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HINDS COMMUNITY COLLEGE DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2012

# HINDS COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT



# WATKINS, WARD AND STAFFORD

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## INDEPENDENT AUDITOR'S REPORT

President and Board of Trustees  
Hinds Community College District

We have audited the accompanying basic financial statements of Hinds Community College District (the District) as of and for the year ended June 30, 2012, 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, whose statements reflect total assets of \$6,812,275 as of December 31, 2011, and total revenues of \$1,287,216 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

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, 2012, 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 March 18, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other accountants in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
March 18, 2013

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS



HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

**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, 2012. 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., P.O. Box 1100, Raymond, MS 39154.

**Overview of the Financial Statements**

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

**Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities. The District's net assets, the difference between assets and liabilities, are one indicator of the District's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the District's financial health when considered with 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, 2012 and 2011 is as follows:

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

**Condensed Statement of Net Assets - June 30, 2012**

|  | 2012                  | 2011                  |
|--|-----------------------|-----------------------|
| <b>Assets:</b>                                   |                       |                       |
| Current Assets                                   | \$ 46,675,588         | \$ 49,031,570         |
| Non-Current Assets:                              |                       |                       |
| Capital assets, net                              | 175,486,144           | 155,748,526           |
| Investments, restricted for capital improvements | 9,494,379             | 19,480,055            |
| Other  | <u>2,050,845</u>      | <u>1,986,613</u>      |
| <b>Total Assets</b>                              | <u>\$ 233,706,956</u> | <u>\$ 226,246,764</u> |
| <b>Liabilities:</b>                              |                       |                       |
| Current liabilities                              | \$ 22,944,090         | \$ 21,909,712         |
| Non-Current Liabilities                          | <u>57,675,073</u>     | <u>60,006,834</u>     |
| <b>Total Liabilities</b>                         | <u>80,619,163</u>     | <u>81,916,546</u>     |
| <b>Net Assets</b>                                |                       |                       |
| Invested in capital assets, net                  | \$ 122,314,257        | \$ 104,664,820        |
| Restricted:                                      |                       |                       |
| Capital projects                                 | 1,000,947             | 17,165,036            |
| Other projects                                   | 781,609               | 409,643               |
| Unrestricted                                     | <u>28,990,980</u>     | <u>22,090,719</u>     |
| <b>Total Liabilities and Net Assets</b>          | <u>\$ 233,706,956</u> | <u>\$ 226,246,764</u> |

A review of the summary indicates a relatively strong financial position as of June 30, 2012. This is a result of the District's careful and conservative spending habits and its continued ability to adhere to its annual financial plans. Total assets have increased by \$7,460,192; the majority of that increase is due to an increase of capital assets of \$19,737,618. The investments restricted for capital improvements decreased by \$9,985,676 as the construction of two new dorms on the Raymond Campus neared completion. Total Liabilities decreased slightly while our unrestricted net assets increased by \$6,900,261.

HINDS COMMUNITY COLLEGE DISTRICT  
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**Assets**

**Current Assets**

- **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents, including escrow restricted cash accounts, reported as current assets on the District's financial statements were \$18,414,198 at June 30, 2012, and \$26,682,565 at June 30, 2011. This represents an \$8,268,367 decrease in cash and cash equivalents.

- **Short-Term Investments**

The total amount of investments reported as current assets on the District's financial statements was \$9,123,046 at June 30, 2012 and \$5,054,741 at June 30, 2011. This represents a \$4,068,305 increase in short-term investments. Two of our major construction projects on the Raymond campus were in full swing, so we converted a number of our long term investments into short term in preparation for payment of large construction invoices. In addition, the historically low interest rates did not encourage long term investments.

- **Accounts Receivable**

Accounts receivable relate to several transactions, including state appropriations, county appropriations, accrued interest, student tuition, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts which totaled \$900,000 in fiscal year 2012 and fiscal year 2011. The District's receivables totaled \$16,464,719 at June 30, 2012 and \$14,128,341 at June 30, 2011. This represents a \$2,336,378 or 16.54% increase in our accounts receivable. The majority of the increase in receivables is attributable to our tuition receivable, which increased by \$3,910,746 or 48.02%. The District has implemented policies to keep our student receivables current. Student receivables are written off once they have reached one year 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 \$2,663,190 at June 30, 2012. That is a difference of \$502,398, a 15.87% decrease, from the amount \$3,165,588 at June 30, 2011. The bookstore inventory saw the largest decrease of \$487,942 with decreased demand due to the reduction in financial aid

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

available for the students in the summer semesters. The bookstore inventory, which includes textbooks and merchandise, comprises almost 96% of the total inventory.

Non-current assets

- Endowment Investments

The District shows the Holtzclaw endowment investments recorded for a total of \$46,419 at June 30, 2012. The amount increased slightly from \$46,120 in fiscal year 2011 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.

- Investments, Restricted for Capital Improvements

During FY 2011, proceeds were received from an \$18.3 million bond offering for the construction of two dormitories on the Raymond campus. Those proceeds were invested pending completion of the capital project. The total amount of investments reported as non-current assets on the District's financial statements was \$9,494,379 at June 30, 2012 and \$19,480,055 at June 30, 2011. The reduction of the investments, \$9,985,676 shows the large amounts drawn down to pay the architects and contractors for the construction of the dorms on the Raymond Campus during FY 2012.

- Bond Costs, Net of Amortization

The bond issuance costs associated with the Raymond Dorm project and the Muse Center Project in Rankin County were capitalized and the amount is being amortized over 30 years. The amount increased in FY12 to \$2,004,426 from \$1,940,493 in FY11.

- Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, equipment, vehicles and historical library holdings at June 30, 2012. The total amount, net of depreciation, at June 30, 2012 was \$175,486,144. The amount reported net of accumulated depreciation at June 30, 2011 was \$155,748,526. This represents a \$19,737,618 increase in capital assets or a 12.67% increase. The College continues to add facilities and expand its operations.

In a competitive environment, the District wants to continue to repair or improve buildings and replace equipment in an attempt to provide our students and employees with the latest technology and a better learning environment.

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

**Summary of Capital Assets**

|                                | <b>Beginning<br/>Balance</b> | <b>Additions and<br/>Reclassifications</b> | <b>Deletions and<br/>Reclassifications</b> | <b>Ending<br/>Balance</b> |
|--------------------------------|------------------------------|--|--|---------------------------|
| Land                           | \$ 6,919,908                 | \$ 100,000                                 | \$ -                                       | \$ 7,019,908              |
| CIP                            | 29,486,201                   | 23,644,378                                 | (7,317,510)                                | 45,813,069                |
| Livestock                      | 74,600                       | 15,600                                     | -  | 90,200                    |
| Total non-depreciable property | <u>36,480,709</u>            | <u>23,759,978</u>                          | <u>(7,317,510)</u>                         | <u>52,923,177</u>         |
| Improvements                   | \$ 37,122,658                | \$ 2,704,662                               | \$ -                                       | \$ 39,827,320             |
| Buildings                      | 130,235,465                  | 4,507,148                                  | -  | 134,742,613               |
| Equipment                      | 14,745,105                   | 869,314                                    | (360,856)                                  | 15,253,563                |
| Library books                  | 5,491,028                    | 216,450                                    | (1,286,297)                                | 4,421,181                 |
| Total depreciable property     | <u>187,594,256</u>           | <u>8,297,574</u>                           | <u>(1,647,153)</u>                         | <u>194,244,677</u>        |
| Total accumulated depreciation | <u>(68,326,439)</u>          | <u>(4,811,715)</u>                         | <u>1,456,444</u>                           | <u>(71,681,710)</u>       |
| Total depreciable assets, net  | <u>119,267,817</u>           | <u>3,485,859</u>                           | <u>(190,709)</u>                           | <u>122,562,967</u>        |
| Capital Assets, Net            | <u>\$ 155,748,526</u>        | <u>\$ 27,245,837</u>                       | <u>\$ (7,508,219)</u>                      | <u>\$ 175,486,144</u>     |

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2012**

In fiscal year 2012, the District completed construction projects totaling \$7,211,810 which are included in the additions to buildings and improvements. In addition, the College expensed \$105,700 for three projects which did not rise to the capitalization threshold of \$50,000. Finally, the College capitalized construction period interest for \$2,208,448 related to the Muse Center at Rankin and the New Dorms on the Raymond Campus. The total new buildings and improvements include the following:

| Projects completed in FY 12   |             | Capitalized Amount |
|-------------------------------|-------------|--------------------|
| Jackson ATC Classrooms        | Building    | 4,507,148          |
| Airport Apron Phase I         | Improvement | 100,500            |
| MDOT Hangar                   | Improvement | 159,378            |
| Football Stadium Pressbox     | Improvement | 471,443            |
| Vet Tech Addition             | Improvement | 359,421            |
| Walter Washington HVAC        | Improvement | 564,939            |
| ACBK Boiler Replacement       | Improvement | 78,367             |
| Eagle Ridge Renovation        | Improvement | 46,395             |
| George Wynn Renovation        | Improvement | 675,906            |
| Student Union Renovation      | Improvement | 58,152             |
| Elm Street Faculty Housing    | Improvement | 44,540             |
| Raymond Cafeteria Roof Repair | Improvement | 145,621            |
| Total                         |             | <u>7,211,810</u>   |

### **Liabilities**

#### Current Liabilities

- Book Overdraft

This amount represents the checks and advices outstanding at the end of FY 12. The amount was \$5,297,395 at June 30, 2012.

- Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2012 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$5,621,421 at June 30, 2012 and \$4,094,209 at June 30, 2011. This represents an increase in liabilities, \$1,527,212. This increase of, 37.30%, was primarily due to accrued construction expenses pertaining to the new Raymond Dorms.

