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HINDS COMMUNITY COLLEGE DISTRICT

Audited Financial Statements
Year Ended June 30, 2019

Fortenberry & Ballard, PC
Certified Public Accountants

HINDS COMMUNITY COLLEGE DISTRICT
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Trustees
Hinds Community College District
Raymond, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hinds Community College District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the financial statements of Hinds Community College Foundation (Foundation) as of and for the years ended December 31, 2018 and 2017, which is a discretely presented component unit and constitutes 100% of the assets and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Foundation. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Hinds Community College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Hinds Community College District and of its discretely presented component unit, as of June 30, 2019 and December 31, 2018 and 2017, respectively, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 24 and 76 to 82, respectively, 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hinds Community College District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the accompanying supplementary information mentioned above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020, on our consideration of the Hinds Community College 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hinds Community College District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hinds Community College District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 20, 2020

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

This section of Hinds Community College District (the "District") annual financial report presents our discussion and analysis of the financial performance of the District during the fiscal year ended June 30, 2019. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2018. The financial statements, notes and this discussion are the responsibility of management.

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

Overview of the Financial Statements

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

Statement of Net Position

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The District's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are one indicator of the District's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the District's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. A summary of the District's assets, deferred outflows, liabilities, deferred inflows and net position as June 30, 2019 and 2018 is as follows:

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Net Position
June 30, 2019 and 2018

	2019		2018	
	Amount	Percentage	Amount	Percentage
ASSETS				
Current assets	\$ 34,237,857	15%	33,040,034	14%
Noncurrent assets				
Capital assets, net	190,949,171	81%	192,574,153	82%
Endowment investments	48,242	0%		0%
Promissory note receivable	9,649,800	4%	9,649,800	4%
Other		0%	47,925	0%
Total assets	<u>234,885,070</u>	<u>100%</u>	<u>235,311,912</u>	<u>100%</u>
DEFERRED OUTFLOWS IN RESOURCES	<u>23,215,515</u>	<u>100%</u>	<u>20,276,804</u>	<u>100%</u>
LIABILITIES				
Current liabilities	15,424,592	7%	15,492,780	7%
Non-current liabilities, other	57,137,703	26%	61,515,378	28%
Net OPEB liability	7,287,910	3%	7,250,783	3%
Net pension liability	139,260,215	64%	138,183,126	62%
Total liabilities	<u>219,110,420</u>	<u>100%</u>	<u>222,442,067</u>	<u>100%</u>
DEFERRED INFLOWS OF RESOURCES	<u>11,750,422</u>	<u>100%</u>	<u>4,868,442</u>	<u>100%</u>
NET POSITION				
Net investment in capital assets	137,393,221	504%	143,021,081	507%
Restricted				
Capital projects	5,357,088	20%	8,255,558	29%
Other projects	1,342,749	5%	1,469,076	5%
Unrestricted	(116,853,315)	(429)%	(124,555,193)	(441)%
Total net position	<u>\$ 27,239,743</u>	<u>100%</u>	<u>28,190,522</u>	<u>100%</u>

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

The District has experienced a decrease in number of full-time academic student enrollment over the last few years which resulted in less tuition revenues paid by each headcount. The District administration is working to adjust administration, staff and instructors to match our enrollment. Current assets increased approximately \$1.2M.

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents reported as current assets on the District's financial statements was \$8,833,575 at June 30, 2019, and \$6,708,374 at June 30, 2018. This represents a \$2,125,201 increase.

Short-Term Investments

The total amount of short-term investments reported as current assets on the District's financial statements was \$8,395,806 at June 30, 2019 and \$9,937,412 at June 30, 2018. This represents a decrease of \$1,541,606 in investments.

Accounts Receivable

Accounts receivable relate to several transactions including local 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 \$1,527,234 in fiscal year 2019 and \$1,952,423 fiscal year 2018. The District's receivables totaled \$15,389,265 at June 30, 2019 and \$14,655,002 at June 30, 2018. This represents a \$734,263 increase in our accounts receivable.

Inventories

The District maintains inventories of resale merchandise, as well as items for internal consumption. Books, student supplies, sportswear, gift items, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$1,619,211 at June 30, 2019. That is a decrease of \$80,438 from the amount \$1,699,649 at June 30, 2018. The bookstore inventory, which includes textbooks and merchandise, comprises almost 95% of the total inventory.

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Noncurrent Assets

Trust Investments

The District reflects the Holtzclaw Trust as \$48,242 at June 30, 2019. The amount increased slightly from \$47,925 in fiscal year 2018 with the interest and dividends earned on the investments. The Trust is separate from the investments included in the District's blended component unit, Hinds Community College Foundation.

Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCROF Investor 120, LLC (the borrower) in connection with the financing of a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program with the Foundation. The balance of the note at June 30, 2019 and 2018 was \$9,649,800. The District issued general obligation notes in the prior year in the amount of \$8,000,000 and received a donation from Enhanced Capital Mississippi NMTC Investment Fund III, LLC and Hinds Mississippi Credit Fund, LLC for \$1,847,526 to fund the promissory note.

Capital Assets, Net

Capital assets, consists of land, buildings and improvements, construction in progress, livestock, equipment, vehicles, and historical library holdings at June 30, 2019 and 2018. The total capital assets, net of accumulated depreciation, at June 30, 2019 was \$190,949,171. The amount reported, net of accumulated depreciation at June 30, 2018 was \$192,574,153. This represents a \$1,624,982 decrease in capital assets. The District continues to add facilities and expand its operations. In a competitive environment, the District wants to continue to repair or improve buildings and replace equipment in an attempt to provide our students and employees with the latest technology and the best learning environment.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 7,609,053	7,557,303	1%
Construction in progress	5,726,619	6,605,606	(13)%
Livestock	68,900	68,900	0%
Buildings	109,162,817	111,926,236	(2)%
Improvements	61,962,654	60,518,770	2%
Library books	811,290	852,434	(5)%
Furniture and equipment	5,607,838	5,044,904	11%
Total	\$ <u>190,949,171</u>	<u>192,574,153</u>	<u>(1)%</u>

Deferred Outflows of Resources

Deferred Outflows Related to Pensions

As a result of the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions An Amendment of GASB Statement No. 27*, the District recognized a deferred outflow of resources related to pension liability in the amount of \$18,073,527 and \$14,737,030 at June 30, 2019 and 2018, respectively.

Deferred Outflows Related to OPEB

As a result of the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the District recognized deferred outflows of resources related to OPEB liability in the amount of \$591,197 and \$462,153 at June 30, 2019 and 2018, respectively.

Deferred Outflows Related to Costs of Refunding Debt

The District recognized deferred outflows of resources related to costs of refunding debt in the amount of \$4,550,791 at June 30, 2019 and \$4,989,936 at June 30, 2018.

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Liabilities

Current Liabilities

Book Overdraft

Cash overdraft represents the checks, advices, and other charges outstanding at the end of fiscal year 2019, in excess of the bank balance. The amount increased to \$5,150,357 at June 30, 2019 from \$4,956,159 at June 30, 2018.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$4,026,811 at June 30, 2019, a decrease of \$619,804 over the balance of \$4,646,615 at June 30, 2018.

Unearned Revenues

Unearned revenues represent revenues that were received by the District during the fiscal year, but not earned at the end of the fiscal year. For example, the District allows students to pre-register in the second summer session which starts after June 30. In addition, the 8-week summer session has not been earned in full. The unearned revenue totaled \$2,233,474 at June 30, 2019 and \$1,610,317 at June 30, 2018.

Other Current Liabilities

Other current liabilities represents assets belongings to individuals or organizations for which the District acts as custodians. Examples includes various student clubs and organizations and agency scholarships. The total amount held for others at June 30, 2019 was \$539,377 and \$501,757 at June 30, 2018. This was an increase of \$37,620.

Compensated absences - Current Portion

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The current portion of the accrued compensated absences was calculated to be \$206,573 at June 30, 2019.

Long-Term Liabilities – Current Portion

Long-term liabilities – current portion represents balances that the District would expect to pay on notes and bonds, portion of long-term debt within the next fiscal year. The amount of the current portion of long-term debt liabilities at June 30, 2019 was \$3,268,000 and \$3,624,000 at June 30, 2018.

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Noncurrent Liabilities

Accrued Leave Liability

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The non-current portion of the accrued compensated absences was calculated to be \$2,298,962 at June 30, 2019. This was a decrease of \$297,408 from the amount at June 30, 2018 of \$2,596,370.

Long-term Liabilities, Non-Current Portion

This represents the portion of notes and bonds payable that are due after June 30, 2020. The amount of the non-current portion at June 30, 2019 was \$53,606,000 as compared to \$57,534,000 at June 30, 2018. The non-current portion of long-term debt decreased by \$3,928,000, due to the payment of principal during the year.

Bond Discount / Premium

The total amount of the bond discount, net of amortization was (\$81,590) at June 30, 2019. This was an increase from the balance of (\$87,683) reported at June 30, 2018. Bond premium, net of amortization was \$1,314,331 at June 30, 2019. This was a decrease from the balance of \$1,472,691 reported at June 30, 2018.

Net Pension Liability

The net pension liability at June 30, 2019 is \$139,260,215 compared to \$138,183,126 at June 30, 2018, which represents the District's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for those years. See Note 7 to the financial statements for further information regarding the District's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Net OPEB Liability

The District recognized a net OPEB liability - noncurrent-portion at June 30, 2019 in the amount of \$6,979,480 and a current portion of \$308,430. The amount of the OPEB liability as of June 30, 2018, was \$7,250,783, with \$6,941,671 being reflected as non-current and \$309,112 being reflected as current.

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Deferred Inflows of Resources

Deferred Inflows Related to Pensions

The District reflects a deferred inflow of resources related to the pension liability in the amount of \$11,231,144 and \$4,499,235 at June 30, 2019 and June 30, 2018, respectively. These amounts are related to differences in projected and actual earnings, expected and actual experience and changes in assumption used in the pension calculation.

