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HINDS COMMUNITY COLLEGE DISTRICT

Audited Financial Statements
Year Ended June 30, 2020

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 (the District), as of and for the year ended June 30, 2020, 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 (the Foundation) as of and for the years ended December 31, 2019 and 2018, 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 as of and for the years ended December 31, 2019 and 2018, which is a discretely presented component unit and constitutes 100% of the assets and revenues of the discretely presented component unit. 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 the 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 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, 2020 and December 31, 2019 and 2018, 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 78 to 85, 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 May 29, 2021, 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
May 29, 2021

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2020

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, 2020. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with these 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, 2019. 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*. The College implemented GASB Statement No. 80, "*Blending Requirements for Certain 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, 2020 and 2019 is as follows:

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Condensed Statement of Net Position
June 30, 2020 and 2019

	2020		2019	
	Amount	Percentage	Amount	Percentage
ASSETS				
Current assets	\$ 30,155,169	13%	34,237,857	15%
Noncurrent assets				
Capital assets, net	191,602,909	83%	190,949,171	81%
Endowment investments	48,563	0%	48,242	0%
Promissory note receivable	9,649,800	4%	9,649,800	4%
Total assets	<u>231,456,441</u>	<u>100%</u>	<u>234,885,070</u>	<u>100%</u>
DEFERRED OUTFLOWS IN RESOURCES	<u>23,670,759</u>	<u>100%</u>	<u>23,215,515</u>	<u>100%</u>
LIABILITIES				
Current liabilities	13,934,403	6%	15,424,592	7%
Non-current liabilities, other	53,395,813	24%	57,137,703	26%
Net OPEB liability	8,104,579	4%	7,287,910	3%
Net pension liability	148,574,240	66%	139,260,215	64%
Total liabilities	<u>224,009,035</u>	<u>100%</u>	<u>219,110,420</u>	<u>100%</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,910,865</u>	<u>100%</u>	<u>11,750,422</u>	<u>100%</u>
NET POSITION				
Net investment in capital assets	141,019,992	608%	137,393,221	504%
Restricted				
Capital projects	5,808,853	25%	5,357,088	20%
Other projects	701,978	3%	1,342,749	5%
Unrestricted	<u>(124,323,523)</u>	<u>(536)%</u>	<u>(116,853,315)</u>	<u>(429)%</u>
Total net position	<u>\$ 23,207,300</u>	<u>100%</u>	<u>27,239,743</u>	<u>100%</u>

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 \$4.1 million dollars.

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 \$5,758,190 at June 30, 2020, and \$8,833,575 at June 30, 2019. This represents a \$3,075,385 decrease.

Short-Term Investments

The total amount of short-term investments reported as current assets on the District's financial statements was \$10,400,961 at June 30, 2020 and \$8,395,806 at June 30, 2019. This represents an increase of \$2,005,155 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 \$1,357,467 in fiscal year 2020 and \$1,527,234 fiscal year 2019. The District's receivables totaled \$12,561,663 at June 30, 2020 and \$15,389,265 at June 30, 2019. This represents a \$2,827,602 decrease 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 \$1,434,355 at June 30, 2020. That is a decrease of \$184,856 from the amount \$1,619,211 at June 30, 2019. The bookstore inventory, which includes textbooks and merchandise, comprises almost 96% of the total inventory.

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2020

Noncurrent Assets

Endowment Investments

The District reflects the Holtzclaw Trust as \$48,563 at June 30, 2020. The amount increased slightly from \$48,242 in fiscal year 2019 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, 2020 and 2019 was \$9,649,800.