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Management's Discussion and Analysis  
For the year ended June 30, 2012

- Deferred Revenues

Deferred revenues represent revenues that were received by the District during the fiscal year, but the District did not expend the funds by the end of the June 30, 2012 fiscal year. For example, the District allows students to pre-register in the spring for classes scheduled in the fall. The deferred revenue totaled \$9,996,257 at June 30, 2012 and \$10,558,830 at June 30, 2011. There was a \$562,573, or 5.33% decrease.

- 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, 2012 was \$1,412,297 and \$2,376,423 at June 30, 2011. The \$964,126 decrease was due to the retirement of two outstanding debt issues in the fiscal year 12.

- 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, 2012 was \$616,720 and \$588,825 at June 30, 2011.

Non-current Liabilities

- Accrued Leave Liability

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid absences, such as vacation. The non-current portion of the accrued compensated balances was calculated to be \$1,975,366 at June 30, 2012. This was a 3.57% increase from the amount at June 30, 2011 of \$1,907,300. This increase was due to a pay increase in FY12 and the addition of a number of new employees.

- Long-Term Liabilities Non-Current Portion

Long-term liabilities non-current portion represents the portion of notes and bonds payable balances that would be payable after June 30, 2013. The amount of the non-current portion at June 30, 2012 was \$55,594,167. The non-current portion of long-term debt decreased by 4.31%, or \$2,505,367 as the college paid off principal in FY12.

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

**Net Assets**

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

In FY12, this portion of the District's net assets increased \$17,649,437 to \$122,314,257. The District added \$7,317,510 in capitalized assets and continued working on large construction projects which increased construction in progress accounts to \$45,813,069.

- **Restricted Net Assets**

The following is a breakdown of the restricted net assets at June 30, 2012:

|                             |                            |
|-----------------------------|----------------------------|
| Capital Project Funds       | \$ 1,000,947               |
| Other Project Funds         | <u>781,609</u>             |
| Total Restricted Net Assets | <u><u>\$ 1,782,556</u></u> |

Restricted capital project funds consist of local appropriations restricted for capital purposes or debt retirement funds and proceeds from debt offerings for specific projects. For FY11, the College had debt proceeds of \$15,310,917 for the construction of the Raymond Dorms included in the amount. The funds for those restricted projects decreased \$16,164,089 during FY12 as those specific construction projects neared completion. Other Project funds consist of endowment funds or other grant funds with restrictions from the grantor on spending. Currently, the District will transfer amounts from the capital projects fund to the debt service fund to pay all principal, interest, and fees associated with bonds and notes payable.

- **Unrestricted Net Assets**

The following is a breakdown of the unrestricted net assets at June 30, 2012:

|                           |                             |
|---------------------------|-----------------------------|
| Unrestricted General Fund | <u><u>\$ 28,990,980</u></u> |
|---------------------------|-----------------------------|

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 2012, the College enjoyed a significant increase in state appropriations due to enrollment increases in prior years which allowed the revenues to exceed expenses. The College plans to spend down the fund in FY 13 to address numerous deferred maintenance projects and technology upgrades.



HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
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• 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.

|  | Years Ended June 30 |                |
|--|---------------------|----------------|
|  | 2012                | 2011           |
| <b>Operating Revenues:</b>                                   |                     |                |
| Tuition and fees   | \$ 6,154,011        | \$ 1,390,615   |
| Grants and contracts   | 13,586,320          | 16,460,537     |
| Auxiliary Enterprises  | 18,556,317          | 19,222,873     |
| Other operating revenue                                      | 1,432,479           | 1,137,569      |
| Total operating revenues                                     | 39,729,127          | 38,211,594     |
| <b>Operating Expenses</b>                                    | 127,873,691         | 128,330,772    |
| <b>Operating Loss</b>  | (88,144,564)        | (90,119,178)   |
| <b>Nonoperating revenues (expenses):</b>                     |                     |                |
| State appropriations   | 32,662,600          | 27,725,756     |
| County appropriations  | 11,755,797          | 11,862,463     |
| Federal grants and contracts                                 | 41,460,249          | 50,554,527     |
| Investment income  | 98,125              | 219,551        |
| Other non-operating revenues (expenses)                      | (534,057)           | (666,657)      |
| Net non-operating revenues                                   | 85,442,714          | 89,695,640     |
| <b>Income before other revenues</b>                          | (2,701,850)         | (423,538)      |
| Federal capital grants                                       | 2,184,061           | 1,356,174      |
| State & Local appropriations restricted for capital purposes | 9,145,658           | 8,911,252      |
| <b>Total other revenues</b>                                  | 11,329,719          | 10,267,426     |
| <b>Total increase in net assets</b>                          | 8,627,869           | 9,843,888      |
| <b>Net Assets, beginning of year</b>                         | 144,330,218         | 134,486,330    |
| <b>Prior Period Adjustment</b>                               | 129,706             | -              |
| <b>Net Assets Adjusted</b>                                   | 144,459,924         | 134,486,330    |
| <b>Net Assets, end of year</b>                               | \$ 153,087,793      | \$ 144,330,218 |

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Management's Discussion and Analysis  
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Operating revenues increased \$1,517,533 while operating expenses decreased by only \$457,081. Therefore, the operating loss for fiscal year 2012 decreased by \$1,974,614 to \$88,144,564. 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 \$6,154,011. The amount increased by \$4,763,396 or 342.54% from the amount in fiscal year 2011 which was \$1,390,615. Our gross tuition and fees collected went up only \$3,117. The amount went from \$29,473,173 in FY11 to \$29,476,290 in FY 12. The tuition increase is due to the decrease in our scholarship allowance amount, which is subtracted from tuition, went down by approximately \$4,760,279. 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 2012 fiscal year was \$23,322,279 compared to the fiscal year 2011 amount of \$28,082,558. These numbers attempt to estimate the amount of financial aid refunds that the college disburses to students. This number decreased due to the decrease in the financial aid offered to our students, and an increased number of our students receiving financial aid.

- 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.

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2012**

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2012 and 2011:

|                              | 2012                 | 2011                 |
|------------------------------|----------------------|----------------------|
| Federal grants and contracts | \$ 6,976,418         | \$ 9,146,585         |
| State grants and contracts   | 6,211,214            | 7,022,091            |
| Non governmental grants      | 398,688              | 291,861              |
| Total sources                | <u>\$ 13,586,320</u> | <u>\$ 16,460,537</u> |

The District had a \$2,170,167 or 23.73% decrease in federal source grants in fiscal year 2012. In the fiscal year 12, the College dealt with the loss of federal funds from the American Recovery and Reinvestment Act. State grants decreased by \$810,877 or 11.55%, in fiscal year 2012. The College saw salary reimbursements reduced for vocational and technical instructors.

- Sales and Services from Educational Activities

Sales and services from educational activities include revenue from our child care programs, sales of products and services from our vocational programs, and athletic events. The amount for the fiscal year 12 was \$320,361 and was \$343,906 for the fiscal year 11. The revenues decreased \$23,545, or 6.84% in fiscal year 2012.

- Auxiliary Enterprises

Auxiliary Enterprises consists of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, and the general public. These enterprise entities charge a fee directly related to the cost of those goods or services and are intended to be self-supporting. The activities include the District's bookstores at each location, student housing, faculty housing, the Eagle Ridge Conference Center, Wellness Facilities on the Raymond and Utica Campuses, John Bell Williams Airport in Raymond, Brewed Awakenings Coffee Shop on the Rankin Campus, and the Eagle Ridge golf course in Raymond. Auxiliary enterprises revenues decreased 3.47% from \$19,222,873 in fiscal year 2011 to \$18,556,317 in fiscal year 2012. Most of the decrease is from a small decrease in enrollment in the fiscal year 12 and the demolition of two dorms on the Raymond campus to make way for construction of two new dorms.

- Operating Expenses

The following table details the District's operating expenses by natural classification and functional classification for the fiscal years ended June 30, 2012 and 2011:

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2012**

| Operating Expenses by Natural Classification | 2012                  | 2011                  |
|--|-----------------------|-----------------------|
| Instruction                                  | \$ 51,444,927         | \$ 49,024,726         |
| Academic Support                             | 2,212,819             | 2,107,652             |
| Student Services                             | 7,546,338             | 6,936,672             |
| Institutional support                        | 12,178,863            | 11,698,845            |
| Operations and maintenance of plant          | 10,068,209            | 10,037,637            |
| Student financial aid                        | 20,779,598            | 26,005,294            |
| Auxiliary enterprises                        | 18,276,118            | 16,351,372            |
| Bad debt expenses                            | 555,103               | 1,281,314             |
| Depreciation                                 | 4,811,716             | 4,887,260             |
|  | <u>\$ 127,873,691</u> | <u>\$ 128,330,772</u> |

The College saw increased expenses in almost every category. The College decided to give raises in the fiscal year 12 and the college dealt with an increase in the amount of required employer contributions for retirement benefits for all full time employees. The largest raises and the largest dollar increase were in the instructional area. In the fiscal year 12, the Federal Government reduced the amount of financial aid available for students in the summer and eliminated the Academic Competitiveness Grant program. Both of those changes reduced the amount of financial aid available to our students. Thus, student financial aid expenses decreased by \$5,225,696.

| Operating Expenses by Functional Classification | 2012                  | 2011                  |
|---|-----------------------|-----------------------|
| Salaries and wages                              | \$ 52,701,366         | \$ 51,101,687         |
| Fringe benefits                                 | 15,750,795            | 14,660,207            |
| Travel  | 1,023,925             | 940,310               |
| Contractual services                            | 11,112,307            | 10,649,338            |
| Utilities                                       | 3,418,489             | 3,376,142             |
| Scholarships and fellowships                    | 21,258,894            | 25,502,177            |
| Commodities                                     | 16,054,985            | 15,098,849            |
| Depreciation expense                            | 4,811,716             | 4,887,260             |
| Other operating                                 | 1,741,214             | 2,114,802             |
|   | <u>\$ 127,873,691</u> | <u>\$ 128,330,772</u> |

The College saw increased expenses in every category except for scholarships, depreciation and other operating expenses. The largest decrease was in the student scholarships and fellowships category. The scholarship and fellowship expenses classification decreased by \$4,243,283. As discussed above, the College saw a

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

reduction in the amount of federal aid available to students. Salaries and wages also increased by \$1,599,679. Most of that increase is due to a raise in salaries and an increased number of employees. The College also saw fringe benefits increase as it dealt with an increase in the amount of required employer contributions for retirement benefits for all full time employees.

