial position as of June 30, 2009. 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 \$32,250,857; the majority of that increase is due to an increase to net capital assets of \$10,028,775 and an increase in the investment of bond proceeds, \$19,011,725, related to a capital improvement project in Rankin county.

**ASSETS**

**Current Assets**

**Cash, Cash Equivalents**

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents reported as current assets on the District's financial statements were \$13,692,414 at June 30, 2009, and \$5,195,106 at June 30, 2008. This represents an \$8,497,308 increase in cash and cash equivalents. At the end of FY09, we had completed our bond sale and some of the proceeds had not been invested. In addition, two of our major construction projects were nearing completion so we needed more cash available in preparation for payment of large construction invoices.

**Escrow Restricted Cash**

Upon completion of the \$27 million bond offering, cash was placed in an escrow account for payment of principal and interest on the General Obligation Education Facilities Notes 2000. The District maintained a \$480,000 deposit with Trustmark National Bank at June 30, 2009.



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
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Investments, Restricted for Capital Improvements

During FY 2009, proceeds were received from a \$27 million bond offering for capital improvements on the Rankin Campus. Those proceeds were invested, pending completion of the capital projects. The total amount of investments, restricted for capital improvements reported as non-current assets on the District's financial statements was \$24,014,235 at June 30, 2009 and \$5,002,510 at June 30, 2008. The 2008 amount were proceeds from a \$6.25 million dollar bond offering for renovation of dorms and construction of a new band hall on the Raymond campus.

Short-Term 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 \$5,119,156 at June 30, 2009 and \$13,754,563 at June 30, 2008. This represents a \$8,635,407 decrease in investments. Again, two of our major construction projects were nearing completion so we converted a number of our short term investments into cash in preparation for payment of large construction invoices.

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 2009 and 2008. The District's receivables totaled \$11,638,366 at June 30, 2009 and \$8,485,963 at June 30, 2008. This represents a \$3,152,403 or 37.15% increase in our accounts receivable. The majority of the increase in receivables is attributable to our tuition receivable. We believe this huge increase is attributable to a number of factors. First, the College changed some of its business practices. The College no longer requires students to pay a registration fee before signing up for classes. The fee is collected along with their tuition charges. This allowed the college to open up online registration which made the process much easier and quicker for students. Secondly, the College saw approximately a 15% increase in enrollment in the Fall 2009 semester. So, the College registered more students earlier than the year before.

The District has implemented policies to keep our student receivables current. Student receivables are expensed once they have reached 517 days outstanding, or two semesters old. The District sends these accounts to an outside firm for collection.

Inventories

The District maintains inventories of resale merchandise, as well as items for internal consumption. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,980,686 at June 30, 2009. The total is a 5.38% increase from the amount \$1,879,497 at June 30, 2008. The bookstores inventory increased \$101,189 last year to meet increased demand and fall shipments had arrived earlier. The bookstore inventory, which includes textbooks and merchandise, comprises almost 85% 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 is the same as in fiscal year 2008.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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**Noncurrent Assets**

Endowment Investments

The District shows the Holtzclaw endowment investments recorded for a total of \$44,803 at June 30, 2009. The amount increased slightly from \$43,293 in fiscal year 2008 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.

Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, equipment, vehicles and historical library holdings at June 30, 2009. The total amount, net of depreciation, at June 30, 2009 was \$129,618,239. The amount reported net of accumulated depreciation at June 30, 2008 was \$119,589,464. This represents a \$10,028,775 increase in capital assets or an 8.39% increase.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 6,890,538	\$ -	\$ -	\$ 6,890,538
Construction in progress	19,826,600	-	(9,291,248)	10,535,352
Livestock	<u>66,600</u>	<u>-</u>	<u>(1,900)</u>	<u>64,700</u>
Total nondepreciable capital assets	26,783,738	-	(9,293,148)	17,490,590
Improvements	25,133,808	9,572,939	-	34,706,747
Buildings	103,512,909	13,188,718	-	116,701,627
Equipment	14,301,285	1,047,994	(710,404)	14,638,875
Library books	<u>5,468,624</u>	<u>241,584</u>	<u>(146,093)</u>	<u>5,564,115</u>
Total depreciable property	148,416,627	24,051,235	(856,497)	171,611,364
Total accumulated depreciation	<u>(55,610,900)</u>	<u>(4,519,917)</u>	<u>647,102</u>	<u>(59,483,714)</u>
Total depreciable capital assets	<u>92,805,726</u>	<u>19,531,318</u>	<u>(209,395)</u>	<u>112,127,649</u>
Net Capital Assets	<u>\$ 119,589,464</u>	<u>\$ 19,531,318</u>	<u>\$ (9,502,543)</u>	<u>\$ 129,618,239</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 2009, equipment additions outpaced deletions by \$337,590 as the District continues to purchase equipment and technology to enhance the learning environment for employees and students.

In fiscal year 2009, the District completed construction projects totaling \$22,655,229 which are included in the additions to buildings and improvements. These projects account for the construction-in-progress deletions for fiscal year 2009. The completed projects include the following:

Pickett Hall Improvements	Improvement	\$ 1,590,508
Airport G #7	Improvement	3,384,495
Airport G #8	Improvement	3,005,316
Medical Needs Shelter Project	Improvement	471,627
Utica Boyd Gym	Improvement	393,462
Wireless Project	Improvement	31,268
Jackson Pharmacy Lab	Improvement	153,107

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
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**Capital Assets, Net (Continued)**

Raymond Wastewater Facility	Improvement	163,461
Soccer Bleachers	Improvement	118,925
Eagle Ridge Improvements	Improvement	30,548
NAHC Respiratory Lab	Improvement	57,073
Baseball Batting Cage Cover	Improvement	47,261
Vicksburg Bookstore Renovations	Improvement	27,833
Rankin HVAC Replacement	Improvement	34,562
Dewatering Wells Cain Hall	Improvement	63,493
		<u>9,572,939</u>
Fine Arts Complex	Building	8,359,932
Faculty Housing Building	Building	109,521
Grounds Replacement	Building	1,041,699
Plumbers and Pipefitters Union Bldg.	Building	3,204,871
Specialty Produce Market	Building	366,267
Total completed projects		<u>\$ 22,655,229</u>

**LIABILITIES**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued expenses represent amounts due at June 30, 2009 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$4,032,454 at June 30, 2009 and \$3,853,342 at June 30, 2008. The increase in liabilities, \$179,112, was due to several large payables associated with the several capital renovation projects that started late in the spring.

**Deferred Revenues**

Deferred revenues represent revenues that were received by the District during the fiscal year, but the District did not earn the revenues by the end of the June 30, 2009 fiscal year. For example, the District allows students to pre-register in the spring for classes scheduled in the fall. The deferred revenue totaled \$6,657,485 at June 30, 2009 and \$5,021,344 at June 30, 2008. There was a \$1,636,141, or 32.58% increase. We believe more of our students took the opportunity to register for classes early since we eliminated the upfront registration fee.