Deferred Inflows Related to OPEB

The District recognized a deferred inflow of resources related to OPEB in the amount of \$519,278 at June 30, 2019, which is an increase from \$369,207 at June 30, 2018.

Net Position

Net Investment in Capital Assets

In fiscal year 2019, net investment in capital assets portion of the District's net position decreased by \$5,627,860 to \$137,393,221 at June 30, 2019.

Restricted Net Position

Restricted Net Position at June 30, 2019:

Capital Project Funds	\$ 5,357,088
Other Project Funds	<u>1,342,749</u>
Total Restricted Net Position	<u><u>\$ 6,699,837</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. Other Project funds consist of endowment funds or other grant funds with restrictions from the grantor on spending. Currently, the District will transfer amounts from the capital projects fund to the debt service fund to pay all principal, interest, and fees associated with bonds and notes payable.

Unrestricted Net Position

The following is a breakdown of the unrestricted net position at June 30, 2019:

Unrestricted General Fund (Deficit)	<u><u>\$ (116,853,315)</u></u>
-------------------------------------	--------------------------------

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the District such as donors or grant agencies. This include funds

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

that are normal working capital balances maintained for departmental and auxiliary enterprise activities. However, the District also experienced a decrease in state appropriations.

In connection with the implementation of standards on accounting and financial reporting for pensions and OPEB, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (116,853,315)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions and OPEB	<u>139,633,823</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ <u><u>22,780,508</u></u>

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 17,638,805	14,620,140
Grants and contracts	24,975,185	21,700,409
Auxiliary enterprises	17,459,298	17,144,744
Other operating revenue	1,722,803	1,546,666
Total operating revenues	61,796,091	55,011,959
Operating expenses	144,851,834	142,335,456
Net operating loss	(83,055,743)	(87,323,497)
Nonoperating revenues (expenses)		
State appropriations	31,947,467	31,679,782
Local appropriations	12,731,673	12,641,731
Federal grants and contracts	28,336,038	30,677,715
Investment income	325,888	123,655
Other nonoperating income (expense)	(2,074,578)	(2,873,106)
Nonoperating revenues, net	71,266,488	72,249,777
Income (loss) before other revenues	(11,789,255)	(15,073,720)
Federal capital grants	1,401,284	937,731
State & local appropriations restricted	9,254,446	10,766,983
Other non-operating revenues (expenses), net	182,746	1,181,478
Total Other Revenues	10,838,476	12,886,192
Changes in Net Position	(950,779)	(2,187,528)
Net Position, Beginning of Year, as previously reported	28,190,522	38,523,102
Prior Period Adjustment		(8,145,052)
Net Position, Beginning of Year, as restated	28,190,522	30,378,050
Net Position at End of Year	\$ 27,239,743	28,190,522

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2019

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues increased by \$6,784,132 and operating expenses increased by \$2,516,378. The operating loss for the fiscal year decreased by \$4,267,754 to (\$83,055,743). The operating loss for fiscal year 2018 was (\$87,323,497). The District will continue to show a significant operating loss since two of the largest funding sources, state and local appropriations are not included in operating revenues per GASB 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin and Warren.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$17,638,805. The amount increased by \$3,018,665 from the amount in fiscal year 2018, which was \$14,620,140. Our gross tuition and fees collected increased by \$1,928,042. The amount went from \$35,803,854 in fiscal year 2018 to \$37,731,896 in fiscal year 2019. The tuition discount for scholarship allowances, as estimated according to the National Association of College and University Business Officers' Advisory Report 2000-2005, for the fiscal year 2019 was \$20,091,093 compared to fiscal year 2018 amount of \$21,183,714. These number attempt to estimate the amount of financial aid refunds that the District disburses to students.

Grants and Contracts

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

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2019 and 2018:

		2019	2018
Federal	\$	15,922,901	12,491,871
State		8,656,533	8,803,456
Nongovernmental		395,751	405,082
Total all sources	\$	24,975,185	21,700,409

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

The District had \$3,431,030 increase in federal source grants in fiscal year 2019. State grants decreased by \$146,923 in fiscal year 2019.

Sales and Services from Educational Activities

Sales and services from educational activities include revenue from our child care programs, sales of product and services from our vocational programs, and athletic events. The amount for fiscal 2019 was \$342,224 and was \$333,525 for fiscal year 2018. The revenues increased \$8,699 in fiscal year 2019.

Auxiliary Sales and Services

Auxiliary sales and services consists of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. These enterprises 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 bookstore at each location, student housing, faculty housing, the Eagle Ridge Conference Center, Wellness Facilities on the Raymond and Utica Campuses, John Bell Williams Airport in Raymond, Brewed Awakenings Coffee Shop on the Rankin Campus, the Eagle Ridge golf course in Raymond, and the Meat Market in Raymond. Auxiliary enterprises revenues increased by \$314,554 from \$17,144,744 in fiscal year 2018 to \$17,459,298 in fiscal year 2019.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Operating Expenses

The following table details the District's operating expenses by natural and functional classification for the fiscal years ended June 30, 2019 and 2018:

Operating Expenses by Function with prior year figures and changes

	June 30, 2019	June 30, 2018	Increase (Decrease)
Instruction	\$ 55,958,331	51,377,862	4,580,469
Academic support	2,045,106	1,861,232	183,874
Student services	12,598,807	10,164,188	2,434,619
Institutional support	11,691,694	11,768,485	(76,791)
Operations and maintenance of plant	12,752,038	12,029,461	722,577
Student financial aid	12,459,969	13,755,715	(1,295,746)
Auxiliary enterprises	15,281,970	15,918,577	(636,607)
Bad debt expenses	1,018,418	816,121	202,297
Pension expenses	13,213,478	17,050,140	(3,836,662)
OPEB expenses	83,032	386,741	(303,709)
Depreciation	7,748,991	7,206,934	542,057
Total all sources	\$ <u>144,851,834</u>	<u>142,335,456</u>	<u>2,516,378</u>

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Operating Expenses by Natural Classification

	June 30, 2019	June 30, 2018	Increase (Decrease)
Salaries and wages	\$ 58,316,032	56,800,703	1,515,329
Fringe benefits	23,195,855	27,118,022	(3,922,167)
Travel	1,820,650	1,379,879	440,771
Contractual services	12,937,686	13,682,823	(745,137)
Utilities	3,424,252	3,515,232	(90,980)
Scholarships and fellowships	18,489,606	17,802,884	686,722
Commodities	14,363,503	12,009,699	2,353,804
Depreciation expense	7,748,991	7,206,934	542,057
Other operating expense	4,555,259	2,819,280	1,735,979
Total all sources	\$ 144,851,834	142,335,456	2,516,378

Nonoperating Revenues (Expenses)

State Appropriations

The District's largest source of nonoperating revenue is the appropriations from the State of Mississippi Legislature. The funds pass through the Mississippi Community College Board (MCCB) which calculates the District's share based on a funding formula. The District received \$31,947,467 for fiscal year ended June 30, 2019 and \$31,679,782 for fiscal year 2018, resulting in an increase of \$267,685.

County Appropriations

The District receives 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 \$12,731,673 for the fiscal year 2019 from the counties. The amount has increased \$89,942 from the fiscal year 2018 amount of \$12,641,731.

Federal Pell Grants

The District received \$28,336,038 in Pell grants for fiscal year 2019 which is a decrease of \$2,341,677 from last year's amount of \$30,677,715. The amount of Pell grants the District receives is based on how many Pell eligible students come to the District. During our 2018-2019

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

award year, there were 7,331 students with Pell funds disbursed. During our 2017-2018 award year, there were 7,538 students with Pell funds disbursed.

Net Investment Income

Net investment income includes the interest income from the cash in the bank accounts, various investments in certificates of deposit, federal bond funds, and money market accounts. The investment income for fiscal year 2019 was \$325,888. This was an increase of \$202,233 from fiscal year 2018 amount of \$123,655. This increase is due to an increase in investment accounts.

Other Revenues

Federal Capital Grants

The federal capital grants increased in fiscal year 2019 by \$463,553 to \$1,401,284. The majority of the federal funds received in fiscal year 2019 were from the Title II grant for renovation of the student union on the Utica Campus.

State and County Appropriation Restricted for Capital Purposes

State and county capital appropriations decreased by \$1,512,537 to \$9,254,446 in fiscal year 2019. Upon passage of a legislative bond bill in the Mississippi State Legislature, the State of Mississippi sells capital improvement bonds and those funds are allocated by the Mississippi Community College Board to each college based on an enrollment formula. The appropriations must be spent on renovations and repairs or construction of new facilities. The amount and the millage rates is set by the local county Board of Supervisors.

Other Nonoperating Revenues and Expenses

Other nonoperating revenues and expenses decreased \$998,732 to \$182,746 in fiscal year 2019.

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, 2019

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Years Ended June 30, 2019 and 2018

	June 30, 2019	June 30, 2018	Increase (Decrease)
Cash and cash equivalents provided (used) by			
Operating activities	\$ (71,113,043)	(71,785,478)	672,435
Noncapital financing activities	73,015,178	75,855,996	(2,840,818)
Capital and related financing activities	430,467	10,160,196	(9,729,729)
Investing activities	(207,401)	(10,530,719)	10,323,318
Net increase (decrease) in cash and cash equivalents	2,125,201	3,699,995	(1,574,794)
Cash and cash equivalents - beginning of year	6,708,374	3,008,379	3,699,995
Cash and cash equivalents - end of year	\$ 8,833,575	6,708,374	2,125,201

The major sources of funds included in operating activities include cash received from customers, \$17,246,766, grants, \$24,975,185, and sales and services of auxiliary enterprises, \$17,459,298. The major uses of funds were: payments made to employees, (\$84,107,979); to vendors (\$25,969,682); and others (\$18,451,986).

Factors Impacting Future Periods

The District is largely dependent on the ongoing financial and political support from the State of Mississippi and the counties in our district. The District saw record setting growth in enrollment during 2008-2010, after that the District has seen flat enrollment patterns. In particular, the summer sessions have seen decreases with the elimination of separate financial aid help for the summer and the increase in dual enrollment students.