Non-operating Revenues (Expenses)

- State Appropriations

One of the District's largest sources of non-operating revenue is the appropriations from the State of Mississippi Legislature. The funds pass through the Mississippi Community College Board (MCCB) which calculates the College's share based on a funding formula. The District received \$32,662,600 for fiscal year 2012, of which \$21,168,026 were appropriations received for the District's general fund. The District received an additional \$5,508,781 in Education Enhancement Funds. The total amount received in fiscal year 2012 was \$4,936,844 more than in fiscal year 2011.

- County Appropriations

The District enjoys strong financial support from all counties in the District where the College 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 \$11,755,797 for the 2012 fiscal year from the counties. The amount was down \$106,666 from the fiscal year 2011 amount of \$11,862,463.

- Federal Grants and Contracts

The College received \$41,460,249 in federal grants and contract for the fiscal year 12 which is a decrease of \$9,094,278 from last year's amount of \$50,554,527. That is a significant decrease of 17.99% from last year. In the fiscal year 12, the Federal Government reduced the amount of financial aid available for students in the summer and eliminated the Academic Competitiveness Grant program. Both of those changes reduced the amount of financial aid available to our students.

- Investment Income

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 the fiscal year 12 was \$98,125. This was a decrease of \$121,426, or 55.31% less than the fiscal year 2011 amount. Unfortunately, the District saw historically low interest rates and return on its investments in the fiscal year 12.

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

Other Revenues

- Federal Capital Grants

The federal capital grants increased in the fiscal year 12 by \$827,887 to \$2,184,061. The College received federal grants for two large capital projects in fiscal year 2012. The College received a federal grant from the Federal Aviation Administration for the Renovation of the Airport Runway and Aprons at the John Bell Williams Airport and the College received federal money under the Title III grant for renovation of the HVAC system in the Walter Washington Building at the Utica Campus.

- State and County Appropriations Restricted for Capital Purposes

The appropriation for the fiscal year 12, \$9,145,658, increased by \$234,406 or 2.63%, from \$8,911,252 in fiscal year 2011. 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 enrollment formula. The appropriation must be spent on renovations and repairs or construction of new facilities. In the fiscal year 12, the District completed construction of the Jobie Martin Classroom Building on the Jackson ATC Campus. The college combined numerous years of bond funds to complete that \$4.5M project. In the fiscal year 12, the college also funded a smaller project with bond funds to renovate the Beemon Hall Science Building on the Raymond Campus. 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 remained relatively flat in FY12. The amount and the millage rates are set by the local county Boards 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 assess:

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

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

- Condensed Statement of Cash Flows (Direct Method)

**Condensed Statement of Cash Flows (Direct Method)**

| For the years ended June 30                  | 2012            | 2011            |
|--|-----------------|-----------------|
| Cash and cash equivalent provided (used) by: |                 |                 |
| Operating activities                         | \$ (83,110,358) | \$ (83,796,276) |
| Non-capital financing activities             | 85,878,646      | 90,142,747      |
| Capital and related financing activities     | (17,181,558)    | 7,046,809       |
| Investing activities                         | 6,015,197       | (2,946,061)     |
| Net increase in cash and cash equivalents    | (8,398,073)     | 10,447,219      |
| Cash and cash equivalents, beginning of year | 26,682,565      | 16,235,346      |
| Prior Period Adjustment                      | 129,706         |                 |
| Cash and cash equivalents, end of year       | \$ 18,414,198   | \$ 26,682,565   |

The major sources of funds included in operating activities include student tuition and fees, \$1,680,692, auxiliary enterprises, \$18,578,646 and grants and contracts, \$15,215,362. The major uses of funds were payments made to employees for salaries and fringes, \$69,408,020, payments made to vendors and suppliers, \$25,845,031 and to scholarships and fellowships, \$21,258,894.

**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 2014 budget year, the District does not expect to see a significant increase in state appropriations. Therefore, the College will continue to search for savings and cost reductions and will also have to make some decisions on the best allocations of current resources. After the college saw record setting growth in enrollment during 2008-2010, the college experienced a 7% decrease in enrollment for the Fall 2011 semester.

Currently, the Mississippi Community College Board (MCCB) places emphasis on enrollment growth in their formula which they use to divide the State's general fund appropriation among the community and junior colleges. However, the Mississippi State Legislature has begun discussions to add another component to the Community College funding formula. A Graduation Task Force has formed by the Mississippi State Legislature and will make recommendations to address accountability and student graduation or completion rates. Some of those recommendations may include adding

HINDS COMMUNITY COLLEGE DISTRICT  
Management's Discussion and Analysis  
For the year ended June 30, 2012

another component to the funding formula which rewards schools for their graduation or completion rates. To keep our financial picture bright, the College must focus on its ability to recruit and retain high quality students.

Tuition increases will have to be considered again. However, we know that our reasonable tuition makes us an attractive choice for families in Mississippi. We must continue to keep our tuition reasonable compared to our competitors, but this source of funding will probably have to grow. In fact, we expect our tuition revenue could be our largest percentage of total revenue in FY13. If we increase our dependency on tuition revenue, then any change to state and federal financial aid packages offered to students will impact their ability to pay tuition and our revenue stream. For example, our enrollment decreases in FY 12 and probably FY13 are due in part to the reduction in the amount of federal student financial aid flowing through our college. Financial aid decreased in fiscal year 2012 almost \$10 million dollars from the \$50 million dollars that flowed through the college in 2011. We are very aware that amount of volume makes us very sensitive to any proposed changes to decrease federal financial aid funding.

With recruitment and retention in mind, the College continues a commitment to renovations and upgrading of our facilities. The College should complete two more major construction projects in FY13. The Muse Center will provide Rankin County with a great opportunity for workforce training and community events on the Rankin campus and the completion of two new dorms on the Raymond campus will provide newer attractive living spaces for students on the Raymond campus.



FINANCIAL STATEMENTS

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Statement of Net Assets**  
**For the year ended June 30, 2012**

**Assets**

**Current assets:**

|                             |                   |
|-----------------------------|-------------------|
| Cash and cash equivalents   | \$ 18,414,198     |
| Short-term investments      | 9,123,046         |
| Accounts receivable, net    | 16,464,719        |
| Inventories                 | 2,663,190         |
| Other current assets        | 10,435            |
| <b>Total Current Assets</b> | <b>46,675,588</b> |

**Non-current assets:**

|  |                    |
|--|--------------------|
| Endowment investments                            | 46,419             |
| Investments, restricted for capital improvements | 9,494,379          |
| Bond costs, net of amortization                  | 2,004,426          |
| Capital assets, net of accumulated depreciation  | 175,486,144        |
| <b>Total Noncurrent Assets</b>                   | <b>187,031,368</b> |

|                     |                       |
|---------------------|-----------------------|
| <b>Total Assets</b> | <b>\$ 233,706,956</b> |
|---------------------|-----------------------|

**Liabilities and Net Assets**

|                                       |                   |
|---------------------------------------|-------------------|
| Book overdraft                        | \$ 5,297,395      |
| Accounts payable and accrued expenses | 5,621,421         |
| Deferred revenues                     | 9,996,257         |
| Long-term liabilities-current portion | 1,412,297         |
| Other current liabilities             | 616,720           |
| <b>Total Current Liabilities</b>      | <b>22,944,090</b> |

**Noncurrent liabilities:**

|                                     |                   |
|-------------------------------------|-------------------|
| Accrued leave liability             | 1,975,366         |
| Long-term liabilities               | 55,594,167        |
| Bond Premium                        | 105,540           |
| <b>Total Noncurrent Liabilities</b> | <b>57,675,073</b> |

|                          |                   |
|--------------------------|-------------------|
| <b>Total Liabilities</b> | <b>80,619,163</b> |
|--------------------------|-------------------|

**Net Assets**

|   |                       |
|---|-----------------------|
| Invested in capital assets, net of related debt | 122,314,257           |
| Restricted:                                     |                       |
| Capital projects                                | 1,000,947             |
| Workforce development and other programs        | 781,609               |
| Unrestricted                                    | 28,990,980            |
| <b>Total Net Assets</b>                         | <b>153,087,793</b>    |
| <b>Total Liabilities and Net Assets</b>         | <b>\$ 233,706,956</b> |

See accompanying notes to financial statements

**HINDS COMMUNITY COLLEGE DISTRICT  
HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.  
Statement of Financial Position  
For the year ended Decemeber 31, 2011**

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**Assets**

**Current assets:**

|                           |                |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 200,933     |
| Total Current Assets      | <u>200,933</u> |