Capital Assets, Net

Capital assets, consists of land, buildings and improvements, construction in progress, livestock, equipment, vehicles, and historical library holdings at June 30, 2020 and 2019. The total capital assets, net of accumulated depreciation, at June 30, 2020 was \$191,602,909. The amount reported, net of accumulated depreciation at June 30, 2019 was \$190,949,171. This represents a \$653,738 increase 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, 2020

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 7,609,053	7,609,053	0%
Construction in progress	4,011,129	5,726,619	(30)%
Livestock	69,400	68,900	1%
Buildings	106,068,849	109,162,817	(3)%
Improvements	67,410,590	61,962,654	9%
Library books	787,007	811,290	(3)%
Furniture and equipment	5,646,881	5,607,838	1%
Total	<u>\$ 191,602,909</u>	<u>190,949,171</u>	<u>0%</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 the net pension liability in the amount of \$18,348,458 and \$18,073,527 at June 30, 2020 and 2019, 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 the net OPEB liability in the amount of \$1,208,594 and \$591,197 at June 30, 2020 and 2019, 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 \$4,113,707 at June 30, 2020 and \$4,550,791 at June 30, 2019.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Liabilities

Current Liabilities

Book Overdraft

Cash overdraft represents the checks, advices, and other charges outstanding at the end of fiscal year 2020, in excess of the bank balance. The amount decreased to \$3,998,518 at June 30, 2020 from \$5,150,357 at June 30, 2019.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2020 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$3,990,113 at June 30, 2020, a decrease of \$36,698 over the balance of \$4,026,811 at June 30, 2019.

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 \$1,781,376 at June 30, 2020 and \$2,233,474 at June 30, 2019.

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, 2020 was \$515,893 and \$539,377 at June 30, 2019. This was a decrease of \$23,484.

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 \$205,503 at June 30, 2020.

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

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

portion of long-term debt liabilities at June 30, 2020 was \$3,443,000 and \$3,268,000 at 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 \$2,142,189 at June 30, 2020. This was a decrease of \$156,773 from the amount at June 30, 2019 of \$2,298,962.

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, 2020 was \$50,158,000 as compared to \$53,606,000 at June 30, 2019. The non-current portion of long-term debt decreased by \$3,448,000, due to the payment of principal during the year.

Bond Discount / Premium

The total amount of the bond discount, net of amortization was (\$75,532) at June 30, 2020. This was a decrease from the balance of (\$81,590) reported at June 30, 2019. Bond premium, net of amortization was \$1,171,156 at June 30, 2020. This was a decrease from the balance of \$1,314,331 reported at June 30, 2019.

Net Pension Liability

The net pension liability at June 30, 2020 is \$148,574,240 compared to \$139,260,215 at June 30, 2019, 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, 2020 in the amount of \$7,791,271 and a current portion of \$313,308. The amount of the net OPEB liability as of June 30, 2019, was \$7,287,910, with \$6,979,480 being reflected as non-current and \$308,430 being reflected as current.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Deferred Inflows of Resources

Deferred Inflows Related to Pensions

The District reflects a deferred inflow of resources related to the net pension liability in the amount of \$7,374,594 and \$11,231,144 at June 30, 2020 and June 30, 2019, 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 \$536,271 at June 30, 2020, which is an increase from \$519,278 at June 30, 2019.

Net Position

Net Investment in Capital Assets

In fiscal year 2020, net investment in capital assets portion of the District's net position increased by \$3,626,771 to \$141,019,992 at June 30, 2020.

Restricted Net Position

Restricted Net Position at June 30, 2020:

Capital Project Funds	\$ 5,808,853
Other Project Funds	<u>701,978</u>
Total Restricted Net Position	<u>\$ 6,510,831</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.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Unrestricted Net Position

The following is a breakdown of the unrestricted net position at June 30, 2020:

Unrestricted General Fund (Deficit) \$ (124,323,523)

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 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)	\$ (124,323,523)
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>145,032,632</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ <u>20,709,109</u>