Those enrollment trends are troubling because 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. Along with that concern, the District is concerned that the enrollment formula may change in the near future. The Mississippi State Legislature formed a graduation Task Force which suggested community colleges complete a report card to provide benchmarks for accountability, student graduation and completion rates. Some of those recommendations may include adding another component to the funding formula which rewards schools for their graduation or completion rates. To keep our financial picture bright, the District must focus on its ability to recruit and retain high quality students.

HINDSS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Tuition revenue continues to be our largest percentage of total revenue in fiscal year 2017 and beyond. 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 and increase in receivables are due in large part to the reduction in the amount of federal student financial aid flowing through our college. We are dependent on federal financial aid which makes us very sensitive to any proposed changes to federal financial aid funding.

With recruitment and retention in mind, the District continues a commitment to renovations and upgrading of our facilities. The District has upgraded the student union building on the Utica Campus and has plans for a new career technical building on the Raymond campus. We have opened a new CTE building on our Vicksburg campus that will provide additional instructional areas for new workforce programs and will be supported with Warren County millage.

Contact Information

This report is designed to provide a general overview of the District's finances for all those with an interest. Questions regarding these financial statements and requests for additional information should be addressed to the Vice President of Finance and Administration, P.O. Box 1100, Raymond, MS 39154.

FINANCIAL STATEMENTS

HINDS COMMUNITY COLLEGE DISTRICT

Statement of Net Position

June 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$	8,833,575
Short-term investments		8,395,806
Accounts receivable, net		15,389,265
Inventories		1,619,211
Total Current Assets		<u>34,237,857</u>

Non-current assets:

Endowment investments		48,242
Promissory Note		9,649,800
Capital assets, net		190,949,171
Total Non-current Assets		<u>200,647,213</u>

Total Assets		<u>234,885,070</u>
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Deferred Outflows of Resources

Pensions		18,073,527
OPEB		591,197
Deferred costs of refunding debt		4,550,791
Total Deferred Outflows of Resources		<u>23,215,515</u>

Liabilities

Current Liabilities:

Book overdraft		5,150,357
Accounts payable and accrued expenses		4,026,811
Unearned revenue		2,233,474
Other current liabilities		539,377
Compensated absences, current portion		206,573
Long-term debt - current portion		3,268,000
Net OPEB liability - current portion		308,430
Total Current Liabilities		<u>15,733,022</u>

Non-current liabilities:

Compensated absences, net of current portion		2,298,962
Long-term debt, net of current portion		53,606,000
Bond discount, net of amortization		(81,590)
Bond premium, net of amortization		1,314,331
Net pension liability		139,260,215
Net OPEB liability		6,979,480
Total Non-current Liabilities		<u>203,377,398</u>

Total Liabilities		<u>219,110,420</u>
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Deferred Inflows of Resources

Pensions		11,231,144
OPEB		519,278
Total Deferred Inflows of Resources		<u>11,750,422</u>

Net Position

Net investment in capital assets		137,393,221
Restricted for:		
Expendable		
Capital projects		5,357,088
Other projects		1,342,749
Unrestricted		(116,853,315)
Total Net Position	\$	<u>27,239,743</u>

The notes to the financial statements are an integral part of this statement.

HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>ASSETS</u>	
	2018	2017
CURRENT ASSETS:		
Unconditional promises to give, short-term	\$ 94,770	\$ 118,997
Total current assets	94,770	118,997
CASH AND CASH EQUIVALENTS, DESIGNATED FOR LONG-TERM USE	9,337,521	13,121,765
INVESTMENT IN MARKETABLE SECURITIES	12,040,114	13,082,613
PROPERTY AND OTHER ASSETS:		
Property	210,762	211,162
Property held for sale, net of valuation allowance	17,000	17,000
Construction in progress	4,842,397	373,693
Loan costs	1,028,827	1,011,900
Total property and other assets	6,098,986	1,613,755
OTHER RECEIVABLES:		
Unconditional promises to give,		
Net of short-term portion	36,980	91,150
Total other receivables	36,980	91,150
TOTAL ASSETS	<u>\$ 27,608,371</u>	<u>\$ 28,028,280</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,927	\$ -
NON CURRENT LIABILITIES:		
Notes payables	13,880,000	13,880,000
TOTAL LIABILITIES	13,896,927	13,880,000
NET ASSETS:		
Without donor restrictions	596,762	733,264
With donor restrictions	13,114,682	13,415,016
Total net assets	13,711,444	14,148,280
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,608,371</u>	<u>\$ 28,028,280</u>

See accompanying notes to financial statements.

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues:		
Tuition and fees (net of scholarship allowances of \$20,093,091)	\$	17,638,805
Federal grants and contract		15,922,901
State grants and contracts		8,656,533
Nongovernmental grants and contracts		395,751
Sales and services of educational departments		342,224
Auxiliary enterprises:		
Student housing		3,793,553
Food Services		3,265,828
Bookstore		7,854,286
Other auxiliary enterprises		2,545,631
Other operating revenues		1,380,579
Total Operating Revenues		<u>61,796,091</u>
Operating Expenses:		
Salaries and wages		58,316,032
Fringe benefits		23,195,855
Travel		1,820,650
Contractual services		12,937,686
Utilities		3,424,252
Scholarships and fellowships		18,489,606
Commodities		14,363,503
Depreciation expense		7,748,991
Other operating expense		4,555,259
Total Operating Expenses		<u>144,851,834</u>
Operating (Loss)		<u>(83,055,743)</u>
Non-operating Revenues(Expenses)		
State appropriations		31,947,467
County appropriations		12,731,673
Federal grants and contracts		28,336,038
Investment income		325,888
Interest expense on capital asset-related debt		(2,074,578)
Total Net Non-operating Revenue		<u>71,266,488</u>
Loss before capital appropriations		<u>(11,789,255)</u>
Federal capital grants		1,401,284
Other non-operating revenues		182,746
State and Local Appropriations		9,254,446
Total Other Revenues		<u>10,838,476</u>
Change in Net Position		<u>(950,779)</u>
Net Position:		
Net Position - Beginning		<u>28,190,522</u>
Net Position - End of Year	\$	<u><u>27,239,743</u></u>

The notes to the financial statements are an integral part of this statement.

HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT:		
Gifts and pledges	\$ 121,927	\$ 31,605
Interest and investment income	40,143	34,099
Special events	98,125	83,621
Realized gain on investments	11,068	90,091
Other income	13,699	237
Total without donor restriction support	<u>284,962</u>	<u>239,653</u>
Net assets released from restrictions	<u>1,724,911</u>	<u>1,011,339</u>
Total without donor restrictions support and reclassifications	2,009,873	1,250,992
EXPENSES:		
Program services:		
Scholarships	1,411,951	642,068
Faculty and staff development	102,336	35,406
College departments and organizations	128,878	233,408
Alumni groups	7,474	23,167
Cain Hall	985	1,089
Grants	33,210	64,087
Other	454	-
Total program services	<u>1,685,288</u>	<u>999,225</u>
Supporting services:		
General administration	167,030	148,870
Fundraising	120,656	117,666
Total supporting services	<u>287,686</u>	<u>266,536</u>
Total expenses	1,972,974	1,265,761
UNREALIZED GAIN/(LOSS) ON INVESTMENTS	<u>(176,899)</u>	<u>30,236</u>
Increase/(decrease) in net assets without donor restrictions	<u>(140,000)</u>	<u>15,467</u>

See accompanying notes to financial statements.

**HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES - CONTINUED
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
SUPPORT:		
Gifts and pledges	1,698,898	1,042,097
Interest and investment income	327,547	269,277
Realized gain on investments	554,327	445,368
New market tax credit program income	463,438	147,725
Centennial income	60,125	423,821
Total with donor restrictions support	<u>3,104,335</u>	<u>2,328,288</u>
Net assets released from restrictions	<u>(1,724,911)</u>	<u>(1,011,339)</u>
Total with donor restrictions support and reclassifications	1,379,424	1,316,949
UNREALIZED GAIN/(LOSS) ON INVESTMENTS	<u>(1,676,260)</u>	<u>606,034</u>
Increase/(decrease) in net assets with donor restrictions	<u>(296,836)</u>	<u>1,922,983</u>
INCREASE/(DECREASE) IN NET ASSETS	<u><u>\$ (436,836)</u></u>	<u><u>\$ 1,938,450</u></u>

See accompanying notes to financial statements.

**HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Total</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>
BALANCE, December 31, 2016	\$ 12,209,830	\$ 723,697	\$ 11,486,133
Reclassifications	-	-	-
Intra-fund transfers	-	(5,900)	5,900
Increase in net assets	<u>1,938,450</u>	<u>15,467</u>	<u>1,922,983</u>
BALANCE, December 31, 2017	<u>14,148,280</u>	<u>733,264</u>	<u>13,415,016</u>
Reclassifications	-	(489)	489
Intra-fund transfers	-	3,987	(3,987)
Decrease in net assets	<u>(436,836)</u>	<u>(140,000)</u>	<u>(296,836)</u>
BALANCE, December 31, 2018	<u><u>\$ 13,711,444</u></u>	<u><u>\$ 596,762</u></u>	<u><u>\$ 13,114,682</u></u>

See accompanying notes to financial statements.

HINDS COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	17,246,766
Cash received from grants		24,975,185
Sales and services of auxiliary enterprises		17,459,298
Cash payments to employees		(84,107,979)
Cash payments to suppliers for goods and services		(25,969,682)
Cash payments to other organizations		(18,451,986)
Cash received from others		1,667,457
Other receipts (payments)		(3,932,102)
Net Cash Provided (Used) from Operating Activities		<u>(71,113,043)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Apropriations		44,679,140
Grants received		28,336,038
Net Cash Provided (Used) from Non-capital Financing Activities		<u>73,015,178</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid		(4,284,000)
Acquisition of capital assets		(6,124,009)
Appropriations		10,838,476
Net Cash Provided (Used) from Capital and Related Financing Activities		<u>430,467</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments		1,541,289
Interest		(1,748,690)
Net Cash Provided (Used) from Investing Activities		<u>(207,401)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

		<u>2,125,201</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>6,708,374</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<u><u>8,833,575</u></u>

The notes to the financial statements are an integral part of this statement.