Cash and Cash Equivalents Designated for Long-Term Use 450,510

Investment in Marketable Securities 5,832,570

**Property and Other Real Estate:**

Property 31,262

Property held for sale, net of valuation allowance 297,000

Total Property and other real estate 328,262

Total Assets \$ 6,812,275

**Liabilities and Net Assets**

**Net Assets**

Unrestricted \$ 444,633

Temporarily restricted 1,765,670

Permanently restricted 4,601,972

Total Net Assets 6,812,275

Total Liabilites and Net Assets \$ 6,812,275

See accompanying notes to financial statements

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the year ended June 30, 2012**

|   |                       |
|---|-----------------------|
| <b>Operating Revenues:</b>                                      |                       |
| Tuition and fees(net of scholarship allowances of \$23,322,279) | \$ 6,154,011          |
| Federal grants and contract                                     | 6,976,418             |
| State grants and contracts                                      | 6,211,214             |
| Nongovernmental grants and contracts                            | 398,688               |
| Sales and services from educational activities                  | 320,361               |
| Auxiliary enterprises:  |                       |
| Student housing   | 2,425,737             |
| Food Services   | 2,783,630             |
| Bookstore   | 11,181,522            |
| Other auxiliary revenues  | 2,165,428             |
| Other operating revenues  | 1,112,118             |
| <b>Total Operating Revenues</b>                                 | <b>39,729,127</b>     |
| <b>Operating Expenses:</b>                                      |                       |
| Salaries and wages  | 52,701,366            |
| Fringe benefits   | 15,750,795            |
| Travel  | 1,023,925             |
| Contractual services  | 11,112,307            |
| Utilities   | 3,418,489             |
| Scholarships and fellowships                                    | 21,258,894            |
| Commodities   | 16,054,985            |
| Depreciation expense  | 4,811,716             |
| Other operating expense   | 1,741,214             |
| <b>Total Operating Expense</b>                                  | <b>127,873,691</b>    |
| <b>Operating Loss</b>   | <b>(88,144,564)</b>   |
| <b>Non-operating Revenues(Expenses)</b>                         |                       |
| State appropriations  | 32,662,600            |
| County appropriations   | 11,755,797            |
| Federal grants and contracts                                    | 41,460,249            |
| Investment income   | 98,125                |
| Interest expense on capital asset-related debt                  | (534,057)             |
| <b>Total Net Non-operating Revenue</b>                          | <b>85,442,714</b>     |
| <b>Loss before Other Revenues, Expenses, Gains and Losses</b>   | <b>(2,701,850)</b>    |
| Federal Capital Grants  | 2,184,061             |
| State and County Capital Appropriations                         | 9,145,658             |
| <b>Increase in Net Assets</b>                                   | <b>8,627,869</b>      |
| <b>Net Assets:</b>  |                       |
| Net Assets-Beginning of Year                                    | 144,330,218           |
| Prior Period Adjustments  | 129,706               |
| <b>Net Assets-End of Year</b>                                   | <b>\$ 153,087,793</b> |

**HINDS COMMUNITY COLLEGE DISTRICT**  
**HINDS COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.**  
**Statement of Activities**  
**For the year ended December 31, 2011**

|   | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u>     |
|---|---------------------|-------------------------------|-------------------------------|------------------|
| Revenues, Gains, and Other Support              |                     |                               |                               |                  |
| Gifts and pledges                               | \$ 50,506           | \$ 1,157,381                  | \$ 100,300                    | \$ 1,308,187     |
| Interest and investment income                  | 32,537              | 132,121                       |                               | 164,658          |
| Special events                                  | 94,882              |                               |                               | 94,882           |
| Realized gain (loss) on investments             | (305)               | 3,440                         |                               | 3,135            |
| Unrealized gain (loss) on investments           | (51,289)            | (224,260)                     |                               | (275,549)        |
| Other Income                                    |                     | 403                           |                               | 403              |
| Intra-fund Revenues                             |                     | (8,500)                       |                               | (8,500)          |
| Net assets released from restrictions           | 873,311             | (873,311)                     |                               |                  |
| <b>Total Revenues, Gains, and Other support</b> | <b>999,642</b>      | <b>187,274</b>                | <b>100,300</b>                | <b>1,287,216</b> |
| Expenses:                                       |                     |                               |                               |                  |
| Program Services:                               |                     |                               |                               |                  |
| Scholarships                                    | 421,245             |                               |                               | 421,245          |
| Faculty and staff development                   | 62,691              |                               |                               | 62,691           |
| College Departments and organizations           | 313,336             |                               |                               | 313,336          |
| Alumni Groups                                   | 56,666              |                               |                               | 56,666           |
| Cain Hall                                       | 906                 |                               |                               | 906              |
| Grants  | 65,295              |                               |                               | 65,295           |
| Other   | 2                   |                               |                               | 2                |
| Intra-fund expenses                             | (8,500)             |                               |                               | (8,500)          |
| <b>Total Program Services</b>                   | <b>911,641</b>      | <b>-</b>                      | <b>-</b>                      | <b>911,641</b>   |
| Supporting Services:                            |                     |                               |                               |                  |
| General administration                          | 72,525              |                               |                               | 72,525           |
| Fundraising                                     | 60,153              |                               |                               | 60,153           |
| <b>Total Supporting Services</b>                | <b>132,678</b>      | <b>-</b>                      | <b>-</b>                      | <b>132,678</b>   |
| <b>Total Expenses</b>                           | <b>1,044,319</b>    | <b>-</b>                      | <b>-</b>                      | <b>1,044,319</b> |
| <b>Change in Net Assets</b>                     | <b>(44,677)</b>     | <b>187,274</b>                | <b>100,300</b>                | <b>242,897</b>   |
| Net Assets:                                     |                     |                               |                               |                  |
| Net Assets-Beginning of Year                    | 489,310             | 1,591,491                     | 4,488,577                     | 6,569,378        |
| Net Assets-End of Year                          | \$ 444,633          | \$ 1,778,765                  | \$ 4,588,877                  | \$ 6,812,275     |

See notes to financial statements.

**HINDS COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**OPERATING ACTIVITIES**

|  |                  |
|--|------------------|
| Tuition and fees                                       | \$ 1,680,692     |
| Grants and contracts                                   | 15,215,362       |
| Sales and services of auxiliary enterprises            | 18,578,646       |
| Payments to employees for salaries and fringe benefits | (69,408,020)     |
| Payments to vendors and suppliers                      | (25,845,031)     |
| Payment for utilities                                  | (3,418,489)      |
| Payments for scholarships and fellowships              | (21,258,894)     |
| Other receipts   | <u>1,345,376</u> |

Net Cash Used in Operating Activities (83,110,358)

**NON-CAPITAL FINANCING ACTIVITIES**

|                              |                   |
|------------------------------|-------------------|
| County appropriations        | 11,755,797        |
| State appropriations         | 32,662,600        |
| Federal grants and contracts | <u>41,460,249</u> |

Net Cash Provided By Non-capital Financing Activities 85,878,646

**CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                     |
|---|---------------------|
| Federal capital grants                  | 2,184,061           |
| State and county capital appropriations | 9,145,658           |
| Proceeds from capital debt              | 4,395,000           |
| Principal paid on capital debt          | (7,870,004)         |
| Interest paid on capital debt           | (597,990)           |
| Other receipts                          | 5,511               |
| Bond Premium payment                    | 105,540             |
| Purchase of capital assets, net         | <u>(24,549,334)</u> |

Net Cash Provided by Capital and Related Financing Activities (17,181,558)

**INVESTING ACTIVITIES**

|                           |                  |
|---------------------------|------------------|
| Investment income         | 98,125           |
| Net change in investments | <u>5,917,072</u> |

Net Cash Provided By Investing Activities 6,015,197

DECREASE IN CASH AND CASH EQUIVALENTS (8,398,073)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 26,682,565

Prior Period Adjustment 129,706

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 18,414,198

See accompanying notes to financial statements.

**HINDS COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

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Reconciliation of Operating Expenses to Net Cash

Provided by (Used in) Operating Activities:

|   |                        |
|---|------------------------|
| Operating loss  | \$ (88,144,564)        |
| Adjustments to reconcile operating loss to net cash<br>provided (used in) operating activities: |                        |
| Depreciation  | 4,811,716              |
| Changes in assets and liabilities   |                        |
| Accounts Receivable, net  | (2,336,378)            |
| Inventories   | 502,398                |
| Other assets  | (10,101)               |
| Book overdraft  | 1,005,971              |
| Accounts payable and accrued expenses   | 1,527,212              |
| Deferred revenues   | (562,573)              |
| Accrued compensated absences  | 68,066                 |
| Other liabilities   | 27,895                 |
| Net Cash Used in Operating Activities   | <u>\$ (83,110,358)</u> |

See accompanying notes to financial statements.

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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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 millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the District works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 public community colleges as they serve the taxpayers of the State of Mississippi.

Basis of Accounting and Presentation

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

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



HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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Reporting Entity

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

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

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

Complete financial statements of the Foundation may be obtained by writing to Hinds Community College Development Foundation, Inc., P.O. Box 1100, Raymond, MS 39154-1100.

The Foundation reports its financial results under Financial Accounting Standards Board (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 statement and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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Cash Equivalents

The District considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2012, cash equivalents consisted primarily of money market mutual funds and certificates of deposit.

Short-term Investments

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

Accounts Receivables

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

Inventories

Inventories consist of the bookstore, physical plant, agriculture and printing. 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 statements of net assets.

Other Long-term Investments

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair value at the date of donation. Livestock for educational purposes is adjusted at year end to reflect market price. Renovations to buildings and improvements other than buildings

HINDS COMMUNITY COLLEGE DISTRICT  
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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. Interest costs of \$2,208,448 were capitalized for the year ended June 30, 2012.

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.