**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 fiscal year. The amount of the current portion of long-term liabilities at June 30, 2009 was \$2,954,469 and \$2,744,578 at June 30, 2008. The \$209,891 increase was probably the result of the new \$6,250,000 debt added in FY08 which required a greater expenditure than the previous year.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
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**Other Current Liabilities**

Other current liabilities represent assets belonging to individuals or organizations for which the District acts as custodian. Examples include various student clubs and organizations and agency scholarships. The total amount held for others at June 30, 2009 was \$504,833 and \$414,855 at June 30, 2008. This was a \$89,978 or 21.69% increase 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 non-current portion of the accrued compensated balances was calculated to be \$1,653,972 at June 30, 2009. This was a 1.67% increase from the amount at June 30, 2008 of \$1,626,864.

**Long-Term Liabilities - Noncurrent Portion**

Long-term liabilities non-current portion represents the portion of notes and bonds payable balances that would be payable after June 30, 2010. The amount of the non-current portion at June 30, 2009 was \$44,659,042. The non-current portion of long-term debt increased by 118%, or \$24,170,644, for FY 09. This increase was a result of the new \$27,035,000 in debt added in FY 09 for construction of the Rankin Campus Multi-purpose building.

**NET ASSETS**

**Invested in Capital Assets, Net of Related Debt**

In FY 2009, this portion of the District's net assets increased \$15,669,370 to \$105,374,648. The District added \$22,655,229 in capitalized assets mainly through construction projects.

**Restricted Net Assets**

The following is a breakdown of the restricted net assets at June 30, 2009:

Capital projects funds	\$ 1,477,250
Other project funds	<u>132,927</u>
Total restricted net assets	<u>\$ 1,610,177</u>

Restricted capital project funds 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. Other Project funds consist of endowment funds or other grant funds with restrictions from the grantor on spending.

**Unrestricted Net Assets**

The following is a breakdown of the unrestricted net assets at June 30, 2009:

Unrestricted Funds	<u>\$ 20,454,173</u>
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**Management's Discussion and Analysis**  
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Unrestricted Net Assets (Continued)

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. In fiscal year 2009, some of the District's unrestricted funds were used to complete capital projects like the Raymond Campus Band Hall and some of the funds were used to offset the reduction in state appropriations.

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 non-operating. The financial reporting model classifies state appropriations and local appropriations as non-operating revenues. The District's dependency on these funding sources results in an operating deficit.

	For the years ended June 30	
	2009	2008
<b>Operating Revenues:</b>		
Tuition and Fees	\$ 10,985,303	\$ 9,704,268
Grants and Contracts	14,273,046	12,536,498
Auxiliary Enterprises	13,309,578	11,765,341
Other Operating Revenues	1,490,212	1,289,071
Total Operating Revenues	<u>40,058,139</u>	<u>35,295,178</u>
Operating Expenses	<u>110,339,846</u>	<u>101,640,775</u>
Operating Loss	<u>(70,281,707)</u>	<u>(66,345,597)</u>
<b>Nonoperating Revenues:</b>		
State Appropriations	31,342,557	32,390,378
County Appropriations	11,131,909	11,228,074
Federal Grants and Contracts	23,122,258	19,146,446
Investment Income, Net	402,310	899,647
Other Nonoperating Expenses	(1,056,910)	(761,919)
Net Nonoperating Revenues	<u>64,942,124</u>	<u>62,902,626</u>
Loss Before Other Revenues	(5,339,583)	(3,442,971)
Federal Capital Grants	209,350	5,030,931
State and County Capital Appropriations	<u>11,068,216</u>	<u>5,847,209</u>
Total Other Revenues	<u>11,277,566</u>	<u>10,878,140</u>
Increase in Net Assets	<u>5,937,983</u>	<u>7,435,169</u>
Net Assets at Beginning of Year	<u>121,501,015</u>	<u>114,065,846</u>
Net Assets at End of Year	<u>\$ 127,438,998</u>	<u>\$ 121,501,015</u>

# HINDS COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis

June 30, 2009

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

Operating revenues were up \$4,762,961 while operating expenses increased \$8,699,071. Therefore, the operating loss for fiscal year 2009 increased by \$3,935,110 to \$70,281,707. The District will continue to show a significant operating loss since two of our largest funding sources, state and local appropriations, are not included in operating revenue per GASB No. 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding from the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin, and Warren.

### REVENUES

#### **Operating Revenues**

##### Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$10,985,303. The amount was up \$1,281,035 or 13.20% from the amount in fiscal year 2008 which was \$9,704,268. The increase in tuition revenue is primarily due to an increased enrollment over FY 08. 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 2009 fiscal year was \$11,158,830 compared to the fiscal year 2008 amount of \$10,432,852.

##### Grants and Contracts

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

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Federal grants and contracts	\$ 6,778,190	\$ 5,976,783
State grants and contracts	7,209,079	6,264,217
Non-governmental grants and contracts	285,777	295,498
Total	<u>\$ 14,273,046</u>	<u>\$ 12,536,498</u>

The District had an \$801,407 or 13.41% increase in federal source grants in fiscal year 2009. Most of the increase was additional federal money for students under the Academic Competiveness Grant. State grants increased by \$944,862, or 15.08%, in fiscal year 2009. The District received additional state money to redesign a number of vocational and technical programs.

##### Sales and Services from Educational Activities

Sales and services from educational activities include revenue from our child care programs, sales of product and services from our vocational programs, and athletic events. The revenues increased \$4,342, or 1.32% in fiscal year 2009.

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**Management's Discussion and Analysis**  
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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 13.13 % from \$11,765,341 in fiscal year 2008 to \$13,309,578 in fiscal year 2009. Most of the increase is from the student housing revenue which jumped \$1,200,429 with a rate increase for residence halls per semester.

Operating Expenses

The following table details the District's operating expenses by natural classification and functional classification for the fiscal years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Operating Expenses by Natural Classification:		
Instruction	\$ 44,660,253	\$ 42,549,755
Academic Support	2,215,032	2,209,541
Student Services	7,009,928	6,908,344
Institutional Support	10,882,249	9,909,489
Operations and Maintenance of Plant	12,740,518	11,753,303
Student Financial Aid	15,151,239	11,356,643
Auxiliary Enterprises	12,695,687	12,467,444
Bad Debt Expense	465,023	276,442
Depreciation	<u>4,519,917</u>	<u>4,209,814</u>
Total Operating Expenses by Natural Classification	\$ <u>110,339,846</u>	\$ <u>101,640,775</u>

The College saw increased expenses in every category. The largest increase was in the student financial aid category. Student financial aid expenses increased by \$3,794,596. This trend continues as we see more students relying on financial aid for college expenses and increased amounts available. Instructional expenses increased by \$2,110,498 and Institutional Support increased by \$972,760. With increased enrollment, more teachers are needed and there is greater demand for customer services which means more resources are allocated to those categories. In addition, the College experienced a significant increase in the amount of uncollectable accounts, \$188,581, during this difficult economic period.