HINDS COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (83,055,743)
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:	
Depreciation	7,748,991
Amortization	(152,267)
Changes in assets, deferred outflows, liabilities and deferred inflows of resources:	
Accounts receivable, net	(734,263)
Inventories	80,438
Prepaid expenses	39,597
Deferred outflows	(3,026,396)
Accounts payable and accrued expenses	(619,804)
Book overdraft	194,198
Unearned revenues	623,157
Other liabilities	37,620
Net pension liability	1,077,089
OPEB liability	37,127
Deferred inflows	6,881,980
Compensated absences	(244,767)
Total Adjustments	11,942,700
Net Cash Provided (Used) from Operating Activities	\$ (71,113,043)

The notes to the financial statements are an integral part of this statement.

HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(Decrease) in net assets	\$ (436,836)	\$ 1,938,450
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain)/loss on investments	1,853,159	(636,270)
Realized gain on sale of investments	(565,395)	(535,459)
Contribution of marketable securities	-	(10,518)
Donated construction cost HCC	(428,103)	
(Increase)/decrease in:		
Unconditional promises to give, short-term	24,227	(111,528)
Unconditional promises to give, long-term	54,170	(83,040)
Increase/(decrease) in:		
Accounts payable	<u>16,927</u>	<u>-</u>
Net cash provided by operating activities	<u>518,149</u>	<u>561,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	400	-
Capitalized construction and loan costs	(4,057,528)	(1,385,593)
Purchase of investments	(6,868,076)	(5,256,612)
Proceeds from sale of investments	<u>6,622,811</u>	<u>4,878,201</u>
Net cash used in investing activities	<u>(4,302,393)</u>	<u>(1,764,004)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	<u>-</u>	<u>13,880,000</u>
Net cash provided by financing activities	<u>-</u>	<u>13,880,000</u>
Net increase/(decrease) in cash and cash equivalents	(3,784,244)	12,677,631
CASH AND CASH EQUIVALENTS, beginning of year	<u>13,121,765</u>	<u>444,134</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 9,337,521</u></u>	<u><u>\$ 13,121,765</u></u>

See accompanying notes to financial statements.

Hinds Community College District

Notes to the Financial Statements
For the Year Ended June 30, 2019

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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 College is found in Section 37-29-31, Miss. Code Ann. (1972).

The District is governed by a 15 member Board of Trustees, selected by the Board of Supervisors of Hinds, Rankin, Warren, Copiah and Claiborne Counties who support the District through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the 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.

Hinds Community College Foundation (the "Foundation") is a legally separate, tax-exempt organization chartered in the State of Mississippi in 1979 to enhance the educational mission of the District by providing a vehicle for private sector support and by increasing community awareness of the programs and services offered by the District. The Foundation's support is primarily provided by contributions from alumni and other individuals and businesses. The Foundation is being included as a discretely presented component unit in the District's basic financial statements, in accordance with the criteria outlined by GASB.

With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the District's financial report for differences between GASB and the Financial Accounting Standards Board (FASB).

A separate financial statement of the Foundation can be obtained by contacting Hinds Community College Foundation, P.O. Box 1100, Raymond, MS 39154-1100.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999, respectively. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the District's financial activities.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

The basic financial statements of the District have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market mutual funds and certificates of deposit.

Short-term Investments

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

Accounts Receivables, Net

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

Inventories

Inventories consist of the bookstore, agriculture and meat merchandising. Inventories are stated at the lower of cost or market. Cost is determined using either the first-in, first-out (FIFO) method or the average method.

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the statement of net position.

Other Long-term Investments

The District accounts for its investments at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

reported as a component of investment income on the statement of revenues, expenses and changes in net position.

Investments

The District has investments in certificates of deposit and U.S. Treasury Securities which are short-term in nature and for which the fair value approximates cost. The fair value of all the District's investments in marketable securities are based upon quoted prices for these securities in active markets (Level 1 Measurements). Gains or losses on investments are reported in the statement of revenues, expenses and changes in net position as increases or decreases in unrestricted net position unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Fair Value Measurements

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

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

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

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

GAAP requires disclosures of an estimate of fair value of certain financial instruments. The District's significant financial instruments are cash, accounts receivable, marketable securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Capital Assets, Net of Accumulated Depreciation

Capital assets are recorded at cost at the date of acquisition, or if donated, at fair value at the date of donation. Livestock for educational purposes is adjusted at year end to reflect market price. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses 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 purposes. No interest costs were capitalized for the year ended June 30, 2019.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

The following is to computed depreciation.

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

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows of resources and deferred inflows of resources presented in the financial statements pertain to the pension plan, other post-employment benefits (OPEB) and cost of refunding debt as further described in Note 7 and Note 8.

Compensated Absences

Full-time employees earn annual leave after six months of employment at a rate of 8 hours per month for 6 months; 10 hours per month for 1 to 5 years of service; 12 hours per month for 5 or more years of service. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid up to 240 hours of accumulated annual leave.

HINDS COMMUNITY COLLEGE DISTRICT

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NOTES TO FINANCIAL STATEMENTS

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

Net Position

Net position is classified into three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of borrowing used to finance the purchase or construction of those assets. Nonexpendable restricted net position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowing. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable or nonexpendable net position.

The District reported a deficit for unrestricted net position of (\$116,853,315). This deficit can be attributed to the full recognition of net pension and OPEB liabilities.

Classification of Revenues

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowance, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

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

State Appropriations

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

Scholarship Discounts and Allowance

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, 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 and Investments

Cash, Cash Equivalents and 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 credit risk is the risk that, in the event of a depository failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. Deposit above FDIC coverage are

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

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

The carrying amount of deposits with financial institutions reported in the statement of net position as unrestricted cash and cash equivalents was \$8,833,575 for the District.

Investments

Credit Risk - Investment policies are set forth by state statute. Investments are reported at fair value (market). The District does not have a formal investment policy that addresses credit risk. Section 37-59-43, Miss. Code Ann. (1972), authorizes the District to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest-bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or close-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration.

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2019 there is no custodial credit risk associated with any investments.

Concentration of Credit Risk - Disclosure of investments by amounts and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds and external investments pools, and other pooled investments. As of June 30, 2019,

HINDS COMMUNITY COLLEGE DISTRICT

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NOTES TO FINANCIAL STATEMENTS

the District did not have any investments to which this would apply.

As of June 30, 2019, the District had the following investments.

Investment Type		Fair Value
Short-term investments	\$	8,395,806
Marketable securities		48,242
Total	\$	<u>8,444,048</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Short-term investments of \$8,395,806 are valued using quoted market prices (Level 1 inputs)
- Marketable securities of \$48,242 are valued using quoted market prices (Level 1 inputs)

Note 3. Accounts Receivable

The District's accounts receivable at June 30, 2019 consisted of the following:

Student tuition	\$	8,645,862
Federal, state, and private grants and contracts		5,285,050
State appropriations		220,685
Other		<u>2,764,902</u>
Total accounts receivable		16,916,499
Less allowance for doubtful accounts		<u>(1,527,234)</u>
Accounts receivable - end of year	\$	<u>15,389,265</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 4. Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCRF Investor 120, LLC (the borrower). The note commenced on December 18, 2017. The note is secured by a security agreement with the borrower. Interest is due to the District quarterly on March 15, June 15, September 15 and December 15 of each year. Interest will be earned at an annual rate of 1%. The balance of the promissory note at June 30, 2019 was \$9,649,800.

Payments will be made for interest only through December 15, 2024; commencing on March 15, 2025 payments of principal and interest will be made. The note matures on December 17, 2047. See Note 17.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 is presented as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,557,303	51,750			7,609,053
Construction in progress	6,605,606	3,581,774	3,680	(4,457,081)	5,726,619
Livestock	68,900				68,900
Total non-depreciable capital assets	14,231,809	3,633,524	3,680	(4,457,081)	13,404,572
<u>Depreciable capital assets:</u>					
Buildings	174,866,295	347,000			175,213,295
Improvements -buildings and other	86,115,136	212,030		4,457,081	90,784,247
Library books	2,971,450	133,036	91,302		3,013,184
Furniture and equipment	18,034,266	1,827,597	332,627		19,529,236
Total depreciable capital assets	281,987,147	2,519,663	423,929	4,457,081	288,539,962
<u>Less accumulated depreciation for:</u>					
Buildings	62,940,059	3,110,419			66,050,478
Improvements -buildings and other	25,596,366	3,225,227			28,821,593
Library books	2,119,016	165,050	82,172		2,201,894
Furniture and equipment	12,989,362	1,248,295	316,259		13,921,398
Total accumulated depreciation	103,644,803	7,748,991	398,431	0	110,995,363
Total depreciable capital assets, net	178,342,344	(5,229,328)	25,498	4,457,081	177,544,599
Total capital assets, net	\$ 192,574,153	(1,595,804)	29,178	0	190,949,171

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method.