Compensated Absences

Twelve-month employees earn annual leave after six months of employment at a rate of 8 hours per month for 6 months; 10 hours per month for 1 to 5 years of service; 12 hours per month for 5 or more years of service. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid 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 borrowing used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Classification of Revenues

The District has classified its revenues as either operating or non-operating 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

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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

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

State Appropriations

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

Scholarship Discounts and Allowances

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

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

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

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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Investments at June 30, 2012 were comprised of the following:

|                                       |                |                      |
|---------------------------------------|----------------|----------------------|
| Bond Mutual Funds Unrestricted        |                | \$ 2,057,365         |
| U.S. Government Obligations/Agencies  |                |                      |
| Unrestricted                          | 1,011,200      |                      |
| Restricted                            | <u>491,815</u> | 1,503,015            |
| Certificate of Deposits               |                |                      |
| Unrestricted                          | 6,054,481      |                      |
| Restricted                            | 892,186        |                      |
| Endowment                             | <u>46,419</u>  | 6,993,086            |
| Money Market-Treasury Fund Restricted |                | <u>8,110,378</u>     |
|                                       |                | <u>\$ 18,663,844</u> |

Investment activity for the year ended June 30, 2012 is summarized below:

|   |                      |
|---|----------------------|
| Investments, at beginning of period   | \$ 21,235,967        |
| Purchase of investments   | 1,500,000            |
| Investment returns:   |                      |
| Dividends and interest and unrealized gains/losses (net of Investment fees) | 3,015                |
| Redemption of investments   | (19,178,602)         |
| CD's Purchased  | 6,993,086            |
| Money Market Deposited  | <u>8,110,378</u>     |
|   | <u>\$ 18,663,844</u> |

As described by SFAS No. 157, the District has measured the fair value of the Bonds, mutual funds, and US Government Obligations at fair value using quoted prices for identical investments, which is Level 1 input.

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 the risk 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

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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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 \$18,414,198. Additionally, the District had certificates of deposit with a carrying value of \$6,993,086 reported as investments in the statement of net assets. At June 30, 2012, none of the District's deposits were exposed to custodial credit risk.

Investments

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

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

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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At June 30, 2012, the District had the following investments, maturities and credit ratings:

| <u>Type</u>                | <u>Fair Value</u>  | <u>Maturities<br/>Less than<br/>One Year</u> | <u>Credit Rating<br/>S&amp;P/Moody's</u> |
|----------------------------|--------------------|--|--|
| U.S. agencies obligations  | \$1,503,015        | \$1,503,015                                  | AAA/Aaa                                  |
| Bond mutual fund           | \$2,057,365        | \$2,057,365                                  |  |
| Certificate of Deposits    | \$6,993,086        | \$6,993,086                                  |  |
| Money Market-Treasury Fund | <u>\$8,110,378</u> | <u>\$8,110,378</u>                           |  |
|                            |                    | <u>\$18,663,844</u>                          |  |

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

Credit Risk - Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's 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, 2012, approximately \$2,604,000 of investments are held in other than the District's name.

Concentration of Credit Risk- the District places no limit on the amount that may be invested in any issuer. At June 30, 2012, the following investments exceeded 5% of the District's total investments

|  | <u>Fair Value</u> | <u>Percentage<br/>of Portfolio</u> |
|--|-------------------|------------------------------------|
| Federal Home Loan Mortgage Corporation | \$1,503,015       | 8%                                 |
| Fixed Income-Bond Mutual Funds         | \$2,057,365       | 11%                                |
| Riverhills CD                          | \$1,217,496       | 7%                                 |
| Community Bank CD                      | \$1,069,418       | 6%                                 |
| Money Market-Treasury Fund             | \$8,110,377       | 43%                                |

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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**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    | \$ 18,414,198        |
| Investments | 18,663,844           |
|             | <u>\$ 37,078,042</u> |

Included in the following balance sheet captions

|  |                      |
|--|----------------------|
| Cash and cash equivalents                        | \$ 18,414,198        |
| Restricted cash                                  | -                    |
| Short-term investments                           | 9,123,046            |
| Endowment investments                            | 46,419               |
| Investments, restricted for capital improvements | 9,494,379            |
|  | <u>\$ 37,078,042</u> |

**Investment Income**

Investment income for the year ended June 30, 2012, consisted of:

|                              |                  |
|------------------------------|------------------|
| Interest and dividend income | <u>\$ 98,125</u> |
|------------------------------|------------------|

**NOTE 3 – ACCOUNTS RECEIVABLE**

The District's accounts receivable consisted of the following at June 30, 2012:

|  |                   |
|--|-------------------|
| Student Tuition                                      | \$ 12,054,789     |
| Federal, state and private grants and contracts      | 3,746,551         |
| Auxiliary Enterprises and other operating activities | 325,619           |
| Other  | 1,237,760         |
| Total Receivables                                    | <u>17,364,719</u> |
| Less Allowance for Doubtful Accounts                 | (900,000)         |
| Total  | <u>16,464,719</u> |



HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012, was:

**Nondepreciable Capital Assets:**

|           | Beginning<br>Balance | Additions and<br>Reclassifications | Deletions and<br>Reclassifications | Ending<br>Balance |
|-----------|----------------------|------------------------------------|------------------------------------|-------------------|
| Land      | \$ 6,919,908         | \$ 100,000                         | \$ -                               | \$ 7,019,908      |
| CIP       | 29,486,201           | 23,644,379                         | (7,317,510)                        | 45,813,070        |
| Livestock | 74,600               | 15,600                             | -                                  | 90,200            |
| Total     | 36,480,709           | 23,759,979                         | (7,317,510)                        | 52,923,178        |

**Depreciable Capital Assets:**

|               |             |           |             |             |
|---------------|-------------|-----------|-------------|-------------|
| Improvements  | 37,122,658  | 2,704,662 | -           | 39,827,320  |
| Buildings     | 130,235,465 | 4,507,148 | -           | 134,742,613 |
| Equipment     | 14,745,105  | 869,313   | (360,856)   | 15,253,562  |
| Library books | 5,491,028   | 216,450   | (1,286,297) | 4,421,181   |
| Total         | 187,594,256 | 8,297,573 | (1,647,153) | 194,244,676 |

**Less Accumulated Depreciation for:**

|                                   |            |           |             |            |
|-----------------------------------|------------|-----------|-------------|------------|
| Buildings                         | 42,732,768 | 2,404,181 | -           | 45,136,949 |
| Improvements other than buildings | 10,012,566 | 1,506,529 | -           | 11,519,095 |
| Library books                     | 4,278,305  | 901,005   | (334,068)   | 4,845,242  |
| Furniture and Equipment           | 11,302,800 | -         | (1,122,376) | 10,180,424 |
| Total Accumulated Depreciation    | 68,326,439 | 4,811,715 | (1,456,444) | 71,681,710 |

|  |                    |                  |                  |                    |
|--|--------------------|------------------|------------------|--------------------|
| <b>Total Depreciable Capital Assets, net</b> | <b>119,267,817</b> | <b>3,485,858</b> | <b>(190,709)</b> | <b>122,562,966</b> |
|--|--------------------|------------------|------------------|--------------------|

|                           |                       |                      |                       |                       |
|---------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| <b>Net Capital Assets</b> | <b>\$ 155,748,526</b> | <b>\$ 27,245,837</b> | <b>\$ (7,508,219)</b> | <b>\$ 175,486,144</b> |
|---------------------------|-----------------------|----------------------|-----------------------|-----------------------|

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

| Capitalization<br>Description     | Useful<br>Life | Salvage<br>Values | 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 the Financial Statements**  
**For the year ended June 30, 2012**

**NOTE 5**

**LONG-TERM LIABILITIES**

Long-term Liabilities of the District consist of notes payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2012.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2012 is listed in the following schedule.

| Bonds and Notes Payable  | Original Issue | Annual Interest Rate | Maturity  | Beginning Balance | Additions    | Retirements  | Adjustments Reclasses | Ending Balance | Current Portion |
|--|----------------|----------------------|-----------|-------------------|--------------|--------------|-----------------------|----------------|-----------------|
| Housing Revenue Bonds, Series 1983 (a)                           | \$ 3,500,000   | 3.00%                | 4/1/2013  | 209,000           |              | \$ 209,000   | \$ -                  | -              | -               |
| Housing Revenue Bonds, Series 1987 (b)                           | 3,500,000      | 3.00%                | 10/1/2017 | 1,170,000         | -            | 150,000      |                       | 1,020,000      | 160,000         |
| HAHS Bonds of 1998 (c)   | 587,000        | 5.00%                | 4/1/2018  | 287,000           | -            | 35,000       |                       | 252,000        | 37,000          |
| Education Facilities Refunding Note, Series 1998 (d)             | 7,325,000      | 4.95%                | 3/1/2013  | 1,370,000         | -            | 1,370,000    |                       | -              | -               |
| Mississippi Development Bank Note, 1999 (e)                      | 1,000,000      | variable             | 7/31/2024 | 574,167           | -            | 250,000      |                       | 324,167        | 50,000          |
| Mississippi Development Bank Note, Series 2005 (d)               | 6,000,000      | variable             | 6/30/2014 | 766,007           |              | 766,004      | 3                     | -              | -               |
| Education Facilities Note, Series 2005 (f)                       | 8,000,000      | 3.00-4.00%           | 4/1/2020  | 5,255,000         | -            | 4,735,000    |                       | 520,000        | 520,000         |
| Mississippi Development Bank Note, series 2011 Raymond Dorms (g) | 18,330,000     | 3-5.25%              | 4/1/2041  | 18,330,000        |              |              |                       | 18,330,000     | 130,000         |
| Education Facilities Note, Series 2008 (h)                       | 6,250,000      | Variable             | 4/1/2023  | 5,389,700         | -            | 355,000      | 300                   | 5,035,000      | 370,000         |
| 2012 Mayo Refunding Notes (i)                                    | 4,395,000      | 2.00%                | 4/1/2020  | -                 | 4,395,000    |              |                       | 4,395,000      | 50,000          |
| 2009 Rankin Facilities Note (j)                                  | 27,035,000     | 3.0-5.75%            | 10/1/2033 | 27,035,000        | -            | -            |                       | 27,035,000     | -               |
| Total Bonds and Notes Payable                                    | 85,922,000     |                      |           | 60,385,874        | 4,395,000    | 7,870,004    | 297                   | 56,911,167     | 1,317,000       |
| Other Non-current liabilities                                    |                |                      |           |                   |              |              |                       |                |                 |
| Accrued compensated absences                                     |                |                      |           | 1,997,383         | 73,280       |              |                       | 2,070,663      | 95,297          |
| Total  |                |                      |           | \$ 62,383,257     | \$ 4,468,280 | \$ 7,870,004 | \$ 297                | \$ 58,981,830  | \$ 1,412,297    |