Operating Expenses by Functional Classification:

Salary	\$ 48,642,800	\$ 46,727,836
Fringes	14,204,370	13,667,238
Travel	1,089,773	887,660
Contractual Services	9,884,118	9,035,520
Utilities	4,106,174	4,287,826
Scholarships and Fellowships	14,784,509	11,050,959
Commodities	11,314,222	10,349,213
Depreciation	4,519,917	4,209,815
Other	<u>1,793,963</u>	<u>1,424,708</u>
Total Operating Expenses by Functional Classification	\$ <u>110,339,846</u>	\$ <u>101,640,775</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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Operating Expenses (Continued)

The College saw increased expenses in every category except utilities. Hinds began an energy management program in the Fall of 2008 to carefully watch utility expenses. The college added two new buildings in 2009, but the amount paid for utilities declined by \$181,652. The largest increase was in the student scholarships and fellowships category. The scholarship expenses increased by \$3,733,550. This trend continues as we see more students relying on financial aid for college expenses and more financial aid is available. Wages also increased by \$1,914,964. Most of that increase is from an increased number of adjunct instructors to handle the increased enrollment in FY 09.

**Nonoperating Revenues (Expenses)**

State Aid

The District's largest source of non-operating revenue is the State of Mississippi appropriation. The District received \$31,342,557 for fiscal year 2009, of which \$19,664,455 was appropriations received for the District's general fund. The District received an additional \$5,388,845 in Education Enhancement Funds. The total amount received in fiscal year 2009 was \$1,047,821 less than in fiscal year 2008.

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 \$11,131,909 for the 2009 fiscal year from the counties. The amount was down \$96,165 from the fiscal year 2008 amount of \$11,228,074.

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 FY 09 was \$402,310. This was a decrease of \$497,337, or 55.28% less than the fiscal year 2008 amount. Unfortunately, the District saw historically low interest rates on its investments in FY 09.

**Other Revenues**

Capital Grants and Gifts

The College received federal grants for two large capital projects in fiscal year 2008. The College received a federal grant from the Federal Aviation Administration for the Extension and Resurfacing of the Airport Runway and the College received federal money for completion of the Fine Arts Performing Center in Utica. The capital grants and gifts decreased in fiscal year 2009 by \$4,821,581 to \$209,350.



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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State and County Appropriations Restricted for Capital Purposes

The appropriation increased by \$5,221,007 or 89.29% in fiscal year 2009. This increase came from a number of different sources. First, the College began construction of the Sonny Fountain Welcome Center on the Raymond campus in FY 09 which was funded by the proceeds of State of Mississippi bonds. Upon passage of a legislative bond bill in the Mississippi State Legislature, the State of Mississippi sells capital improvement bonds and those funds are allocated by the State Board of Community and Junior Colleges to each college based on a formula. The appropriation must be spent on renovations and repairs or construction of new facilities. In fiscal year 2009, the District finally had enough money allocated to start a new construction project. In addition, the State Legislature allocated \$2 million to the College specifically toward the purchase of a new building in Rankin County that was originally built to train members of the plumbers and pipefitters union.

Finally, the county appropriations restricted for capital purposes are proceeds from tax collections from the counties in our district. The amount received from the counties in our district went up almost \$700,000 in FY 09. The amount and the millage rates are set by the local county Board of Supervisors.

**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 access:

- 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents Provided by (Used in):		
Operating Activities	\$ (66,265,983)	\$ (63,125,899)
Noncapital Financing Activities	64,779,664	62,496,385
Capital and Related Financing Activities	18,914,145	(862,026)
Investing Activities	<u>(8,450,518)</u>	<u>(1,349,658)</u>
Net Increase in Cash and Cash Equivalents	8,977,308	(2,841,198)
Cash and Cash Equivalents - Beginning of the Year	<u>5,195,106</u>	<u>8,036,304</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 14,172,414</u>	<u>\$ 5,195,106</u>

The major sources of funds included in operating activities include student tuition and fees, \$10,126,206, auxiliary enterprises, \$13,573,145 and grants and contracts, \$14,734,496. The major uses of funds were payments made to employees, \$63,909,835, payments made to vendors and suppliers, \$22,824,403 and to scholarships and fellowships, \$14,784,509.

## **HINDS COMMUNITY COLLEGE DISTRICT**

### **Management's Discussion and Analysis**

**June 30, 2009**

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#### **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 2011 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 college enjoyed a 17% increase in students compared to the Fall of 2008.

However, the College saw significant cuts in state appropriations in FY 2010 for all state educational institutions. Thus, the College will raise its tuition for full time students in the Fall of 2010 to offset some of the losses from state appropriations. We believe Hinds still provides a reasonable tuition cost compared to our competitors. In addition, 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. 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 College must focus on its ability to recruit and retain high quality students.

With recruitment and retention in mind, the College continues a commitment to renovations and upgrading of our facilities. The College should complete two major construction projects in FY 2011 to improve programs and offer more classroom space for students at our fastest growing campuses Jackson ATC and Rankin.

## **Financial Statements**

**HINDS COMMUNITY COLLEGE DISTRICT****Statement of Net Assets****June 30, 2009****Assets**

## Current assets:

Cash and cash equivalents	\$ 13,692,414
Escrow restricted cash	480,000
Short-term investments (net of unrealized loss on investments)	5,119,156
Accounts receivable, net (Note 3)	11,638,366
Inventories	1,980,686
Other current assets	<u>100,000</u>
Total Current Assets	33,010,622

## Non-current assets:

Endowment investments (Note 2)	44,803
Investments, restricted for capital improvements	24,014,235
Other long-term investments	75,000
Bond costs, net of amortization	1,138,354
Capital assets, net of accumulated depreciation (Note 4)	<u>129,618,239</u>
Total Noncurrent Assets	<u>154,890,631</u>

## Total Assets

\$ 187,901,253**Liabilities**

## Current liabilities:

Accounts payable and accrued expenses	\$ 4,032,454
Deferred revenues	6,657,485
Long-term liabilities - current portion (Note 5)	2,954,469
Other current liabilities	<u>504,833</u>

## Total Current Liabilities

14,149,241

## Noncurrent liabilities:

Accrued leave liability (Note 5)	1,653,972
Long-term liabilities (Note 5)	<u>44,659,042</u>

## Total Noncurrent Liabilities

46,313,014

## Total Liabilities

60,462,255

**Net Assets**

Invested in capital assets, net of related debt	105,374,648
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## Restricted:

Capital projects	1,477,250
Other projects	132,927

Unrestricted	<u>20,454,173</u>
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## Total Net Assets

127,438,998

## Total Liabilities and Net Assets

\$ 187,901,253

**HINDS COMMUNITY COLLEGE DISTRICT**  
**HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**Statement of Financial Position**  
**December 31, 2008**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 42,695
Receivables	
Student loans	1,698
Unconditional promises to give, short-term	2,100
Total Current Assets	<u>46,493</u>