HINDS COMMUNITY COLLEGE DISTRICT
For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

The details of construction-in-progress are as follows:

Governmental Activities:	Spent to June 30, 2019	Remaining Commitments
Pedestrian Sidewalk - Raymond - MDOT	\$ 36,074	1,500,000
Cosmetology Building Renovation- Utica	2,255,421	225,000
Grey-Partridge Vo-Tech Ren. Phase 1	344,063	8,000,000
Williams Dorm Replacement	615,859	
Soccer Tennis Facility	83,220	600,000
ATC Tech Nest	116,535	25,000
RY Robotics Lab	68,740	5,000
T-Hangar Taxi Lane	230,655	230,000
FAA Subsurface Drainage Improvement	102,984	120,000
Jackson ATC Alexander Cooling Tower	875,319	675,000
RY Fab Lab	157,048	36,000
Admin Bldg Renovation		140,000
Music Instructional Area PBI Grant-RY	43,965	60,000
RK Mechatronics Lab	796,736	803,200
Total	\$ 5,726,619	12,419,200

Construction projects included above are funded through federal sources \$226,000, state sources (BoB) \$10,841,000 and institutional sources \$1,352,200.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2019.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2019, is listed in the following schedule.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds and Notes Payable								
2011 MS Dev Bank-Raymond Dorm Bonds	\$ 18,330,000	3.00-5.25%	4/01/21	\$ 1,325,000		425,000	900,000	440,000
2012 Mayo Refunding Notes	4,395,000	2.00%	4/01/20	1,305,000		1,305,000	0	
2009 Rankin Facilities Bonds	27,035,000	3.00-5.75%	10/01/19	1,445,000		615,000	830,000	830,000
2015 Utica Student Union Note	5,000,000	.50-1.80%	2/01/22	3,013,000		712,000	2,301,000	739,000
2016 MS Development Bank, Refunding Bond	26,060,000	3.00-5.30%	10/01/33	25,700,000		190,000	25,510,000	190,000
2017 Education Facilities Refunding	3,095,000	2.25%	4/01/23	2,600,000		490,000	2,110,000	505,000
2017 HCCD General Taxable Obligation Note	8,000,000	3.99%	8/01/32	8,000,000		392,000	7,608,000	409,000
2017 MS Dev Bank - Special Obl Refunding Bonds	17,700,000	3.22%	4/01/41	17,770,000		155,000	17,615,000	155,000
				<u>\$ 61,158,000</u>	<u>0</u>	<u>4,284,000</u>	<u>56,874,000</u>	<u>3,268,000</u>
Bond Discount/Premium								
Bond discount, net				(87,683)		(6,093)	(81,590)	
Bond premium, net				1,472,691		158,360	1,314,331	
Bonds and Notes Payable, net				<u>\$ 62,543,008</u>	<u>0</u>	<u>4,436,267</u>	<u>58,106,741</u>	
Accrued leave liability				<u>\$ 2,750,302</u>		<u>244,767</u>	<u>2,505,535</u>	<u>206,573</u>

The following is a schedule by years of the total payments due on this debt:

Year Ended June 30	Principal	Interest	Total
2020	\$ 3,268,000	2,260,425	5,528,425
2021	3,443,000	2,547,853	5,990,853
2022	3,579,000	1,690,376	5,269,376
2023	2,913,000	1,590,734	4,503,734
2024	2,468,000	1,494,911	3,962,911
2025-2029	15,050,000	5,902,048	20,952,048
2030-2034	18,873,000	2,782,580	21,655,580
2035-2039	5,030,000	861,694	5,891,694
2040-2041	2,250,000	110,013	2,360,013
Total	<u>\$ 56,874,000</u>	<u>19,240,634</u>	<u>76,114,634</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The District contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the numbers of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00 % of their annual covered salary, and the institution is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The District's contributions to PERS for the fiscal years ending June

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

30, 2019, 2018 and 2017 were \$8,663,100, \$8,421,005, and \$8,398,784, respectively, which equaled to the required contributions for each year.

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

At June 30, 2019, the District reported a liability of \$139,260,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The District's proportionate share used to calculate the June 30, 2019 net pension liability was 0.837254 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.005997 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$13,135,500. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 604,029	582,847
Net difference between projected and actual earnings on pension plan investments.		10,512,640
Changes of assumptions	81,580	75,876
Changes in proportion and differences between contributions and proportionate share of contributions	8,724,818	59,781
Contributions subsequent to the measurement date	8,663,100	
	<u>\$ 18,073,527</u>	<u>11,231,144</u>

\$8,663,100 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Year Ending June 30:	
2020	\$ 1,997,985
2021	(144,401)
2022	(3,048,035)
2023	(626,266)
Total	\$ <u>(1,820,717)</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 183,365,743	\$ 139,260,215	\$ 102,602,698

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 8. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

HINDS COMMUNITY COLLEGE DISTRICT

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NOTES TO FINANCIAL STATEMENTS

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/ junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$324,856 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$7,287,910 proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30,

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

2018, the District's proportion was 0.94213820 percent. This was an increase of 0.01801129 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$407,888. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,839	\$
Change of assumptions		519,278
Changes in proportion and differences between District contributions and proportionate share of contributions	251,502	
District contributions subsequent to the measurement date	324,856	
Total	\$ <u>591,197</u>	\$ <u>519,278</u>

\$324,856 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2020	\$ (51,923)
2021	(51,923)
2022	(51,923)
2023	(51,923)
2024	(40,162)
Thereafter	(5,083)
Total	\$ <u>(252,937)</u>

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50 percent
Municipal Bond Index Rate	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89 percent
Prior Measurement Date	3.56 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Pre-Medicare	

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

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage point higher (4.89 percent) than the current discount rate:

		1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$	8,078,468	\$ 7,287,910	\$ 6,608,007

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$	6,751,014	\$ 7,287,910	\$ 7,897,671

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 9. Prior Year Defeasance of Debt

In prior years, the District defeased the 2009 Rankin Facilities Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2019, \$23,825,000 of bonds outstanding are defeased.

Note 10. Leases

Leased property under operating leases is comprised mainly of copiers and other business equipment with original lease terms ranging from three to five years. Total rental expense for the year ended June 30, 2019 was \$38,174. In 2017, a 10 van 60 month lease was executed as result of a cost benefit analysis. In 2018, a 60 golf cart 48 month lease was entered into to save working capital at the time. The following is a schedule of the future minimum rental payments required under those operating leases:

Year		Amount (Monthly)
2020	\$	17,173
2021		11,826
2022		8,276
Total	\$	<u>37,275</u>

As further discussed in Note 17, the District and the Foundation are constructing a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program. In connection with this project, the District and the Foundation executed leases considered necessary to complete the transaction between the Foundation and the District to move forward with construction.

The initial lease is a ground lease whereby the District leases to the Foundation the land at the Vicksburg-Warren campus where the building is to be constructed. This lease has a term of fifty years from December 18, 2017, and consideration paid to the District under the lease was \$10. Upon expiration of the ground lease agreement described above, the Foundation will surrender to the District the land and all improvements constructed on the land.

Secondary to the ground lease, the District and the Foundation entered into a lease whereby the District will lease the completed building from the Foundation. This lease commences on June 1, 2019 and has a term of twenty-nine years. This lease will be paid in quarterly installments of \$25,000 ranging to \$125,000 over a period of twenty-eight years and seven months. In addition to the quarterly payments, the District will pay all operating costs relating to the building, including utilities, taxes, insurance and any operating maintenance costs.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Finally, the District and the Foundation entered into an equipment lease whereby the District will lease from the Foundation certain furniture, fixtures, and equipment to be installed in the completed building. This equipment lease commences on June 1, 2019 and has a term of five years. The lease requires quarterly installments of \$129,556 for the term of the lease. In addition to the quarterly payments, the District will pay all operating and maintenance cost associated with the leased items. At the expiration of the lease all leased items will revert to the Foundation.

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

Year		Equipment	Building	Total
2020	\$	518,225	100,000	618,225
2021		518,225	200,000	718,225
2022		518,225	300,000	818,225
2023		518,225	400,000	918,225
2024		215,927	500,000	715,927
Total	\$	<u>2,288,827</u>	<u>1,500,000</u>	<u>3,788,827</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS**Note 11. Natural Classifications with Functional Classifications**

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 37,154,962	5,975,082	628,257	3,649,682	9,746
Academic support	1,210,543	234,252	18,115	180,437	
Student services	6,435,729	1,109,457	960,183	1,265,035	
Institutional support	6,272,383	954,248	162,553	3,650,764	
Operating of plant	4,654,917	1,139,394	9,842	3,353,362	2,371,845
Student aid				(20,893)	
Auxiliary enterprises	2,587,498	486,912	41,700	859,299	1,042,661
Bad debt expense					
Pension expense		13,213,478			
OPEB expense		83,032			
Depreciation					
Total operating expenses	\$ <u>58,316,032</u>	<u>23,195,855</u>	<u>1,820,650</u>	<u>12,937,686</u>	<u>3,424,252</u>

	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 5,080,904	2,303,022		1,156,676	55,958,331
Academic support		49,287		352,472	2,045,106
Student services	293,820	1,097,223		1,437,360	12,598,807
Institutional support	1,156	164,108		486,482	11,691,694
Operating of plant		1,222,678			12,752,038
Student aid	12,421,021	59,841			12,459,969
Auxiliary enterprises	692,705	9,467,344		103,851	15,281,970
Bad debt expense				1,018,418	1,018,418
Pension expense					13,213,478
OPEB expense					83,032
Depreciation			7,748,991		7,748,991
Total operating expenses	\$ <u>18,489,606</u>	<u>14,363,503</u>	<u>7,748,991</u>	<u>4,555,259</u>	<u>144,851,834</u>

Note 12. Contingencies

Federal Grants - The District has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expense or disbursement of resources for allowable purposes. Any disallowance resulting from the grantor audit may become a liability of the District.

Litigation - The District is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the outcome or liability,

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

if any, of the District with respect to the various proceedings. However, the District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the District.

Note 13. Related Party Transactions

The District provides facilities to the Foundation at no charge. The value associated with these items has not been recorded, as it would not be material.

The Foundation did not owe the District for payroll related expenses of the Donor Relations/Specialist Projects Coordinator as of June 30, 2019.