Due within one year  
Total long-term liabilities

(1,412,297)  
\$ 57,569,533

The debt service requirements as of June 30, 2012 are as follows:

| Maturity date | Principal            | Interest             | Totals               |
|---------------|----------------------|----------------------|----------------------|
| 2013          | \$ 1,317,000         | \$ 2,731,960         | \$ 4,048,960         |
| 2014          | \$ 1,384,000         | \$ 2,527,594         | \$ 3,911,594         |
| 2015          | \$ 1,721,000         | \$ 2,480,294         | \$ 4,201,294         |
| 2016          | \$ 2,068,000         | \$ 2,426,319         | \$ 4,494,319         |
| 2017-2021     | \$ 11,016,167        | \$ 11,063,713        | \$ 22,079,880        |
| 2022-2026     | \$ 9,685,000         | \$ 8,938,363         | \$ 18,623,363        |
| 2027-2031     | \$ 12,575,000        | \$ 6,283,998         | \$ 18,858,998        |
| 2032-2036     | \$ 11,790,000        | \$ 2,653,009         | \$ 14,443,009        |
| 2037-2041     | \$ 5,355,000         | \$ 851,006           | \$ 6,206,006         |
|               | <u>\$ 56,911,167</u> | <u>\$ 39,956,256</u> | <u>\$ 96,867,423</u> |

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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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, 2012, and ranged from 2.00% to 5.35%.

- a) The College chose to redeem the remaining bonds during 2012.
- 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) The College chose to redeem the remaining notes early during 2012.
- e) Interest rates for variable rate debt are calculated weekly using the Bond Market Association (BMA) index.
- f) 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. The College chose to offer Educational Facilities refunding bonds in 2012 (see footnote (i)) and holds the proceeds in escrow for early redemption of these notes on April 1, 2013.
- g) The notes mature on April 1, 2041. Interest payments are due annually on April 1 each year. Principal payments do not commence until April 1, 2013. The Bonds are secured by the net revenues of the dorms with an intercept agreement to require payment with state appropriations in the event of default.
- h) 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.
- i) The notes mature on April 2020. Interest payments are due April 1 and October 1 each year. Principal payments do not commence until April 2013. Notes maturing on or after October 1, 2020 are subject to early redemption at par value plus accrued interest prior to the stated dates of maturity at the option of the District on or after October 1, 2019.
- j) The notes mature on March 1, 2028. Interest payments are due April 1 and October 1 each year. Principal payments do not commence until April 2014. Notes maturing on or after October 1, 2020 are subject to early redemption at par

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

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value plus accrued interest prior to the stated dates of maturity at the option of the District on or after October 1, 2019.

**NOTE 6 – OPERATING LEASES**

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

|      |           |
|------|-----------|
| 2013 | \$128,127 |
| 2014 | \$ 66,020 |
| 2015 | \$ 13,624 |

**NOTE 7 – PENSION PLAN**

Plan Description

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

Funding Policy

PERS members are required to contribute 9.0% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2012 was 12.93% of annual covered payroll. That amount will increase to 14.26% on July 1, 2012. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The District's contributions to PERS for the years ended June 30, 2012, 2011 and 2010, were \$5,963,659, \$5,358,108, and \$5,189,105, respectively, which equaled the required contributions for each year.

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For the year ended June 30, 2012

**NOTE 8 – NATURAL CLASSIFICATION WITH FUNCTIONAL CLASSIFICATIONS**

See accompanying notes to the financial statements

|                       | Salaries &<br>Wages | Fringe Benefits     | Travel             | Contractual<br>Benefits | Utilities          | Scholarship &<br>Fellowships | Commodities         | Depreciation<br>Expense | Other              | Total                |
|-----------------------|---------------------|---------------------|--------------------|-------------------------|--------------------|------------------------------|---------------------|-------------------------|--------------------|----------------------|
| Instruction           | \$34,679,265        | \$9,935,534         | \$652,569          | \$937,635               |                    | \$283,776                    | \$1,660,240         |                         | \$3,295,908        | \$51,444,927         |
| Academic support      | 1,222,476           | 416,822             | 7,349              | 117,853                 |                    |                              | 142,472             |                         | 305,847            | \$2,212,819          |
| Student services      | 4,452,480           | 1,223,393           | 193,534            | 881,961                 |                    | 19,310                       | 675,842             |                         | 99,818             | \$7,546,338          |
| Institutional support | 5,627,498           | 1,781,975           | 131,268            | 3,847,877               |                    | 27,506                       | 438,433             |                         | 324,306            | \$12,178,863         |
| Operation of plant    | 4,534,168           | 1,690,894           | 14,035             | 2,183,096               | 2,667,290          |                              | 2,000,091           |                         | (3,021,365)        | \$10,068,209         |
| Student aid           |                     |                     |                    |                         |                    | 20,680,862                   | 98,736              |                         |                    | \$20,779,598         |
| Auxiliary enterprises | 2,185,479           | 702,177             | 25,170             | 3,143,885               | 751,199            | 247,440                      | 11,039,171          |                         | 181,597            | \$18,276,118         |
| Bad debt              |                     |                     |                    |                         |                    |                              |                     |                         | 555,103            | \$555,103            |
| Depreciation          |                     |                     |                    |                         |                    |                              |                     | 4,811,716               |                    | \$4,811,716          |
| <b>Total</b>          | <b>\$52,701,366</b> | <b>\$15,750,795</b> | <b>\$1,023,925</b> | <b>\$11,112,307</b>     | <b>\$3,418,489</b> | <b>\$21,258,894</b>          | <b>\$16,054,985</b> | <b>\$4,811,716</b>      | <b>\$1,741,214</b> | <b>\$127,873,691</b> |

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2012

**NOTE 9 – CONSTRUCTION COMMITMENTS AND FINANCING**

The District has contracted for various construction projects as of June 30, 2012. Estimated costs to complete the various board-approved projects, some of which have signed contracts in place at June 30, 2012, and the sources of anticipated funding are presented below:

| <u>Project Title</u>          | <u>Total Costs<br/>to Complete</u> | <u>Funded by</u>           |                          |                                |
|-------------------------------|------------------------------------|----------------------------|--------------------------|--------------------------------|
|                               |                                    | <u>Federal<br/>Sources</u> | <u>State<br/>Sources</u> | <u>Institutional<br/>Funds</u> |
| New Raymond Dorms             | \$ 2,000,000                       |                            |                          | \$ 2,000,000                   |
| Muse Center                   | \$ 100,000                         |                            |                          | 100,000                        |
| Airport Apron (Phase II)      | \$ 150,000                         | 145,000                    | 2,500                    | 2,500                          |
| MDOT Multimodal System        | \$ 40,000                          | 30,000                     | 5,000                    | 5,000                          |
| Utica Wellness Project        | \$ 150,000                         | 150,000                    |                          |                                |
| Beemon Hall                   | \$ 1,500,000                       |                            | 1,500,000                |                                |
| IT HVAC System                | \$ 250,000                         |                            |                          | 250,000                        |
| Raymond Elevator Project      | \$ 900,000                         |                            |                          | 900,000                        |
| Airport Apron Removal Project | \$ 500,000                         | 480,000                    | 10,000                   | 10,000                         |
| Airport ILS Landing System    | \$ 75,000                          |                            |                          | 75,000                         |
| Raymond Parking Lot Repair    | \$ 250,000                         |                            |                          | 250,000                        |
|                               | <u>\$ 5,915,000</u>                | <u>\$ 805,000</u>          | <u>\$ 1,517,500</u>      | <u>\$ 3,592,500</u>            |

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

Claims and Litigation

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

Government Grants

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

**NOTE 11 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Except as

HINDS COMMUNITY COLLEGE DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2012

described below, the District carries commercial insurance for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

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

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between 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, 2011, consisted of the following:

|                        |                     |
|------------------------|---------------------|
| Government obligations | \$ 365,583          |
| Mutual funds           | 3,898,568           |
| Common stock           | 887,374             |
| Fixed income           | 681,045             |
|                        | <u>\$ 5,832,570</u> |

**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2012**

At December 31, 2011, 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.

**Net Assets**

The following classifications reflect the nature of restrictions on temporarily and permanently restricted assets at December 31, 2011:

|                                       | Temporarily<br>Restricted | Permanently<br>Restricted |
|---------------------------------------|---------------------------|---------------------------|
| Scholarships                          | \$ 1,345,763              | \$ 4,162,557              |
| Reconstruction of Cain Hall           | 14,268                    |                           |
| College departments and organizations | 206,455                   |                           |
| Faculty/staff development             | 76,818                    | 378,415                   |
| Alumni chapters                       | 46,726                    |                           |
| Grants                                | 29,345                    |                           |
| Other                                 | 46,295                    | 61,000                    |
|                                       | <u>\$ 1,765,670</u>       | <u>\$ 4,601,972</u>       |

**Note 13 – Prior Period Adjustments**

A summary of significant Net Asset/Fund Balance adjustments is as follows:

**Statement of Revenues, Expenses and Changes in Net Assets**

| <u>Explanation</u>   | <u>Amount</u>     |
|--|-------------------|
| 1. To reclassify some revenues and expenditures from a prior period. | \$ 129,706        |
| Total  | <u>\$ 129,706</u> |

**NOTE 14 – REFINANCING AND DEFEASANCE OF DEBT**

On March 7, 2012, the College adopted a resolution authorizing issuance of 2012 Mayo Refunding Notes in the aggregate amount of \$4,395,000 for the purpose of providing the funds necessary to refund the Educational Facilities Notes Series 2005. Sales



**HINDS COMMUNITY COLLEGE DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2012**

proceeds of \$4,383,900 were placed into an escrow account to pay the interest due on October 1, 2012 and April 1, 2013 and to redeem the outstanding callable 2005 Notes on April 1, 2013, at a redemption price of par. The par value of the refunded bonds was \$5,255,000. \$4,735,000 was defeased during the fiscal year leaving a balance of \$520,000 to retire the debt within the fiscal year 13.