Cash and Cash Equivalents Designated for Long-Term Use	<u>469,842</u>
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Investments in Marketable Securities	<u>3,946,603</u>
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Property and Other Real Estate

Property	31,262
Property held for sale, net of valuation allowance	280,000
Total Investments	<u>311,262</u>

Other Receivables

Note receivable	5,716
Unconditional promises to give, net of short-term portion and discounts	1,674
Total Other Receivables	<u>7,390</u>

Total Assets	<u><u>\$ 4,781,590</u></u>
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**LIABILITIES AND NET ASSETS**

Liabilities	\$ -
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Net Assets

Unrestricted	249,463
Temporarily restricted	688,941
Permanently restricted	3,843,186
Total Net Assets	<u>4,781,590</u>

Total Liabilities and Net Assets	<u><u>\$ 4,781,590</u></u>
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**HINDS COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009**

**Operating Revenues:**

Tuition and fees (net of scholarship allowances of \$11,158,830)	\$ 10,985,303
Federal grants and contracts	6,778,190
State grants and contracts	7,209,079
Nongovernmental grants and contracts	285,777
Sales and services of educational departments	332,064
Auxiliary enterprises:	
Student housing	2,628,631
Food services	1,774,546
Bookstore	6,997,539
Other auxiliary revenues	1,908,863
Other operating revenues	1,158,147
<b>Total Operating Revenues</b>	<b><u>40,058,139</u></b>

**Operating Expenses:**

Salaries and wages	48,642,800
Fringe benefits	14,204,370
Travel	1,089,773
Contractual services	9,884,118
Utilities	4,106,174
Scholarships and fellowships	14,784,509
Commodities	11,314,222
Depreciation expense	4,519,917
Other operating expense	1,793,963
<b>Total Operating Expenses</b>	<b><u>110,339,846</u></b>
<b>Operating Loss</b>	<b><u>(70,281,707)</u></b>

**Non-operating Revenues (Expenses)**

State appropriations	31,342,557
County appropriations	11,131,909
Federal grants and contracts	23,122,258
Investment income	402,310
Interest expense on capital asset-related debt	(1,056,910)
<b>Total Net Non-operating Revenue</b>	<b><u>64,942,124</u></b>
<b>Loss before Other Revenues, Expenses, Gains and Losses</b>	<b><u>(5,339,583)</u></b>

Federal Capital Grants	209,350
State and County Capital Appropriations	11,068,216
<b>Increase in Net Assets</b>	<b><u>5,937,983</u></b>

**Net Assets:**

Net Assets-Beginning of Year	<u>121,501,015</u>
Net Assets - End of Year	<b><u>\$ 127,438,998</u></b>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**Statement of Activities**  
**Year Ended December 31, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support</b>				
Gifts and pledges	\$ 67,126	\$ 497,399	\$ 373,725	\$ 938,250
Special events	119,165	174,319	-	293,484
Interest and investment income	47,256	-	-	47,256
Realized gain (loss) on investments	1,835	(17,313)	-	(15,478)
Unrealized loss on investments	(284,482)	(1,055,329)	-	(1,339,811)
Intra-fund revenues	-	(40,016)	-	(40,016)
Other income	-	2,500	-	2,500
Net assets released from restrictions	565,336	(565,336)	-	-
<b>Total Revenues, Gains and Other Support</b>	<b>516,236</b>	<b>(1,003,776)</b>	<b>373,725</b>	<b>(113,815)</b>
<b>Expenses:</b>				
<b>Program Services:</b>				
Scholarships	417,512	-	-	417,512
Faculty and staff development	59,157	-	-	59,157
College departments and organizations	75,713	-	-	75,713
Alumni groups	73,728	-	-	73,728
Cain Hall	880	-	-	880
Other	14,102	-	-	14,102
Intra-fund expenses	(40,016)	-	-	(40,016)
<b>Total Program Services</b>	<b>601,076</b>	<b>-</b>	<b>-</b>	<b>601,076</b>
<b>Supporting services -</b>				
General administration	97,298	-	-	97,298
Fund raising	75,180	-	-	75,180
<b>Total Supporting Services</b>	<b>172,478</b>	<b>-</b>	<b>-</b>	<b>172,478</b>
<b>Total Expenses</b>	<b>773,554</b>	<b>-</b>	<b>-</b>	<b>773,554</b>
<b>Change in Net Assets</b>	<b>(257,318)</b>	<b>(1,003,776)</b>	<b>373,725</b>	<b>(887,369)</b>
<b>Reclassifications</b>	<b>-</b>	<b>(46,905)</b>	<b>46,905</b>	<b>-</b>
<b>Net Assets at Beginning of Year</b>	<b>506,781</b>	<b>1,739,622</b>	<b>3,422,556</b>	<b>5,668,959</b>
<b>Net Assets at End of Year</b>	<b>\$ 249,463</b>	<b>\$ 688,941</b>	<b>\$ 3,843,186</b>	<b>\$ 4,781,590</b>

See accompanying notes to financial statements.

# HINDS COMMUNITY COLLEGE DISTRICT

## Statement of Cash Flows Year Ended June 30, 2009

### OPERATING ACTIVITIES

Tuition and fees	\$ 10,126,206
Grants and contracts	14,734,497
Sales and services of auxiliary enterprises	13,573,145
Payments to employees for salaries and fringe benefits	(63,909,835)
Payments to vendors and suppliers	(22,824,403)
Payments for utilities	(4,106,174)
Payments to scholarships and fellowships	(14,784,509)
Other receipts	925,090

Net Cash Used in Operating Activities (66,265,983)

### NON-CAPITAL FINANCING ACTIVITIES

County appropriations	11,131,909
State appropriations	30,525,497
Federal grants and contracts	23,122,258

Net Cash Provided By Non-capital Financing Activities 64,779,664

### CAPITAL AND RELATED FINANCING ACTIVITIES

Federal capital grants	209,350
State and county capital appropriations	11,068,216
Proceeds from capital debt	25,880,000
Principal paid on capital debt	(2,654,465)
Interest paid on capital debt	(1,040,264)
Purchase of capital assets, net	(14,548,692)

Net Cash Provided by Capital and Related Financing Activities 18,914,145

### INVESTING ACTIVITIES

Interest income	402,310
Net change in investments	(8,852,828)

Net Cash Used in Investing Activities (8,450,518)

Net increase in cash and cash equivalents 8,977,308

Cash and cash equivalents, beginning of year 5,195,106

Cash and cash equivalents, end of year \$ 14,172,414



# HINDS COMMUNITY COLLEGE DISTRICT

## Statement of Cash Flows Year Ended June 30, 2009

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### Statement of Cash Flows *(Continued)*

#### Reconciliation of Operating Expenses to Net Cash

##### Provided by (Used in) Operating Activities:

Operating loss	\$ (70,281,707)
Adjustments to reconcile operating loss to net cash provided (used in) operating activities:	
Depreciation	4,519,917
Changes in assets and liabilities:	
Accounts receivable, net	(2,335,343)
Inventories	(101,189)
Accounts payable and accrued expenses	179,111
Deferred revenues	1,636,141
Accrued compensated absences	27,108
Other liabilities	89,979

Net Cash Used in Operating Activities	<u><u>\$ (66,265,983)</u></u>
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# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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### 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 milage. 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.