Other transactions between the Foundation and the District for the year ended June 30, 2019 are as follows:

Scholarships to the District	\$	482,839
Reimbursement to the District		
For Salaries and Miscellaneous		55,332
Various fees to the District		<u>18,783</u>
	\$	<u>556,954</u>

Note 14. Risk Management

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

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

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

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

Note 16. Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$116,853,315) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$8,663,100 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$9,410,427 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$116,853,315) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$11,231,144 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The net investment in capital assets amount of \$137,393,221 includes the effect of deferring the recognition of expenses resulting from costs of refunding debt. The \$4,550,791 balance of deferred outflow of resources related to costs of refunding debt, at June 30, 2019 will be recognized as expense and will decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$116,853,315) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$324,856 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$266,341 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

The unrestricted net position amount of (\$116,853,315) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$519,278 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 17. New Market Tax Credit Program

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

The transaction was structured with the Foundation establishing a separate operating segment as the qualified active low-income community business for the purpose of administering the loan proceeds, constructing the facility, renting the facility to the District and making payments on the loan (See Note 10 for lease information). The \$13,880,000 loan carries an interest rate of 1.307692% and is collateralized by the building. Payments on this loan will be interested only through the year 2024 and principal and interest beginning in 2025 through December 17, 2047.

The District is involved with certain financing of the program. The District received donations from the Enhanced Capital Mississippi NMTC Investment Fund III, LLC and Hinds Mississippi Credit Fund, LLC totaling \$1,847,526. The District also issued its Taxable General Obligations Notes, Series 2017, in the original principal amount of \$8,000,000 in 2018. The proceeds from these transactions were used to provide a loan to COCRF Investor 120, LLC (borrower). See Note 4 for details on the promissory note to the borrower.

Note 18. Hinds County Schools Vocational Technical Center

On June 30, 2018 Hinds Community College entered into an agreement with the Hinds County School District for the operation of the Hinds County School District Career and Technical Center. This was to serve the needs of Hinds County School District in the areas of secondary Career and Technical education in providing training opportunities to secondary students during the normal school day. The College was designated as the operating agent to provide staffing, scheduling, and support of career and technical course offerings. The College would prepare and submit the proper state and federal requests to the appropriate agencies.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2019

NOTES TO FINANCIAL STATEMENTS

Note 19. Other Matters

Due to the recent COVID-19 pandemic, the District has directed students to continue through off-campus distance learning for the remainder of the spring 2020 semester. In addition, the onset of this pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

Note 20. Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the District evaluated the activity of the District through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

On May 21, 2020, the District reimbursed the Hinds County Board of Supervisors for the .92 mill levy for One-Stop Center reimbursement of levy appropriations in the amount of \$4,192,964. On September 14, 2017 the Hinds County Board of Supervisors approved a tax levy increase of .92 mills for Hinds Community College to be used for Workforce Development. The Board of Trustees of Hinds Community College at their May 6, 2020, meeting voted not to proceed with the proposed Workforce Development project.

Hinds Community College Foundation
Component Unit
Notes to the Financial Statements
For the Year Ended December 31, 2018

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation

The Foundation was established 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 is supported primarily through donor contributions from alumni, area business organizations, and community friends in central Mississippi. The Foundation’s offices are located on the Raymond, Mississippi campus of HCC.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Amounts are written off when all collection efforts have been exhausted. Accounts are considered past due if not paid in accordance with pledge terms. Interest is not assessed on outstanding balances. Promises to give, due in subsequent years, are recorded at the amount pledged. No provision has been made to establish an allowance for doubtful accounts, as all promises to give are considered collectible at their full realizable value.

Non-monetary gifts are recorded at fair market value at the date of contribution.

Contributed Services

During the years ended December 31, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Investments, Property and Other Real Estate

All investment income, gains, and losses are accounted for in the fund where the investment is allocated whether that is with or without donor restrictions. Investments in marketable debt and equity securities are reported at fair market values. The Foundation's investments are classified as available for sale.

The Foundation's Finance Committee meets annually to review all investments. The Finance Committee makes a recommendation to the full Board at its annual meeting as to the entity with which the Foundation will invest the majority of its funds and the manner in which the funds can be invested.

Donated securities are recorded at their fair market value on the date of the gift. Any gain or loss resulting from the sale of securities or other assets, as well as commissions, brokerage fees and other costs of the sale, are borne by the fund benefiting from the contributing assets.

Unless impaired, the Foundation carries its real estate and other donated property at the fair market value as of the dates the investments were donated to the Foundation.

Investment income has been reduced by investment fees of \$52,516 and \$49,468 for the years ended December 31, 2018 and 2017, respectively.

Functional Classification

The financial statements present expenses by functional classification in accordance with the overall service mission of the Foundation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of resources invested in checking accounts and money market funds.

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for scholarships and related support.

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Certain long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

Investment Policy

Restricted assets for the Foundation at December 31, 2018 and 2017 include an endowment fund. Contributions to the fund are subject to donor restrictions that stipulate the original principal amount of the gift is to be held and invested by the Foundation indefinitely.

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

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

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

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment Policy – Continued

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

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

Interpretations of Relevant Law

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

Spending Policy

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

NOTE B. INVESTMENTS

At December 31, 2018 and 2017, the Foundation's investments were valued at a fair market value of \$12,040,114 and \$13,082,613, respectively, resulting in unrealized loss on investments of \$1,853,159 at December 31, 2018 and unrealized gain of \$636,270 at December 31, 2017.

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE B. INVESTMENTS – CONTINUED

At December 31, 2018, investments were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 3,400,221	\$ 3,415,272
Common stock	5,729,061	5,811,856
Fixed income	2,080,706	2,009,585
Alternative	<u>861,805</u>	<u>803,401</u>
	<u>\$ 12,071,793</u>	<u>\$ 12,040,114</u>

At December 31, 2017, investments were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 3,629,114	\$ 4,284,288
Common stock	4,440,587	5,644,915
Fixed income	<u>3,169,134</u>	<u>3,153,410</u>
	<u>\$ 11,238,835</u>	<u>\$ 13,082,613</u>

A summary of other data for marketable securities is as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Proceeds from sales	<u>\$ 6,622,811</u>	<u>\$ 4,878,201</u>
Realized gain from sales	<u>\$ 565,395</u>	<u>\$ 535,459</u>

NOTE C. FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The method used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE C. FAIR VALUE MEASUREMENTS – CONTINUED

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets or liabilities; and Level 3 inputs consist of unobservable inputs and have the lowest priority.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Foundation during 2018. There have been no changes in the methodologies used at December 31, 2018.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017**

NOTE C. FAIR VALUE MEASUREMENTS – CONTINUED

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Foundation at year-end. The fair values of common stock and corporate bonds are based on quoted market prices in an active market.

The Foundation's investments are stated at fair value. Purchases and sales of securities are recorded on trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE D. DONATED PROPERTY AND OTHER ASSETS

At December 31, 2018 and 2017, property and other real estate consisted of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Land and buildings	\$ 187,000	\$ 187,000
Artwork	<u>23,762</u>	<u>24,162</u>
	<u>\$ 210,762</u>	<u>\$ 211,162</u>

The Foundation has additional real estate assets which they are actively marketing for sale. At both December 31, 2018 and 2017, these assets were valued at \$17,000.

NOTE E. UTILIZATION OF HINDS COMMUNITY COLLEGE'S FACILITIES AND STAFF

Hinds Community College provides facilities to the Foundation at no charge. The value associated with these items has not been recorded, as it would not be material.

The Foundation did not owe HCC for payroll related expenses of the Donor Relations/Special Projects Coordinator as of December 31, 2018 and 2017.

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE F. RETIREMENT PLAN

The Foundation has one employee who participates in the retirement plan provided by the Hinds Community College District (“HCCD”). The plan is covered by the Public Employees Retirement System of Mississippi, a cost sharing, multiple-employer, defined benefit public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or (800) 444-PERS. The Foundation reimburses HCCD for these costs. Employer contributions were \$5,682 and \$5,107 for 2018 and 2017, respectively.

NOTE G. SUBSEQUENT EVENTS

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

NOTE H. RESTRICTED ASSETS – CASH AND INVESTMENTS

The Foundation had approximately \$9,337,521 and \$13,121,765 of cash and cash equivalents and \$11,525,375 and \$12,472,616 of investments restricted by donors at December 31, 2018 and 2017, respectively. The restricted assets can only be used in accordance with donor restrictions and are not available to the Foundation for general expenditures.

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE I. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Provide scholarship assistance	\$ 10,703,409	\$ 11,438,875
Provide for college departments and foundations	409,206	390,366
Provide for faculty and staff development	667,807	729,581
Provide for alumni chapters	52,869	58,438
Grants	13,002	47,043
New market tax credit	168,060	202,498
Other	<u>1,100,329</u>	<u>548,215</u>
	<u>\$ 13,114,682</u>	<u>\$ 13,415,016</u>

NOTE J. INCOME TAXES

The Foundation is a non-profit foundation, which is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

In evaluating the Foundation's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Foundation believes their estimates are appropriate based on the current facts and circumstances.

NOTE K. INTRA-FUND REVENUES AND EXPENSES

The Foundation records revenues when contributions are received from various college organizations. When these organizations determine that they wish to pay scholarships with the monies received, the Foundation expenses the monies out of the organization's accounts and then recognizes the scholarship income. When the scholarships are actually paid by the Foundation, they expense these monies a second time. The Intra-fund revenues line in the donor restricted section of the statement of activities represents those monies that have been recognized as revenues twice and reduces the donor restricted support to the actual support received by the Foundation. Consequently, the Intra-fund expenses line, in the program services expense section, represents those monies that have been recognized as expenses in lieu of an intra-fund reclassification of monies, providing accurate totals for donor restricted support, as well as overall program expenses. This presentation is utilized so the Foundation can continue to account for the source of funds consistent with their internal reporting.

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE L. ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2018 and 2017 consist of an endowment fund established to support scholarships and other departments for Hinds Community College. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended for scholarships.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2018 and 2017 are as follows:

Endowment net assets, December 31, 2016	\$ 7,990,679
Contributions	164,650
Scholarship transfers	<u>111,579</u>
Endowment net assets, December 31, 2017	8,266,908
Contributions	97,955
Scholarship transfers	<u>288,497</u>
Endowment net assets, December 31, 2018	<u><u>\$ 8,653,360</u></u>

NOTE M. NON-MONETARY DONATIONS

During 2018 and 2017, the Foundation received non-monetary donations of \$473,825 and \$115,267, respectively.