**NOTE 15 – CURRENT ECONOMIC CONDITIONS**

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

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

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 investment values and allowances for accounts receivable that could negatively impact the District's ability to maintain sufficient liquidity.

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Hinds Community College District evaluated the activity of the district through March 18, 2013, the date the financial statements were available to be issued and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

**HINDS COMMUNITY COLLEGE DISTRICT  
Supplemental Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012**

| Federal Grantor/Pass-through Grantor/Program Title                         | Catalog of Federal<br>Domestic Assistance No. | Federal<br>Expenditures |
|--|---|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                               |   |                         |
| Passed-through Mississippi Department of Education:                        |   |                         |
| Child nutrition cluster:   |   |                         |
| National school lunch program  | 10.555  | \$ 216,190              |
| Total child nutrition cluster  |   | <u>216,190</u>          |
| State Administrative Matching Grants for the Supplemental Nutrition        | 10.561  | <u>1,110</u>            |
| Total passed-through Mississippi Department of Education                   |   | <u>217,300</u>          |
| <b>Total U.S. Department of Agriculture</b>                                |   | <u>217,300</u>          |
| <b><u>U.S. Department of Defense</u></b>                                   |   |                         |
| Passed-through Jackson State University                                    |   |                         |
| Basic, Applied, and Advanced Research in Science and Engineering           | 12.630  | <u>126,407</u>          |
| <b>Total U.S. Department of Defense</b>                                    |   | <u>126,407</u>          |
| <b><u>U.S. Department of Housing and Urban Development</u></b>             |   |                         |
| Direct Program:  |   |                         |
| Historically Black Colleges and Universities Program                       | 14.520  | <u>220,074</u>          |
| <b>Total U.S. Department of Housing and Urban Development</b>              |   | <u>220,074</u>          |
| <b><u>U.S. Department of Labor Employment Training Administration</u></b>  |   |                         |
| Passed-through Central Mississippi Planning and Development District, Inc. |   |                         |
| WIA Cluster - Adult Program  | 17.258  | 32,541                  |
| WIA Cluster - Youth Activities   | 17.259  | 29,678                  |
| ARRA - WIA Cluster - Dislocated Workers, Recovery Act                      | 17.260  | 90,344                  |
| Passed-through State Board for Community and Junior Colleges:              |   |                         |
| WIA Adult Program  | 17.258  | <u>493</u>              |
| Total WIA Cluster  |   | <u>153,056</u>          |
| <b>Total U.S. Department of Labor Employment Training Administration</b>   |   | <u>153,056</u>          |
| <b><u>U.S. Department of Transportation</u></b>                            |   |                         |
| Direct Program:  |   |                         |
| Federal Aviation Association - Airport Improvement Program                 | 20.106  | <u>1,725,588</u>        |
| <b>Total U.S. Department of Transportation</b>                             |   | <u>1,725,588</u>        |
| <b><u>U.S. Department of Treasury</u></b>                                  |   |                         |
| Direct Program:  |   |                         |
| Financial Education and Counseling Pilot Program                           | 21.010  | <u>53,800</u>           |
| <b>Total U.S. Department of Treasury</b>                                   |   | <u>53,800</u>           |
| <b><u>National Aeronautics and Space Administration</u></b>                |   |                         |
| Passed-through programs from the University of Mississippi                 |   |                         |
| Science  | 43.001  | <u>10,087</u>           |
| <b>Total National Aeronautics and Space Administration</b>                 |   | <u>10,087</u>           |
| <b><u>National Science Foundation</u></b>                                  |   |                         |
| Direct Program:  |   |                         |
| Education and Human Resources  | 47.076  | <u>377,049</u>          |
| <b>Total National Science Foundation</b>                                   |   | <u>377,049</u>          |
| <b><u>Small Business Administration</u></b>                                |   |                         |
| Direct Program:  |   |                         |
| Small Business Development Centers - Internet Technical Assistance         | 59.005  | <u>138,023</u>          |
| <b>Total Small Business Administration</b>                                 |   | <u>138,023</u>          |
| <b><u>U.S. Department of Education</u></b>                                 |   |                         |
| Direct Program:  |   |                         |
| Federal Supplemental Educational Opportunity Grants (FSEOG)                | 84.007  | 431,068                 |
| Federal Family Education Loan (FFEL)                                       | 84.032  | 25,485,601              |
| Federal Work-study Program (FWS)   | 84.033  | 435,958                 |
| Federal Pell Grant Program   | 84.063  | 41,460,249              |
| Academic Competitiveness Grant   | 84.375  | <u>16,394</u>           |
| <b>Total Student Financial Aid Cluster</b>                                 |   | <u>67,829,270</u>       |
| Other Programs:  |   |                         |
| TRIO Cluster:  |   |                         |
| TRIO - Student Support Services  | 84.042  | 213,577                 |
| TRIO - Talent Search   | 84.044  | 260,934                 |
| TRIO - Upward Bound  | 84.047  | <u>249,965</u>          |
| <b>Total TRIO Cluster</b>  |   | <u>724,476</u>          |
| Higher Education - Institutional Aid (Title III)                           | 84.031  | 2,086,359               |
| Strengthening Minority - Serving Institutions                              | 84.382  | 314,900                 |
| Title I - Grants to Local educational agencies                             | 84.010  | 101,597                 |
| Title II - Eisenhower Professional Development State Grant                 | 84.281  | 53,701                  |
| Title VI - State Grants for Innovative Programs                            | 84.298  | 4,700                   |
| Education Jobs Funds   | 84.410  | <u>35,400</u>           |
| <b>Subtotal of Direct Programs</b>   |   | <u>71,150,403</u>       |

**HINDS COMMUNITY COLLEGE DISTRICT  
Supplemental Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012**

| <u>Federal Grantor/Pass-through Grantor/Program Title</u>  | <u>Catalog of Federal<br/>Domestic Assistance No.</u> | <u>Federal<br/>Expenditures</u> |
|--|---|---------------------------------|
| Passed-through Mississippi Department of Education:  |   |                                 |
| Adult Education - Basic Grants to States   | 84.002  | 390,182                         |
| Career and technical education - basic grants to states  | 84.048  | 913,167                         |
| Rehabilitation services_vocational rehabilitation grants to states   | 84.126  | 302,173                         |
| Tech-Prep Education  | 84.243  | 10,104                          |
| Subtotal   |   | <u>1,615,626</u>                |
| Total passed-through Mississippi Department of Education   |   | <u>1,615,626</u>                |
| <b>Total U.S. Department of Education</b>  |   | <u><b>72,766,029</b></u>        |
| <b><u>U.S. Department of Health and Human Services</u></b>   |   |                                 |
| Direct Program:  |   |                                 |
| Advanced Education Nursing Grant Program   | 93.247  | 70,822                          |
| Passed-through the Mississippi Department of Human Services:   |   |                                 |
| Family Planning Services   | 93.217  | 17,801                          |
| Child Care Development Fund  | 93.575  | 96,708                          |
| ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-<br>Associated Infection (ASC-HAI) Prevention Initiative | 93.720  | <u>225,508</u>                  |
| Total passed-through Mississippi Department of Human Services  |   | <u>340,017</u>                  |
| <b>Total U.S. Department of Health and Human Services</b>  |   | <u><b>410,839</b></u>           |
| <b><u>Corporation for National and Community Service</u></b>   |   |                                 |
| Direct Program:  |   |                                 |
| Social Innovation Fund   | 94.019  | <u>92,754</u>                   |
| <b>Total Corporation for National and Community Service</b>  |   | <u><b>92,754</b></u>            |
| Total for All Federal Awards   |   | <u><b>\$ 76,291,006</b></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 basic 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 sub-recipients during the year.

See accompanying auditors report.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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## INDEPENDENT AUDITOR'S 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

President and Board of Trustees  
Hinds Community College District

We have audited the financial statements of Hinds Community College District as of and for the year ended June 30, 2012, which collectively comprise Hinds Community College District's basic financial statements and have issued our report thereon dated March 18, 2013. 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 assets and revenues of the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

Management of Hinds Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the college district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the college district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. **(Findings 2012-01, 2012-02, and 2012-03)**

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be significant deficiencies. **(Finding 2012-04)**

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the college 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*.

Hinds Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit Hinds Community College's District's responses and, accordingly, we express no opinion on it.

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

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
March 18, 2013

*Watkins Ward and Stafford, PLLC*



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### INDEPENDENT AUDITOR'S REPORT

#### ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

President and Board of Trustees  
Hinds Community College District

#### Compliance

We have audited the compliance of the Hinds Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Hinds Community College 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 college district's management. Our responsibility is to express an opinion on the college district's compliance based on our audit.

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

In our opinion, Hinds Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

Management of the Hinds Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hinds Community College 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 college district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a



deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned cost as **Finding 2012-05**. A significant deficiency in internal control over compliance with a type of compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Hinds Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned cost. We did not audit Hinds Community College District's response and, accordingly, we express no opinion on the response.