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 18,724,443	17,638,805
Grants and contracts	35,138,025	24,975,185
Auxiliary enterprises	15,887,388	17,459,298
Other operating revenue	2,238,398	1,722,803
Total operating revenues	71,988,254	61,796,091
Operating expenses	164,966,171	144,851,834
Net operating loss	(92,977,917)	(83,055,743)
Nonoperating revenues (expenses)		
State appropriations	33,067,947	31,947,467
Local appropriations	12,642,873	12,731,673
Federal grants and contracts	30,856,631	28,336,038
Investment income	271,049	325,888
Other nonoperating income (expense)	(2,144,523)	(2,074,578)
Nonoperating revenues, net	74,693,977	71,266,488
Income (loss) before other revenues	(18,283,940)	(11,789,255)
Federal capital grants	1,583,735	1,401,284
State & local appropriations restricted	12,492,679	9,254,446
Other non-operating revenues (expenses), net	175,083	182,746
Total Other Revenues	14,251,497	10,838,476
Changes in Net Position	(4,032,443)	(950,779)
Net Position, Beginning of Year	27,239,743	28,190,522
Net Position at End of Year	\$ 23,207,300	27,239,743

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2020

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues increased by \$10,192,163 and operating expenses increased by \$20,114,337. The operating loss for the fiscal year increased by \$9,922,174 to (\$92,977,917). The operating loss for fiscal year 2019 was (\$83,055,743). 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 \$18,724,443. The amount increased by \$1,085,638 from the amount in fiscal year 2019, which was \$17,638,805. Our gross tuition and fees collected increased by \$572,755. The amount went from \$37,731,896 in fiscal year 2019 to \$38,304,651 in fiscal year 2020. 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 2020 was \$19,580,208 compared to fiscal year 2019 amount of \$20,091,093. 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, 2020 and 2019:

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

		2020	2019
Federal	\$	23,761,864	15,922,901
State		10,943,705	8,656,533
Nongovernmental		432,456	395,751
Total all sources	\$	35,138,025	24,975,185

The District had \$7,838,963 increase in federal source grants in fiscal year 2020. State grants increased by \$2,287,172 in fiscal year 2020.

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 year 2020 was \$253,815 and was \$342,224 for fiscal year 2019. The revenues decreased \$88,409 in fiscal year 2020.

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 decreased by (\$1,571,910) from \$17,459,298 in fiscal year 2019 to \$15,887,388 in fiscal year 2020.

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Operating Expenses

The following table details the District's operating expenses by natural and functional classification for the fiscal years ended June 30, 2020 and 2019:

Operating Expenses by Function with prior year figures and changes

	June 30, 2020	June 30, 2019	Increase (Decrease)
Instruction	\$ 56,764,619	55,958,331	806,288
Academic support	1,695,522	2,045,106	(349,584)
Student services	10,481,605	12,598,807	(2,117,202)
Institutional support	16,162,388	11,691,694	4,470,694
Operations and maintenance of plant	17,579,566	12,752,038	4,827,528
Student financial aid	22,516,788	12,459,969	10,056,819
Auxiliary enterprises	15,015,466	15,281,970	(266,504)
Bad debt expenses	1,470,362	1,018,418	451,944
Pension expenses	15,014,850	13,213,478	1,801,372
OPEB expenses	216,265	83,032	133,233
Depreciation	8,048,740	7,748,991	299,749
Total all sources	\$ <u>164,966,171</u>	<u>144,851,834</u>	<u>20,114,337</u>

HINDS COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Operating Expenses by Natural Classification

	June 30, 2020	June 30, 2019	Increase (Decrease)
Salaries and wages	\$ 59,719,153	58,316,032	1,403,121
Fringe benefits	25,544,879	23,195,855	2,349,024
Travel	1,134,516	1,820,650	(686,134)
Contractual services	14,819,461	12,937,686	1,881,775
Utilities	3,077,034	3,424,252	(347,218)
Scholarships and fellowships	29,679,432	18,489,606	11,189,826
Commodities	14,043,432	14,363,503	(320,071)
Depreciation expense	8,048,740	7,748,991	299,749
Other operating expense	8,899,524	4,555,259	4,344,265
Total all sources	\$ <u>164,966,171</u>	<u>144,851,834</u>	<u>20,114,337</u>

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 \$33,067,947 for fiscal year ended June 30, 2020 and \$31,947,467 for fiscal year 2019, resulting in an increase of \$1,120,480.