NOTE N. DEPOSITS

The Federal Deposit Insurance Corporation (“FDIC”) insures demand accounts of each depositor up to \$250,000 in each federally-chartered financial institution. Amounts in excess of \$250,000 are not covered by FDIC insurance. Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents in a financial institution, which from time to time exceed the \$250,000 federally insured limit. The Foundation has minimized credit risk by depositing cash and cash equivalents at several banks with high credit standings. Accounts at these institutions were insured by the FDIC. The Foundation has not experienced any losses of such funds and management believes the Foundation is not exposed to any significant credit risk on cash and equivalents. At both December 31, 2018 and 2017, the Foundation had uninsured cash deposits at Merchants & Planters Bank of \$0. At December 31, 2018 and 2017, the Foundation had uninsured cash deposits at Trustmark Bank of \$7,844,253 and \$11,799,854, respectively, and at Capital One of \$257,278 and \$342,278, respectively.

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE N. DEPOSITS – CONTINUED

Cash held in investment accounts was \$645,214 and \$331,150 at December 31, 2018 and 2017, respectively.

NOTE O. NEW MARKET TAX CREDIT PROGRAM

During the year ended December 31, 2017, the Foundation, along with Hinds Community College, entered into a New Market Tax Credit Program, which is administered by the Community Development Financial Institution (“CDFI”) of the U.S. Department of the Treasury. This program is designed to encourage capital investment in low income communities that have inadequate access to capital. Investment vehicles, known as Community Development Entities (“CDEs”) are certified by the CDFI Fund to apply for allocation credits. These credits permit investors a credit against federal and state income taxes for making a qualified equity investment in the CDE. These credits are extended over a seven year period to generate private investment. The purpose of the program is to construct new facilities at the Vicksburg-Warren Campus of Hinds Community College.

The Foundation has established a separate operating segment for the purpose of administering the loan proceeds, making interest payments, and renting facilities to Hinds Community College. During the construction phase of the new facility, the separate operating business will make interest-only payments on the loan.

The activity of the program substantially began in December 2017 with the receipt of \$13,896,926 in loan proceeds which were used to pay \$1,028,826 in closing costs. Closing costs were capitalized and will be amortized over the life of the loan. Additionally, the loan proceeds were used to make initial payments on construction costs. Construction costs in the amount of \$4,842,397 have been capitalized as Construction in Progress until construction of the facilities is complete.

Additionally, the Foundation is maintaining four separate bank accounts in the administration of the program which at December 31, 2018 totaled \$8,601,531.

The Foundation also received income of \$463,438 from the program in the year ended December 31, 2018.

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE P. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Foundation has the following financial assets that could readily be made available within one year of the balance sheet date to fund expenses without limitations:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ -	\$ -
Investments	<u>12,040,114</u>	<u>13,082,613</u>
	<u>\$ 12,040,114</u>	<u>\$ 13,082,613</u>

REQUIRED SUPPLEMENTARY INFORMATION

Hinds Community College District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 139,260,215	138,183,126	147,526,362	127,988,143	102,734,671
District's proportion of the net pension liability	0.837254%	0.831257%	0.825900%	0.827972%	0.846377%
District's covered payroll	53,466,698	53,325,613	52,834,806	51,726,959	51,718,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Hinds Community College District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 8,663,100	8,421,005	8,398,784	8,321,482	8,146,996
Contributions in relation to the contractually required contribution	8,663,100	8,421,005	8,398,784	8,321,482	8,146,996
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	55,003,810	53,466,698	53,325,613	52,834,806	51,726,959
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Hinds Community College District

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	2019	2018
District's proportionate share of the net OPEB liability	\$ <u>7,287,910</u>	<u>7,250,783</u>
District's proportion of the net OPEB liability	0.94213820%	0.92410000%
District's covered-employee payroll	42,612,270	41,517,272 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the year in which information is available.

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

Hinds Community College District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2019	2018	
Actuarially determined contribution	\$ 324,856	309,112	**
Contributions in relation to the actuarially determined contribution	324,856	309,112	**
Contribution deficiency (excess)	\$ -	-	
District's covered-employee payroll	54,835,730	53,529,060	
Contributions as a percentage of covered-employee payroll	0.59%	0.58%	

The notes to the required supplementary information are an integral part of this schedule.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Hinds Community College District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

Hinds Community College District

Notes to the Required Supplementary Information For the Year Ended June 30, 2019

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017:

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

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None

Hinds Community College District

Notes to the Required Supplementary Information For the Year Ended June 30, 2019

2018:

None

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

Hinds Community College District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-through programs from:			
Mississippi Department of Agriculture			
Child and Adult Care Food Program	10.558	5MS300326	\$ 29,189
Summer Food Service Program for Children	10.559	5MS300326	28,488
Total pass-through Mississippi Department of Agriculture			<u>57,677</u>
Mississippi Department of Human Services			
State Administrative Matching Grants for the SNAP - Project TRAIN	10.561	175MS405S2520	450,597
State Administrative Matching Grants for the SNAP - Employment and Training Program	10.561	185MS405S2520	130,337
Total pass-through Mississippi Department of Human Services			<u>580,934</u>
Mississippi Community College Board			
State Administrative Matching Grants for the SNAP - 50% Grant	10.561	175MS405S2520	132
State Administrative Matching Grants for the SNAP - 100% Grant	10.561	175MS405S2514	6,985
Total pass-through Mississippi Community College Board			<u>7,117</u>
Delta Regional Authority			
River Barge Training	10.776	RW-0365	80,000
Emergency Watershed Protection Program	10.923	NR-184423XXXXC02	332,477
Total pass-through Delta Regional Authority			<u>412,477</u>
Total U.S. Department of Agriculture			<u>1,058,205</u>
<u>U.S. Department of Labor</u>			
Pass-through programs from:			
Central Mississippi Planning and Development District, Inc.			
Workforce Innovation and Opportunity Act Cluster			
WIOA Adult Program	17.258	17-01-87-01	394,764
WIOA Youth Activities	17.259	17-01-87-02	21,882
WIOA Youth Activities - OSO	17.259	17-01-87-01	628,017
WIOA Dislocated Worker Formula Grants	17.278	17-01-87-01	828,147
WIOA Dislocated Worker Formula Grants - Adult Programs	17.278	17-S90-35-6727-1	187,267
Total Workforce Innovation and Opportunity Act Cluster			<u>2,060,077</u>
Total pass-through Central Mississippi Planning and Development District, Inc.			<u>2,060,077</u>
Mississippi Community College Board			
Apprenticeship USA Grants	17.285	16-S90-335-6727-1	15,254
Total pass-through Mississippi Community College Board			<u>15,254</u>
Total U.S. Department of Labor			<u>2,075,331</u>
<u>U.S. Department of Transportation</u>			
Pass-through programs from:			
Mississippi Department of Transportation			
Airport Improvement Program	20.106	3-28-0064-023-2018	49,332
Total pass-through Mississippi Department of Transportation			<u>49,332</u>
Total U.S. Department of Transportation			<u>49,332</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through programs from:			
University of Mississippi			
Science	43.001	NNX15AH78H	7,500
Total pass-through University of Mississippi			<u>7,500</u>
Total National Aeronautics and Space Administration			<u>7,500</u>
<u>National Science Foundation</u>			
Research and Development Cluster			
Education and Human Resources	47.076	1623282	381,100
Education and Human Resources	47.076	1623160	89,685
Education and Human Resources	47.076	1657174	315,154
Education and Human Resources	47.076	1826699	16,152
Total Research and Development Cluster			<u>802,091</u>
Total National Science Foundation			<u>802,091</u>
<u>Small Business Administration</u>			
Pass-through programs from:			
University of Mississippi			
Small Business Development Centers	59.037	17-11-029	73,665
Total pass-through University of Mississippi			<u>73,665</u>
Total Small Business Administration			<u>73,665</u>

Hinds Community College District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	P007A182240	\$ 465,158
Federal Work-Study Program (FWS)	84.033	P033A182240	265,280
Federal Pell Grant Program	84.063	P063P181703	28,336,038
Federal Direct Student Loans	84.268	P268K191703	21,920,370
Total Student Financial Assistance Cluster			<u>50,986,846</u>
TRIO Cluster			
TRIO Student Support Services	84.042	P042A151411	316,721
TRIO Talent Search	84.044A	P044A160318	305,758
TRIO Upward Bound	84.047A	P047A171075	293,109
TRIO Upward Bound	84.047A	P047A171061	290,473
TRIO Upward Bound	84.047A	P047A171088	290,845
TRIO Upward Bound	84.047A	P047A171066	291,328
TRIO Upward Bound	84.047A	P047A171054	286,713
TRIO Upward Bound	84.047M	P047M170640	302,526
TRIO Upward Bound	84.047M	P047M170618	308,972
TRIO Upward Bound	84.047M	P047M170606	322,353
Total TRIO Cluster			<u>3,008,798</u>
Higher Education - Institutional Aid (Title III)			
Higher Education Institutional Aid	84.031	P031B150038	1,173,271
Higher Education Institutional Aid	84.031	P031B170073	87,801
Higher Education Institutional Aid	84.031	P031B170073	673,440
Higher Education Institutional Aid	84.031B	P031B170073	313,259
Higher Education Institutional Aid	84.031B	P031B170073	447,838
Higher Education Institutional Aid	84.031B	P031B170073	180,324
Higher Education Institutional Aid	84.031B	P031P160007	2,744,865
Total Higher Education - Institutional Aid (Title III)			<u>5,620,798</u>
Minority Science and Engineering Improvement	84.120A	P120A170097	95,706
Total Direct Programs			<u>59,712,148</u>
Pass-through programs from:			
Mississippi State Department of Education			
Adult Education - Basic Grants to States	84.002	V002A160025	278,663
Adult Education - Basic Grants to States	84.002A	V002A170025	4,109
Career and Technical Education - Basic Grants to States	84.048	V048A170024	1,285,098
Total pass-through Mississippi State Department of Education			<u>1,567,870</u>
Vocational Rehabilitation			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	H126A170034	321,291
Total pass-through Vocational Rehabilitation			<u>321,291</u>
Total U.S. Department of Education			<u>61,601,309</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from:			
Moorehouse School of Medicine			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79T1080315-01	684
Total pass-through Moorehouse School of Medicine			<u>684</u>
Mississippi Community College Board			
Temporary Assistance for Needy Families - Career Development Academies	93.558		600,762
Child Care and Development Block Grant	93.575	1701MSCCDF	372,229
Total pass-through Mississippi Community College Board			<u>972,991</u>
Institutions of Higher Learning			
Temporary Assistance for Needy Families - Compete 2 Compete	93.558	16-S90-33-6726-1	25,000
Total pass-through Institutions of Higher Learning			<u>25,000</u>
Grants to States for Access and Visitation Programs	93.597		405,354
Total U.S. Department of Health and Human Services			<u>1,404,029</u>
Total Expenditures of Federal Awards			<u>\$ 67,071,462</u>

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

Hinds Community College District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the remaining catalog of federal domestic assistance (CFDA) numbers of this District.