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

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
March 18, 2013

*Watkins Ward and Stafford, PLLC*

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



# WATKINS, WARD AND STAFFORD

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

President and Board of Trustees  
Hinds Community College District

We have audited the financial statements of Hinds Community College District, which includes Hinds Agricultural High School, as of and for the year ended June 30, 2012, which collectively comprise Hinds Community College District's basic financial statements and have issued our report thereon dated March 18, 2013. 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 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*.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the college district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the college district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

### 1. Finding

This finding relates to the Hinds Agricultural High School, which is a part of Hinds Community College District. Miss. Code Section 37-9-27 provides, the superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$ 100,000.00), with sufficient surety. Such bond

shall be filed and recorded in the office of the clerk of the chancery court in which the college district is located, and shall be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the college district maintenance fund.

Miss. Code Section 37-9-31 provides that all school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$ 50,000.00), with sufficient surety. The premium upon said bond shall be paid from the maintenance funds of the district served by such principal. Such bond shall be payable, conditioned and approved in the manner provided by law. All such bonds shall be filed and recorded in the office of the clerk of the chancery court of the county in which the college district is located.

During test work on surety bonds, we were unable to get documentation that the superintendent and principal had a \$100,000 and \$50,000 surety bond, respectively for the college district.

The cause is unknown.

The district did not comply with Miss Code Section 37-9-27 and Miss Code Section 37-9-31.

We recommend that the district implement policies and procedures to ensure that all personnel required to have surety bonds maintain the proper amount and comply with Section 37-9-27 and Section 37-9-31, Mississippi Code Ann. (1972).

#### District's Response

The district will implement policies and procedures to ensure all personnel have adequate surety bond coverage and comply with Section 37-9-27 and 37-9-31, Mississippi Code Ann. (1972).

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

The Hinds Community College District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
March 18, 2013

*Watkins Ward and Stafford, PLLC*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

HINDS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued:                      | Unqualified |
| 2. | Internal control over financial reporting:            |             |
| a. | Material weakness identified?                         | Yes         |
| b. | Significant deficiency identified?                    | Yes         |
| 3. | Noncompliance material to financial statements noted? | No          |

Federal Awards:

- |    |  |  |
|----|--|--|
| 4. | Internal control over major programs:  |  |
| a. | Material weakness identified?  | No   |
| b. | Significant deficiency identified?   | Yes  |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unqualified  |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?   | Yes  |
| 7. | Identification of major programs:  |  |
|    | <u>CFDA Numbers</u>  | <u>Name of Federal Program or Cluster</u>                          |
|    | 84.007; 84.032; 84.033; 84.375; 84.063   | Financial Aid Cluster  |
|    | 84.002   | Adult Education - Basic Grants to States                           |
|    | 84.048   | Career and Technical Education -- Basic Grants to States           |
|    | 84.126   | Rehabilitation Services Vocational Rehabilitation Grants to States |
|    | 84.382   | Strengthening Minority-Serving Institutions                        |
|    | 47.076   | Education and Human Resources                                      |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000   |
| 9. | Auditee qualified as low-risk auditee?   | No   |
| 10 | Prior fiscal year audit finding and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | Yes  |

HINDS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section II: Financial Statement Findings

**Significant deficiencies considered to be a material weakness**

2012-01 Internal Controls surrounding revenue recognition should be strengthened due to a lack of segregation of duties in personnel

Finding

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and proper reporting of revenues.

During the test work for internal controls, we noted the same individual performed the following functions in the revenue cycle which indicated a lack of segregation of duties:

- A. Prepared receipts
- B. Reconciled cash and other income
- C. Prepared deposit slips
- D. Also access to large quantities of cash with limited review

Without proper segregation of duties, the district increases the risk that unauthorized or inappropriate transactions could be processed and district personnel not detect irregularities during the normal course of their duties on a timely basis.

Recommendation

The district should revise policies and processes whereby duties would be divided to the greatest extent of employees possible.

2012-02 Internal Controls surrounding revenue recognition for accounts receivable should be strengthened

Finding

Management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district.

While reviewing local revenues collected on campus within accounts receivable, we found that the district had inadequate internal controls with the regard to the safeguarding of receipts. The following weaknesses were noted:

- A. Daily reconciliation sheets were found to not be calculated properly.
- B. Daily collections were not being provided timely to accounting.
- C. Daily collections were noted to not be reconciled.

The cause is due to inadequate training of personnel.

Inadequate internal controls surrounding revenue collection could result in the loss of assets and improper revenue recognition.

Recommendation

The district should revise policies and processes whereby duties would be divided to the greatest extent of employees possible.

HINDS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

2012-03 Internal Controls surrounding reconciliation of long term debt

Finding

Management is responsible for ensuring that all long term debt is correctly recorded and paid timely in order to safeguard the assets of the district.

While reviewing long term debt, we found that the district had mistakenly recorded the debt balance of \$520,000 Education Facilities 2005 Note that had recently been refunded to be paid off. It was noted through testing that the \$520,000 balance remained outstanding at year end and had not been paid off by the refunding.

The cause is due to error of personnel and internal controls to review the outstanding debt.

Inadequate internal controls surrounding the administration over long term debt could increase difficulty for financing future bonds or notes.

Recommendation

The district should review all debt agreements and reconcile them monthly to ensure that long term debt is accurately recorded and processed.

**Significant deficiencies not considered to be a material weakness**

2012-04 Internal Controls surrounding the transportation department

Finding

Management is responsible for ensuring that all assets are safeguarded, recorded accurately, and used appropriately within the district.

While reviewing controls within the transportation department, we found that the district had the following problems noted:

- 1) Inaccurate inter-department billing
- 2) Billing rates were commonly changed or adjusted without proper approval.
- 3) Fuel purchases did not appear to reconcile to some trips tested
- 4) Driver hours did not agree to some trips tested.

The cause is due to error of personnel and internal controls to review the inter-department billing.

Inadequate internal controls surrounding activities of the transportation department could cause the department to be under or over funded due to inaccurate reimbursement.

Recommendation

The district should review all transportation policies and billing processes including adopting a standard form to be used on all inter-department billing.



HINDS COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section III: Federal Award Findings and Questioned Costs

**Significant deficiencies not considered to be a material weakness**

2012-05      Internal Controls Surrounding Eligibility Determinations Should Be Strengthened

Program: Strengthening Minority-Serving Institutions, - CFDA# 84.382

Compliance requirement: Eligibility

Finding

Management is responsible for establishing a proper internal control system to ensure that students are eligible to receive funds based on the grants criteria.

During testing we selected five eligibility requirements to test. We tested students for the following eligibility requirements. Students were tested to see if they were enrolled, age requirement, race requirement, low-income, and first generation requirement. Of the ten students we tested, we determined that two students did not meet the first generation requirement. These students were found to not be the first college students in their families.

Inadequate internal controls in determining eligibility of students for grant awards resulted in the district not identifying the proper status of a student.

Requiring more than one staff member to review the grants guidelines and set up procedures to determine eligibility, will help to prevent staff from missing grant requirements for determining eligibility.

Recommendation

We recommend the district implement stronger internal controls to ensure that students receiving grant funds meet all applicable requirements with regards to eligibility.

AUDITEE'S CORRECTIVE ACTION PLAN /  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Hinds Community College District**  
P.O. Box 1100  
Raymond, MS 39154-1100  
**Russell Shaw, Vice President for Business Services**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_\_\_ 315(b) of OMB Circular A-133, the Hinds Community College District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2012:

| <u>Finding</u> | <u>Corrective Action Plan Details</u>   |
|----------------|---|
| 2012-01        | <p>Internal Controls surrounding revenue recognition should be strengthened to ensure proper financial accountability and proper recording of revenue.</p> <p>Response:</p> <p>The College has hired an additional cashier since the finding and has worked on a revision of the cashier manual to review segregation of duties in the business offices at each location. In addition, the College plans to have an outside firm conduct some agreed upon procedures and make suggestions on how to strengthen our internal controls.</p>   |
| 2012-02        | <p>Internal Controls surrounding revenue recognition for accounts receivable should be strengthened.</p> <p>Response:</p> <p>The College will start requiring the Accounts Receivable Manager to complete a daily reconciliation of cashier sessions. The Accounts Receivable Manager will be responsible for timely reporting and accurate records from every location. The Accounts Receivable Manager will also be responsible for timely investigation of errors and irregularities. In addition, the College plans to have an outside firm schedule some training for the Accounts Receivable Manager and Cashiers at each location to improve our knowledge of internal controls and segregation of duties.</p> |
| 2012-03        | <p>Internal Controls surrounding reconciliation of long term debt</p> <p>Response:</p>  |

The Controller for the College will begin reviewing debt agreements and reconciling them monthly to ensure that long term debt is accurately recorded. The Vice President for Business Services will review that reconciliation and will contact an outside accounting or legal firm if any questions arise in the future.

2012-04

Internal Controls surrounding the transportation department

Response:

The District has begun a review of transportation policies and procedures to establish a consistent form for departments and a standard billing rate. In addition, the transportation department will turn in a monthly report of trips taken by departments with charges billed. That report will be reviewed by the Vice President for Physical Plant and Auxiliaries and the Accounting department for accuracy and consistency.

2012-05

Internal Controls Surrounding Eligibility Determinations Should Be Strengthened

Response:

The District has reviewed the policies used by the Minority Male Leadership Initiative Grant employees to determine the eligibility of their participants. The Grant Director will confirm their participant qualifications by reviewing their Financial Aid information. The Grant Director should review each participant's (ISIR) Institutional Student Information Record before approving their participation in the program.

**Hinds Community College District**  
P.O. Box 1100  
Raymond, MS 39154-1100  
**Russell Shaw, Vice President for Business Services**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the Hinds Community College District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2011:

| <u>Findings</u> | <u>Status</u> |
|-----------------|---------------|
| 2011-1          | Corrected     |
| 2011-2          | Corrected     |
| 2011-3          | Corrected     |
| 2011-4          | Corrected     |
| 2011-5          | Corrected     |
| 2011-6          | Corrected     |