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 \$12,642,873 for the fiscal year 2020 from the counties. The amount has decreased \$88,800 from the fiscal year 2019 amount of \$12,731,673.

Federal Pell Grants

The District received \$30,856,631 in Pell grants for fiscal year 2020 which is an increase of \$2,520,593 from last year's amount of \$28,336,038. The amount of Pell grants the District receives is based on how many Pell eligible students come to the District. During our 2019-2020

HINDS COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2020

award year, there were 5,278 students with Pell funds disbursed. During our 2018-2019 award year, there were 7,331 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 2020 was \$271,049. This was a decrease of \$54,839 from fiscal year 2019 amount of \$325,888. This decrease is due to a decrease in investment accounts.

Other Revenues

Federal Capital Grants

The federal capital grants increased in fiscal year 2020 by \$182,451 to \$1,583,735.

State and County Appropriation Restricted for Capital Purposes

State and county capital appropriations increased by \$3,238,233 to \$12,492,679 in fiscal year 2020. 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 \$7,663 to \$175,083 in fiscal year 2020.

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, 2020

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Years Ended June 30, 2020 and 2019

	June 30, 2020	June 30, 2019	Increase (Decrease)
Cash and cash equivalents provided (used) by			
Operating activities	\$ (78,039,905)	(71,113,043)	(6,926,862)
Noncapital financing activities	76,567,451	73,015,178	3,552,273
Capital and related financing activities	2,276,019	430,467	1,845,552
Investing activities	(3,878,950)	(207,401)	(3,671,549)
Net increase (decrease) in cash and cash equivalents	(3,075,385)	2,125,201	(5,200,586)
Cash and cash equivalents - beginning of year	8,833,575	6,708,374	2,125,201
Cash and cash equivalents - end of year	\$ 5,758,190	8,833,575	(3,075,385)

The major sources of funds included in operating activities include cash received from customers, \$21,805,860, grants, \$35,138,025, and sales and services of auxiliary enterprises, \$15,887,388. The major uses of funds were: payments made to employees, (\$76,183,509); to vendors (\$37,917,681); and others (\$29,702,916).

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, 2020

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, 2020

Assets

Current assets:	
Cash and cash equivalents	\$ 5,758,190
Short-term investments	10,400,961
Accounts receivable, net	12,561,663
Inventories	1,434,355
Total Current Assets	30,155,169
Non-current assets:	
Endowment investments	48,563
Promissory Note	9,649,800
Capital assets, net of accumulated depreciation	191,602,909
Total Noncurrent Assets	201,301,272
Total Assets	231,456,441

Deferred Outflows Of Resources

Deferred outflows related to pensions	18,348,458
Deferred outflows related to OPEB	1,208,594
Deferred outflows related to loss on refunding bonds	4,113,707
Total Deferred Outflows of Resources	23,670,759

Liabilities

Book overdraft	3,998,518
Accounts payable and accrued expenses	3,990,113
Unearned revenues	1,781,376
Other current liabilities	515,893
Compensated absences, current portion	205,503
Long-term debt, current portion	3,443,000
Net OPEB Liability, current portion	313,308
Total Current Liabilities	14,247,711
Noncurrent liabilities	
Compensated absences, net of current portion	2,142,189
Long-term debt, net of current portion	50,158,000
Bond discount, net of amortization	(75,532)
Bond premium, net of amortization	1,171,156
Net Pension Liability	148,574,240
Net OPEB Liability, net of current portion	7,791,271
Total Noncurrent liabilities	209,761,324
Total Liabilities	224,009,035

Deferred Inflows of Resources

Deferred inflows related to pension	7,374,594
Deferred inflows related to OPEB	536,271
Total Deferred Inflows of Resources	7,910,865