(5) Sub-recipients

The District assigned \$173,845 to a sub-recipient.

SUPPLEMENTARY INFORMATION

**Hinds Community College Foundation
Component Unit**

HINDS COMMUNITY COLLEGE FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

Description	Program Services							Supporting Services		Total
	Scholarships	Faculty and Staff Development	College Departments and Organizations	Alumni Groups	Cain Hall	Grants	Other Programs	General Administration	Fund - Raising	
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,255	\$ -	\$ 142,255
Special events	-	-	-	-	-	-	-	-	66,131	66,131
Hospitality	-	-	-	-	-	-	-	-	14,448	14,448
Scholarships	1,411,951	-	-	-	-	-	-	-	-	1,411,951
Faculty and staff development	-	102,336	-	-	-	-	-	-	-	102,336
College departments and organizations	-	-	123,033	-	-	-	-	-	-	123,033
Alumni groups	-	-	-	6,546	-	-	-	-	-	6,546
Cain Hall	-	-	-	-	985	-	-	-	-	985
Grants	-	-	-	-	-	33,210	-	-	-	33,210
Other restricted funds	-	-	-	-	-	-	454	-	-	454
Accounting fees	-	-	-	-	-	-	-	12,185	-	12,185
Bank service fees	-	-	-	-	-	-	-	87	728	815
Miscellaneous	-	-	-	-	-	-	-	12,503	-	12,503
Non-monetary gifts	-	-	5,845	928	-	-	-	-	39,349	46,122
Sub-Total	\$ 1,411,951	\$ 102,336	\$ 128,878	\$ 7,474	\$ 985	\$ 33,210	\$ 454	\$ 167,030	\$ 120,656	\$ 1,972,974
Less: Intra-fund expenses										-
Total										<u>\$ 1,972,974</u>
Percentage of total program and supporting services:	72%	5%	7%	0%	0%	2%	0%	8%	6%	100%

See independent auditors' report.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Hinds Community College District
Raymond, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Hinds Community College District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which comprise Hinds Community College District's basic financial statements and have issued our report thereon dated April 20, 2020. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. Our report includes a reference to other auditors who audited the financial statements of Hinds Community College Foundation (Foundation), which is a discretely presented component unit. The financial statements of the Hinds Community College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hinds Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hinds Community College District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hinds Community College District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hinds Community College District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 20, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Hinds Community College District
Raymond, Mississippi

Report on Compliance For Each Major Federal Program

We have audited the Hinds Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hinds Community College District's major federal programs for the year ended June 30, 2019. The Hinds Community College District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management's is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Hinds Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hinds Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hinds Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hinds Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Hinds Community College District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hinds Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hinds Community College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weaknesses.

Hinds Community College District's response to the internal control over compliance finding identified in our audits is described in the accompanying schedule of findings and questioned costs. Hinds Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 20, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Hinds Community College District
Raymond, Mississippi

We have audited the financial statements of the business-type of Hinds Community College District as of and for the year ended June 30, 2019, which comprise Hinds Community College District's basic financial statements and have issued our report thereon dated April 20, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of Hinds Community College Foundation (Foundation), which is a discretely presented component unit. The financial statements of the Hinds Community College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on compliance with state laws and regulations associated with the Foundation.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain laws and regulations. However, providing an opinion on compliance with all states 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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1:

Statement of Condition:

Annual depositors report was not submitted by July 31st.

Criteria:

District should follow specific regulations that the annual depositors report is submitted by July 31st.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Effect:

District did not comply with state regulations.

Cause:

Auditee was not aware of regulation.

Recommendation:

Comply with state regulation and submit by July 31st.

Response:

The Auditee employed two new administrators in Business Services beginning July 1, 2019. Administrators have been made aware and will as required by Miss. Code Ann. §27-105-5 to notify the State Treasurer's office no later than thirty (30) days following its fiscal year end of its name, address, tax identification number and listing of deposit accounts.

Finding 2:

Statement of Condition:

A retiree earned \$389.52 more than allowed on Form 4b.

Criteria:

Internal control procedures should be put in place to ensure retirees do not make over the allowable amount.

Effect:

Retiree earned more than allowable amount.

Cause:

Auditee was unaware of regulation.

Recommendation:

Develop procedures to ensure retirees only earn the allowance amount.

Response:

The following procedure will be implemented in our Workday ERP Platform beginning July 1, 2020. When an employee is on-boarded through our Workday platform, the employee's hours / schedule can be built into the system. The employee can request during the year a modified schedule, but that will require manager approval and will send notifications to appropriate departments. We have also set some validations around how an employee can enter time, both in working less than the scheduled weekly hours and over the scheduled weekly hours, which will be seen by the manager to approve/deny and the providing notifications. These notifications to the managing supervisor and the Human Resource Department should bring additional transparency and interactivity throughout the year.

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

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

This report is intended solely for the information and use of the District and management, members of the Legislature, entities with accreditation overview, federal awarding agencies, the Office of State Auditor, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 20, 2020

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hinds Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes.
7. Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

84.007, 84.033, 84.063 & 84.268

Student Financial Assistance Programs Cluster

84.031

Title III Institutional Aid Program

8. Dollar threshold used to distinguish between type A and type B programs: \$2,012,144.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned costs related to the federal awards.

Material Weakness

Program: U.S. Department of Education
Student Financial Assistance Programs Cluster
CFDA #84.007, 84.033, 84.063 & 84.268

Compliance requirement: Special test and provisions - Gramm - Leach - Bliley Act - Student information security.

Finding 2019-001

Criteria:

District must protect student financial aid information, with particular attention to information provided to institutions by the District or otherwise obtained in support of the administration of federal student financial aid programs.

Condition:

Controls are not on place to adequately protect the student's information.

Context:

Controls have not been implemented. The District is working in this.

Questioned Costs:

None.

Cause:

Controls have not been implemented.

Effect:

The District is not in compliance.

Identification of a Repeat Finding:

No.

Whether Sampling was Statically Valid:

No.

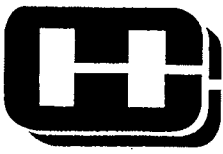
Recommendation:

Controls need to be implemented.

View of Responsible Officials:

Due to changes in federal regulations, Hinds Community College District began a 3-year process / partnership in November 2018 with BKD to evaluate and address any issues that would prevent us from being GLBA and NIST 800-171 complaint for our annual financial audit. While this work is ongoing, we acknowledge that the work is not yet complete and could result in being addressed from our auditor for FY19 financial audit. BKD was on-site at Hinds Community College District April, 2020 to conduct the information gathering phase of the risk assessments.

AUDITEE'S CORRECTIVE ACTION PLAN



HINDS COMMUNITY COLLEGE

Dr. Victor Parker • Vice President for Business Services

P.O. Box 1100 • Raymond, Mississippi 39154-1100

Office: 601.857.3961 • Fax: 601.857.3566 • e-mail: victor.parker@hindsgcc.edu

Hinds Community College District

Response to Schedule of Findings and Questioned Costs

Year Ending June 30, 2019

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Hinds Community College District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2019:

Finding

Corrective Action Plan Details

2019-001

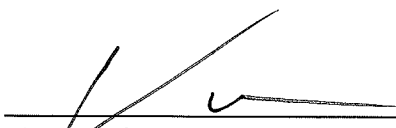
a. Hampton Shive, A.V.P. for Business Services & CIO

Name: Hampton Shive

Phone Number: 601-857-3632

b. Corrective Action Planned: Due to changes in federal regulations, Hinds began a 3-year process / partnership in November 2018 with BKD to evaluate and address any issues that would prevent us from being GLBA and NIST 800-171 compliant for our annual financial audit. While this work is ongoing, we acknowledge that the work is not yet complete and could result in being addressed from our auditor for FY19 financial audit. BKD was on-site at Hinds Community College April, 2020 to conduct the information gathering phase of the risk assessment.

c. Anticipated Completion Date: June 30, 2020 (Prior to the close of FY2020 Fiscal year)


Victor Parker, V.P. Finance and Administration


Date



HINDS COMMUNITY COLLEGE

Dr. Victor Parker • Vice President for Business Services

P.O. Box 1100 • Raymond, Mississippi 39154-1100

Office: 601.857.3961 • Fax: 601.857.3566 • e-mail: victor.parker@hindsgcc.edu

Hinds Community College District

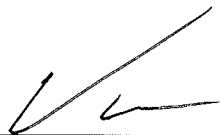
Response to Schedule of Findings and Questioned Costs

Year Ending June 30, 2019

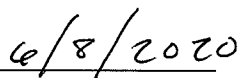
SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Hinds Community College District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2019:

<u>Finding</u>	<u>Status</u>
2018-001	Corrected – position created and filled June 2019
2018-002	Corrected – form created and training on-going
2018-003	Corrected – position created and filled June 2019 Workday Go-Live July 1, 2020
2018-004	Corrected – training and evaluations are on-going
2018-005	Corrected – position created and filled June 2020 Workday Go-Live July 1, 2020
2018-006	Corrected – training and evaluations are on-going



Victor Parker, V.P. Finance and Administration



Date