#### 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

# **HINDS COMMUNITY COLLEGE DISTRICT**

## **Notes to Financial Statements**

**For the Year Ended June 30, 2009**

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

#### Reporting Entity (Continued)

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 which has a June 30, 2009 fiscal year end and one discretely presented component unit, the Hinds Community College Development Foundation, Inc. (the Foundation) which has a December 31, 2008 calendar year end.

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.

Complete financial statements of the Foundation may be obtained by writing to Hinds Community College Development Foundation, Inc., Post Office Box 1100, Raymond, Mississippi 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.

#### Cash Equivalents

The District considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2009, cash equivalents consisted primarily of money market mutual funds and certificates of deposit.

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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

#### Short-term Investments

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

#### Accounts Receivables

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the District from vendors. Accounts 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

On July 1, 2008, the District adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which established a framework for measuring fair value in financial statements prepared in accordance with generally accepted accounting principles and expanded disclosures about fair value measurements. In accordance with FSP No. 157-2, *Effective Date of FASB Statement No. 157*, the District will defer application of SFAS 157 for nonfinancial assets and nonfinancial liabilities until July 1, 2009.

SFAS 157 requires companies to group its assets and liabilities that are carried at fair value in its financial statements into three levels based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. These levels are as follows:

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

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

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

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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

#### 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 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, 2009.

#### 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, 2009, deferred revenues and related accounts receivable included \$5,202,190, \$810,835 and \$641,040 for tuition, housing and meal plan revenues, respectively, for the fall 2009 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.

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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

#### 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 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.

#### Subsequent Events

Management has evaluated subsequent events through June 22, 2010, the date the financial statements were available to be issued.

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2009

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

The District maintains its investment funds in custodial accounts managed by professional investment advisors. The Foundation has advised the advisors to maintain balanced portfolio's with an emphasis on growth in value.

Investments at June 30, 2009 comprised the following:

	<u>Unrestricted</u>
Preferred Stocks	\$ 1,600,000
Bond Mutual Funds	3,000,000
U.S. Government Obligations/Agencies	8,986,300
Money Market Mutual Funds	<u>3,230,950</u>
	<u>\$ 16,817,250</u>

Investment activity for the year ended June 30, 2009 is summarized below:

Investments, at beginning of period	\$ 9,867,248
Purchase of investments	11,973,544
Investment returns:	
Dividends and interest (net of investment fees)	159,430
Redemption of investments	<u>(5,182,972)</u>
	<u>\$ 16,817,250</u>

As described by SFAS No. 157, the District has measured the fair value in Preferred stocks, Bond, mutual funds, US Government Obligations at fair value using quoted market prices for identical investments, which is Level 1 input.

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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

#### Cash, Cash Equivalents and Short-term Investments

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

#### Deposits

Custodial risk is the risk that in the event of a depository failure, the District'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 \$13,692,414. Additionally, the District had certificates of deposit with a carrying value of \$12,435,943 reported as investments in the statement of net assets. At June 30, 2009, 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



# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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

#### Investments (Continued)

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.

At June 30, 2009, the District owns investments totaling \$1,525,000 that are not permitted by state statute. Of this total, \$1,525,000 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. The District has sold \$1,525,000 of these nonpermitted investments subsequent to the end of the year. As of April 30, 2010, the remaining balance of nonpermitted investments was \$-0-.

At June 30, 2009, 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	\$ 8,986,300	\$ 8,986,303	AAA/Aaa
Bond mutual funds	3,000,000	3,000,000	
Money market mutual funds	3,230,950	<u>3,230,950</u>	
		15,217,250	
Corporate stocks			
Auction rate preferred stocks		<u>1,600,000</u>	AAA/Aaa
		<u>\$ 16,817,250</u>	

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2009**

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

Investments (Continued)

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).

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, 2009, approximately \$1,525,000 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, 2009, 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	\$ 2,994,300	18%
Federal Home Loan Bank	5,992,000	36%
Eaton Vance Limited Duration Income Fund		
Auction Rate Preferred Stock (T)	975,000	6%

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	\$ 26,128,368
Investments	<u>16,817,250</u>
	<u>\$ 42,945,618</u>

**HINDS COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**For the Year Ended June 30, 2009**

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

Included in the following balance sheet captions

Cash and cash equivalents	\$ 13,692,414
Short-term investments	5,119,156
Endowment investments	44,803
Cash, cash equivalents and investments, restricted for capital improvements	24,014,235
Other long-term investments	<u>75,000</u>
	<u>\$ 42,945,618</u>

Investment Income

Investment income for the year ended June 30, 2009, consisted of:

Interest and dividend income	<u>\$ 402,310</u>
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**NOTE 3 ACCOUNTS RECEIVABLE**

The District's accounts receivable consisted of the following at June 30, 2009:

Student tuition	\$ 7,546,150
Federal, state and private grants and contracts	1,147,507
State and county appropriations	2,260,650
Auxiliary enterprises and other operating activities	156,999
Other	<u>1,027,060</u>
	12,138,366
Less allowance for doubtful accounts	<u>(500,000)</u>
	<u>\$ 11,638,366</u>

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2009**

**NOTE 4**    **CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009, was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<u>Nondepreciable Capital Assets:</u>					
Land	\$ 6,890,538	\$ -	\$ -	\$ -	\$ 6,890,538
Construction in progress	19,826,600	13,425,923	-	(22,717,171)	10,535,352
Livestock	66,600	-	(1,900)	-	64,700
	<u>26,783,738</u>	<u>13,425,923</u>	<u>(1,900)</u>	<u>(22,717,171)</u>	<u>17,490,590</u>
<u>Depreciable Capital Assets:</u>					
Buildings	103,512,909	13,188,718	-	-	116,701,627
Improvements other than buildings	25,133,808	9,572,939	-	-	34,706,747
Library books	5,468,624	241,584	(146,093)	-	5,564,115
Furniture and equipment	14,301,285	1,047,994	(710,404)	-	14,638,875
Total Depreciable Capital Assets	<u>148,416,626</u>	<u>24,051,235</u>	<u>(856,497)</u>	<u>-</u>	<u>171,611,364</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings	35,132,941	2,182,500	-	-	37,315,441
Improvements other than buildings	5,950,810	1,187,740	-	-	7,138,550
Library books	4,083,312	60,441	-	-	4,143,753
Furniture and equipment	10,443,837	1,089,236	(647,102)	-	10,885,971
Total Accumulated Depreciation	<u>55,610,900</u>	<u>4,519,917</u>	<u>(647,102)</u>	<u>-</u>	<u>59,483,715</u>
Total Depreciable Capital Assets, net	<u>92,805,726</u>	<u>19,531,318</u>	<u>(209,395)</u>	<u>-</u>	<u>112,127,649</u>
Net Capital Asset	<u>\$119,589,464</u>	<u>\$32,957,241</u>	<u>\$ (211,295)</u>	<u>\$ (22,717,171)</u>	<u>\$129,618,239</u>

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

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

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

### NOTE 5 LONG-TERM LIABILITIES

Long-term liabilities of the District consist of notes payable and certain other liabilities that are expected to be liquidated at lease one year from June 30, 2009.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2009 is listed in the following schedule.

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Housing Revenue Bonds, Series 1983(a)	\$ 3,500,000	3.00%	4/1/2013	\$ 709,000	\$ -	\$ 160,000	\$ 549,000	\$ 170,000
Housing Revenue Bonds, Series 1983(a)(b)	3,500,000	3.00%	10/1/2017	1,600,000	-	140,000	1,460,000	140,000
HAHS Bonds of 1998 (c)	587,000	5.00%	4/1/2018	383,000	-	30,000	353,000	32,000
Education Facilities Refunding Note, series 1998 (d)	7,325,000	4.95%	3/1/2013	3,200,000	-	580,000	2,620,000	610,000
Mississippi Development Bank Note, 1999 (e)	1,000,000	variable	8/3/2024	471,066	-	147,583	323,483	50,000
General Obligation Education Facilities Notes Series 2000 (f)	3,000,000	4.75%	3/1/2010	870,000	-	415,000	455,000	455,000
Mississippi Development Bank Note, series 2005 (h)	6,000,000	variable	10/3/2011	2,952,688	-	491,356	2,461,332	602,356
Education Facilities Notes, Series 2005 (h)	8,000,000	3.00 - 4.00%	4/1/2020	6,680,000	-	473,418	6,206,582	475,000
Education Facilities Notes, Series 2008 (i)	6,250,000	4.00-5.125%	4/1/2023	6,250,000	-	190,000	6,060,000	330,000
2009 Rankin Facilities Note (j)	27,035,000	3.00-5.30%	10/1/2023	-	27,035,000	-	27,035,000	-
Total Bonds and Notes Payable				23,115,754	27,035,000	2,627,357	47,523,397	2,864,356
<u>Other noncurrent liabilities</u>								
Accrued compensated absences				1,744,086	-	-	1,744,086	90,113
Total				\$ 24,859,840	\$ 27,035,000	\$ 2,627,357	\$ 49,267,483	\$ 2,954,469
Due within one year							2,954,469	
Total long-term liabilities							\$ 46,313,014	

The debt service requirements as of June 30, 2009 are as follows:

Maturity Date	Principal	Interest	Total
2010	\$ 2,864,356	\$ 2,316,990	\$ 5,181,346
2011	2,476,356	2,038,511	4,514,867
2012	2,286,340	1,935,287	4,221,627
2013	1,982,000	1,833,514	3,815,514
2014	2,015,000	1,751,503	3,766,503
2015-2019	7,809,483	7,768,736	15,578,219
2020-2024	8,394,862	6,038,763	14,433,625
2025-2029	7,920,000	4,233,955	12,153,955
2030-2034	11,775,000	1,679,016	13,454,016
	<u>\$ 47,523,397</u>	<u>\$ 29,596,275</u>	<u>\$ 77,119,672</u>

**HINDS COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**For the Year Ended June 30, 2009**

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

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, 2009, which was 2.81%.

- (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 1.61% at June 30, 2009, 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.
- (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. (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.
- (j) The note matures on March 1, 2003. Interest payments are due April 1 and October 1 each year. Principal payments do not commence until 2014.

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2009

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### 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 schedule of the future minimum rental payments required under those operating leases:

2010	\$	116,505
2011		<u>59,213</u>
	\$	<u>175,718</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, 2009, was \$146,688.

### NOTE 7 PENSION PLAN

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, Mississippi 39201-1005 or by calling 601-359-3589 or 1-800-444-PERS.

#### Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2009 was 11.85% of annual covered payroll. The contribution requirements of PERS members is established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the years ending June 30, 2009, 2008 and 2007 were \$5,084,588, \$5,002,200 and \$4,338,523, respectively, which equaled the required contributions for each year. The years ended June 30, 2008 and 2007 were audited by other accountants'.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2009**

**NOTE 8 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

	Salaries & Wages	Fringe Benefits	Travel	Contractual Benefits	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 31,822,358	\$ 8,817,701	\$ 560,466	\$ 968,979	\$ -	\$ 139,761	\$ 1,545,195	\$ -	\$ 805,793	\$ 44,660,253
Academic support	1,480,759	388,426	29,943	86,574	-	-	55,078	-	174,252	2,215,032
Student services	3,844,274	1,136,060	265,406	1,141,333	-	14,891	518,910	-	89,054	7,009,928
Institutional support	5,183,839	1,607,711	198,221	3,294,132	-	38,266	396,405	-	163,675	10,882,249
Operation of plan	4,122,049	1,542,781	14,969	2,268,900	2,991,942	-	1,799,877	-	-	12,740,518
Student aid	-	-	-	-	-	14,433,455	717,784	-	-	15,151,239
Auxiliary enterprises	2,189,521	711,691	20,768	2,124,200	1,114,232	158,136	6,280,973	-	96,166	12,695,687
Bad debt	-	-	-	-	-	-	-	-	465,023	465,023
Depreciation	-	-	-	-	-	-	-	4,519,917	-	4,519,917
<b>Total</b>	<b>\$ 48,642,800</b>	<b>\$ 14,204,370</b>	<b>\$ 1,089,773</b>	<b>\$ 9,884,118</b>	<b>\$ 4,106,174</b>	<b>14,784,509</b>	<b>\$ 11,314,222</b>	<b>4,519,917</b>	<b>1,793,963</b>	<b>110,339,846</b>



**HINDS COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2009**

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**NOTE 9 CONSTRUCTION COMMITMENTS AND FINANCING**

The District has contracted for various construction projects as of June 30, 2009. Estimated costs to complete the various board-approved projects, some of which have signed contracts in place at June 30, 2009, 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>
Raymond Hall	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
Jackson ATC Classroom	5,000,000	-	5,000,000	-
Industrial Advance- ment and Building	3,800,000	-	3,800,000	-
Multi-purpose Bldg. And Campus	25,000,000	-	-	25,000,000
Utica Dorm Imprv.	150,000	-	-	150,000
Airport Hanger	250,000	-	150,000	100,000
Airport Taxiways	30,000	-	-	30,000
Utica Wireless Project	<u>2,300,000</u>	<u>2,300,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 38,230,000</u>	<u>\$ 2,300,000</u>	<u>\$ 8,950,000</u>	<u>\$ 26,980,000</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.

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.

## HINDS COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2009

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#### 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

##### 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 or Not-for-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between 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, 2008, consisted of the following:

Government obligations	\$ 1,992,359
Mutual funds	1,862,303
Common stock	<u>91,941</u>
	<u>\$ 3,946,603</u>

# HINDS COMMUNITY COLLEGE DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2009

### NOTE 12 HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION (CONTINUED)

At December 31, 2008, other investments consisted of the following:

Land and buildings	\$	7,000
Lithographic artwork		<u>24,262</u>
	\$	<u>31,262</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	\$	2,100
Due in one to five years		<u>1,700</u>
		3,800
Less unamortized discount		<u>(26)</u>
Unconditional promises to give	\$	<u>3,774</u>

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

#### Net Assets

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at December 31, 2008:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Scholarships	\$ 166,005	\$ 3,404,131
Reconstruction of Cain Hall	23,302	-
College departments and organizations	143,940	11,000
Faculty/staff development	(12,860)	378,055
Alumni chapters	36,675	-
Property held for scholarship	284,000	-
Student loans and other	-	50,000
Other	<u>47,879</u>	<u>-</u>
	<u>\$ 688,941</u>	<u>\$ 3,843,186</u>

**HINDS COMMUNITY COLLEGE DISTRICT**

**Notes to Financial Statements**

**For the Year Ended June 30, 2009**

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**NOTE 13 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, 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**  
**For the Year Ended June 30, 2009**

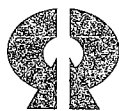
Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Total
<b>U.S. Department of Education</b>		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 429,344
Federal Family Education Loan (FFEL) (2)	84.032	19,254,934
Federal Work-study Program (FWS)	84.033	541,823
Federal PELL Grant Program	84.063	23,122,258
Academic Competitiveness Grant	84.375	659,549
Pass-through from Jackson State University - Scholarships for Health Professionals - Students from Disadvantaged Backgrounds	93.925	11,120
Total Student Financial Aid Cluster		44,019,028
Other Programs:		
Trio Cluster		
TRIO - Student Support Services	84.042	278,689
TRIO - Talent Search	84.044	261,826
TRIO - Upward Bound	84.047	262,538
Total TRIO Cluster		803,053
Title I - Grants to Local Education Agencies	84.010	103,100
Higher Education - Institutional Aid	84.031	1,465,423
Minority Science and Engineering Improvement (MSEIP)	84.120	32,548
SAFE and Drug Free Schools	84.186	3,259
Title II - Eisenhower Professional Development State Grant	84.281	24,692
Title V - State Grants for Innovative Programs	84.298	162
Subtotal Direct Programs		1,629,184
Pass through programs from Mississippi Department of Education		
Adult Education - Basic Grants to States	84.002	249,519
Career and Technical Education - Basic Grants to States	84.048	955,779
Vocational Rehabilitation Grants to States	84.126	284,842
Tech - Prep Education	84.243	110,758
Subtotal pass-through programs		1,600,898
Total US Department of Education		48,052,163
<b>U.S. Department of Agriculture</b>		
Pass through programs from:		
Mississippi Dept of Education - National School Lunch Program	10.555	114,997
Mississippi Natural Resource Conservation Service - Soil and Water Conservation	10.902	52,945
Total US Department of Agriculture		167,942
<b>U.S. Department of Housing and Urban Development</b>		
Montgomery Institute - My Biz - CDBG - Small Cities Program	14.219	5,478
Historically Black Colleges and Universities Program	14.237	243,795
Total US Department of Housing and Urban Development		249,273
<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	206,188
Mississippi Department of Human Services - Child Care Development Fund	93.575	60,438
Total US Department of Health and Human Services		266,626

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Total
<b>Small Business Administration</b>		
Small Business Development Centers - Internet Technical Assistance	59.005	72,071
Total Small Business Administration		72,071
<b>U.S. Department of Labor</b>		
Pass-through from Central Mississippi Planning and Development District, Inc.:		
WIA Cluster - Adult Program	17.258	77,768
WIA Cluster - Youth Activities	17.259	79,472
WIA Cluster - Dislocated Worker	17.260	70,610
Pass-through from:		
Montgomery Institute - WIA - My Biz II	17.258	5,866
Mississippi Office of Nursing Workforce - WIA - Jobs to Careers	17.258	44,756
Total US Department of Labor		278,472
<b>National Aeronautics and Space Administration</b>		
Pass-through programs from the University of Mississippi		
Aerospace Education Services Program	43.001	4,500
Total National Aeronautics and Space Administration		4,500
<b>U.S. Department of Transportation</b>		
Federal Aviation Association - Airport Improvement Grant	20.106	161,359
Total US Department of Transportation		161,359
<b>U.S. Department of Energy</b>		
Pass-through programs - Jackson State University		
FAZD Flu	43WT10301	444
Total Federal Expenditures		<u>\$ 49,252,850</u>

**Notes to Schedule of Expenditures of Federal Awards**

- (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 basis financial statements.
- (2) For purposes of this schedule, loans made to students under the Federal Family Educational Loan Program (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.
- (3) There were no subrecipients during the year.



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## INDEPENDENT AUDITORS' 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*

### Principals

J. Thomas Grantham, Jr., CPA ABV CFP® PFS

James E. Poole, Jr., CPA

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John M. Long, CPA

Michael P. Denny, CPA CFP®

Jennifer L. O'Quinn, CPA

### 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, 2009, and have issued our report thereon dated June 18, 2010. 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.

### Associates

Angela W. Antici, CPA

Jennifer J. Boutwell, CPA

Jessica L. Cooley, CPA

Tracie B. Dupuy, CPA

Michael S. Hanson, CPA

Bradford C. Hatchett, CPA

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Virginia M. Mooney, CPA

Donna M. Morris, CPA

Melanie D. Morrow, CPA CFE CCS

Katherine S. Reed, CPA

Karen M. Wagner, CPA

### 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 2009-1 through 2009-06 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 2009-1, 2009-2, 2009-3, 2009-5 and 2009-6 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 June 18, 2010.

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.

Board of Trustees  
Hinds Community College District  
Raymond, Mississippi  
Page 3

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. However this report is a matter of public record and its distribution is not limited.

*Grantham, Poole, Randall, Reitano, Arington & Cunningham, PLLC*

June 18, 2010



# Grantham Poole

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

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, 2009. 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.

In our opinion, 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, 2009.

#### 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.

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.

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.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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. However, this report is a matter of public record and its distribution is not limited.

*Grantham, Poole, Randall, Reitano, Arrington & Cunningham, PLLC*

June 18, 2010



# Grantham Poole

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

### Principals

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### 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, 2009, and have issued our report thereon dated June 18, 2010. 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 no instances of noncompliance.

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.

*Grantham, Poole, Randall, Reitano, Arrington & Cunningham PLLC*

June 18, 2010

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

---

Section 1: Summary of Auditors' Report

Financial Statements:

- |  |             |
|--|-------------|
| 1. Type of Report Issued on the Financial Statements                                     | Unqualified |
| 2. Material noncompliance relating to the financial statements?                          | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weaknesses identified?   | Yes         |
| b. Significant deficiencies identified that are not considered to be material weaknesses | Yes         |

Federal Awards:

- |   |             |
|---|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:  | Unqualified |
| 5. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | No          |
| b. Significant deficiencies identified that are not considered to be material weaknesses  | No          |
| 6. Any audit findings reported as required by Section ___510(a) of Circular A-133?  | No          |
| 7. Federal programs identified as major programs:   |             |
| a. Student Financial Aid Cluster:   |             |
| CFDA # 84.007   |             |
| CFDA # 84.032   |             |
| CFDA # 84.033   |             |
| CFDA # 84.063   |             |
| CFDA # 84.375   |             |
| CFDA # 93.925   |             |
| b. Higher Education - Institutional Aid   |             |
| CFDA # 84.031   |             |
| c. Vocational Education - Basic Grants to States  |             |
| CFDA # 84.048   |             |
| 8. The dollar threshold to distinguish between type A and type B programs: \$899,937  |             |
| 9. Auditee qualified as a low-risk auditee?   | No          |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.316(b) of OMB Circular A-133? | Yes         |

**HINDS COMMUNITY COLLEGE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

---

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

**2009-1**

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

*Condition* - The external auditors discovered and recorded an adjustment to construction in progress for a project that was omitted from the District's general ledger, but was in progress at year end.

*Effect* - Had the error not been discovered by the external auditor the assets in the financial statement would have been understated by approximately \$734,000.

*Cause* - The District has not designed internal control procedures for appropriate review of reconciliations of ending construction in progress subsidiary schedules.

*Recommendation* - The District should implement procedures whereby reviews by someone other than the preparer in order to reduce the risk of undetected errors resulting in misstatement of financial information.

*Views of Responsible Officials and Planned Corrective Action* - The District will implement year-end reporting procedures to help ensure all construction in progress projects are correctly reflected on the general ledger. Construction in progress reconciliations will be performed by general ledger accountant and reviewed by controller for completeness.

**2009-2**

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

*Condition* - The external auditors discovered and recorded an adjustment to bond fees which was omitted from the District's general ledger.

*Effect* - Had the error not been discovered by the external auditor the assets in the financial statement would have been understated by approximately \$1,618,000. Bond fees of \$1,138,354 (\$1,155,000 net of amortization of \$16,646) was not recorded and an escrow account for capitalized interest of \$480,000 was not recorded as well.

**HINDS COMMUNITY COLLEGE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

---

*Cause* - The District has not designed internal control procedures for appropriate review of procedures relating to receipt of bond proceeds.

*Recommendation* - The District should implement procedures whereby a checklist is requested to be completed to document all bond costs have been accurately recorded. This checklist should be completed by the controller and reviewed by the Vice President of Business Affairs for completeness.

*Views of Responsible Officials and Planned Corrective Action* - The District will implement a procedure checklist is completed each time bond or loan proceeds are received. The checklist should ensure all escrow accounts and bond fees are accounted for. The checklist should be completed each time bond/loan proceeds are received by the controller and reviewed by the Vice President of Business Affairs.

**2009-3**

*Criteria or Specific Requirement* - Management is responsible for establishing and maintaining internal control over financial reporting. Management should ensure accurate subsidiary schedules are prepared regarding the bookstore to ensure receivables to the bookstore are accurately recorded.

*Condition* - The auditors were not able originally obtain an account receivable listing related to the bookstore receivable account.

*Effect* - The District had to re-create the bookstore receivable listing at year end based upon subsequent receipts.

*Cause* - The District has not designed internal control procedures for appropriate review of reconciliations of ending bookstore receivable subsidiary schedules.

*Recommendation* - The District should implement procedures whereby subsidiary bookstore receivable listings are prepared and reconciled to the general ledger.

*Views of Responsible Officials and Planned Corrective Action* - The bookstore manager will prepare accurate monthly bookstore receivable subsidiary listings. This listing will be reviewed by the controller and adjusted to the general ledger.

**2009-4**

*Criteria or Specific Requirement* - The 1983 Housing Revenue Bond loan agreement requires the District to maintain certain restricted cash accounts and sinking fund accounts.

*Condition* - The District does not currently maintain the three separate restricted cash and sinking fund accounts mentioned in the loan agreement.



**HINDS COMMUNITY COLLEGE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

---

*Effect* - The District is not in not in compliance with these requirements of the loan agreement.

*Cause* - The District was not aware the loan agreement required these restricted accounts.

*Recommendation* - 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.

*Views of Responsible Officials and Planned Corrective Action* - The District has analyzed the 1983 Housing Revenue Bonds requirement and consulted the District's attorney on the matter.

**2009-5**

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

*Condition* - The external auditors discovered and recorded an adjustment to bookstore receivables. The District did not have an accurate subsidiary receivable ledger for bookstore receivables at year end this schedule had to be re created at year end.

*Effect* - Had the error not been discovered by the external auditor the receivable would have been inaccurately reflected on the financial statements.

*Cause* - The District has not designed internal control procedures for appropriate review of reconciliations of bookstore receivables schedules.

*Recommendation* - The District should implement procedures whereby reviews by someone other than the preparer in order to reduce the risk of undetected errors resulting in misstatement of financial information.

*Views of Responsible Officials and Planned Corrective Action* - The District will implement year-end reporting procedures to help ensure bookstore receivables are correctly reflected on the general ledger. Bookstore receivable reconciliations will be prepared by the bookstore manager and reviewed by controller for completeness.

**HINDS COMMUNITY COLLEGE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

---

**Audit Findings Required to be Reported by Section \_\_510(a) of Circular A-133.**

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

**2009-6**

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

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

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

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

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

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

**HINDS COMMUNITY COLLEGE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

---

**Findings Required to be Reported by Mississippi Office of State Auditor**

**2009-6**

*Criteria or Specific Requirement* – Section 37-59-43, Miss. Code Ann. (1972), authorizes the District to invest surplus cash funds in only the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972).

*Condition* - As of June 30, 2009 the District currently owned investments totaling approximately \$1,600,000 that are not permitted investments per state statute.

*Effect* - The District is not in compliance with Mississippi state statutes governing permitted investments.

*Cause* - The District was not initially aware the investments were not permitted and intends to sell the remaining shares as soon as possible.

*Recommendation* - The District should dispose of the remaining shares as soon as possible.

*Views of Responsible Officials and Planned Corrective Action* - 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.

## **SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS**

**HINDS COMMUNITY COLLEGE SCHOOL DISTRICT**  
**Summary of Prior Audit Findings**  
**Year Ended June 30, 2008**

---

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2008-1	The District was not correctly accruing county appropriations.	Corrected
2008-2	The District was not accruing county appropriations through September 2008.	Finding Removed
2008-3	The District was not monitoring CIP projects to determine the time of completion.	Corrected
2008-4	The 1983 Housing Revenue Bonds required certain Restricted cash and sinking fund requirements which were not maintained.	See Finding 2009-4
2008-5	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 30-60 day timeframe.	Corrected
2008-6	The District did not monitor compliance with the provision of the Davis-Bacon Act for its construction contracts.	Corrected
2008-7	The District owned investments that were not in compliance with Mississippi State statutes governing permitted investments.	Corrected