Net Position

Net Investment in capital assets	141,019,992
Restricted:	
Expendable	
Capital projects	5,808,853
Other restricted projects	701,978
Unrestricted	(124,323,523)
Total Net Position	23,207,300

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

**HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents		
Designated for long term use	\$ 2,547,647	\$ 9,337,521
Receivables:		
Unconditional promises to give, short-term	62,200	94,770
Total current assets	<u>2,609,847</u>	<u>9,432,291</u>
INVESTMENT IN MARKETABLE SECURITIES	<u>14,916,064</u>	<u>12,040,114</u>
PROPERTY, EQUIPMENT AND OTHER ASSETS:		
Real estate, at donated value	210,762	210,762
Property held for sale, net of valuation allowance	17,000	17,000
Building and equipment, net of accumulated depreciation	11,594,707	4,842,397
Loan costs, net of accumulated amortization	1,008,822	1,028,827
Net property, equipment and other assets	<u>12,831,291</u>	<u>6,098,986</u>
OTHER RECEIVABLES:		
Unconditional promises to give,		
Net of short-term portion	5,000	36,980
Total other receivables	<u>5,000</u>	<u>36,980</u>
TOTAL ASSETS	<u><u>\$ 30,362,202</u></u>	<u><u>\$ 27,608,371</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 16,927
NON CURRENT LIABILITIES:		
Notes payable	<u>13,880,000</u>	<u>13,880,000</u>
TOTAL LIABILITIES	<u>13,880,000</u>	<u>13,896,927</u>
NET ASSETS:		
Without donor restrictions	866,335	596,762
With donor restrictions	15,615,867	13,114,682
Total net assets	<u>16,482,202</u>	<u>13,711,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 30,362,202</u></u>	<u><u>\$ 27,608,371</u></u>

HINDS COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues:

Tuition and fees (net of scholarship allowances of \$19,580,208)	\$	18,724,443
Federal grants and contract		23,761,864
State grants and contracts		10,943,705
Nongovernmental grants and contracts		432,456
Sales and services of educational departments		253,815
Auxiliary enterprises:		
Student housing		3,727,528
Food Services		3,276,840
Bookstore		6,817,924
Other auxiliary revenues		2,065,096
Other operating revenues		1,984,583
Total Operating Revenues		71,988,254

Operating Expenses:

Salaries and wages		59,719,153
Fringe benefits		25,544,879
Travel		1,134,516
Contractual services		14,819,461
Utilities		3,077,034
Scholarships and fellowships		29,679,432
Commodities		14,043,432
Depreciation expense		8,048,740
Other operating expense		8,899,524
Total Operating Expense		164,966,171

Operating (Loss) (92,977,917)

Non-operating Revenues(Expenses)

State appropriations		33,067,947
County appropriations		12,642,873
Federal grants and contracts		30,856,631
Investment income		271,049
Interest expense and other related debt expenses		(2,144,523)
Total Net Non-operating Revenue		74,693,977

Income (Loss) Before Other Revenues (Expenses) (18,283,940)

Federal Capital Grants		1,583,735
Other non-operating revenues and expenses (net)		175,083
State and County Capital Appropriations		12,492,679
Total Other Revenues		14,251,497

Change in Net Position (4,032,443)

Net Position:

Net Position - Beginning of Year		27,239,743
Net Position - End of Year	\$	23,207,300

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

**HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT:		
Gifts and pledges	\$ 73,313	\$ 121,927
Interest and investment income	44,537	40,143
Special events	91,238	98,125
Realized gain on investments	21,073	11,068
Other income	208	13,699
Total without donor restriction support	230,369	284,962
Net assets released from restrictions	3,358,148	1,724,911
Total without donor restrictions support and reclassifications	3,588,517	2,009,873
EXPENSES:		
Program services:		
Scholarships	2,471,795	1,411,951
Faculty and staff development	155,724	102,336
College departments and organizations	181,974	128,878
Alumni groups	5,194	7,474
Cain Hall	286	985
Grants	5,772	33,210
Depreciation expense	386,662	-
Amortization expense	20,005	-
Other	143,911	454
Total program services	3,371,323	1,685,288
Supporting services:		
General administration	166,087	167,030
Fundraising	59,206	120,656
Total supporting services	225,293	287,686
Total expenses	3,596,616	1,972,974
UNREALIZED GAIN/(LOSS) ON INVESTMENTS	277,671	(176,899)
Increase/(decrease) in net assets without donor restrictions	269,572	(140,000)

**HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES - CONTINUED
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
NET ASSETS WITH DONOR RESTRICTIONS:		
SUPPORT:		
Gifts and pledges	2,880,888	1,698,898
Interest and investment income	409,715	327,547
Special events	1,000	-
Realized gain on investments	270,496	554,327
New market tax credit program income	179,790	463,438
Centennial income	8,519	60,125
Lease income	360,631	-
Total with donor restrictions support	4,111,039	3,104,335
Net assets released from restrictions	(3,358,148)	(1,724,911)
Total with donor restrictions support and reclassifications	752,891	1,379,424
UNREALIZED GAIN/(LOSS) ON INVESTMENTS	1,748,294	(1,676,260)
Increase/(decrease) in net assets with donor restrictions	2,501,185	(296,836)
INCREASE/(DECREASE) IN NET ASSETS	\$ 2,770,757	\$ (436,836)

**HINDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
BALANCE, December 31, 2017	\$ 733,264	\$ 13,415,016	\$14,148,280
Reclassifications	(489)	489	-
Intra-fund transfers	3,987	(3,987)	-
Decrease in net assets	<u>(140,000)</u>	<u>(296,836)</u>	<u>(436,836)</u>
BALANCE, December 31, 2018	<u>596,762</u>	<u>13,114,682</u>	<u>13,711,444</u>
Reclassifications	-	-	-
Intra-fund transfers	-	-	-
Increase in net assets	<u>269,572</u>	<u>2,501,185</u>	<u>2,770,757</u>
BALANCE, December 31, 2019	<u><u>\$ 866,334</u></u>	<u><u>\$ 15,615,867</u></u>	<u><u>\$16,482,201</u></u>

HINDS COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 21,805,860
Cash received from grants	35,138,025
Sales and services of auxiliary enterprises	15,887,388
Cash payments to employees	(76,183,509)
Cash payments to suppliers for goods and services	(37,917,681)
Cash payments to other organizations	(29,702,916)
Cash received from others	2,284,550
Other receipts (payments)	(9,351,622)
Net Cash Provided (Used) from Operating Activities	<u>(78,039,905)</u>
CASH FLOWS FROM NON-CAPTITAL FINANCING ACTIVITES	
Tuitions and fees	21,627,012
Institutional payments for scholarships and fellowships	(21,627,012)
Apropriations	45,710,820
Grants received	30,856,631
Net Cash Provided (Used) from Non-capital Financing Activities	<u>76,567,451</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid	(3,273,000)
Acquisition of capital assets	(8,702,478)
Appropriations	14,251,497
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>2,276,019</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,005,476)
Interest	(1,873,474)
Net Cash Provided (Used) from Investing Activities	<u>(3,878,950)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,075,385)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,833,575</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,758,190</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, 2020

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

Operating Income (Loss)	\$	<u>(92,977,917)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:		
Depreciation		8,048,740
Amortization		(137,117)
Changes in assets, deferred outflows, liabilities and deferred inflows of resources:		
Accounts receivable, net		2,827,602
Inventories		184,856
Deferred outflows		(455,244)
Accounts payable and accrued expenses		(36,698)
Book overdraft		(1,151,839)
Unearned revenues		(452,098)
Other liabilities		(23,484)
Net pension liability		9,314,025
Net OPEB liability		816,669
Deferred inflows		(3,839,557)
Compensated absences		<u>(157,843)</u>
Total Adjustments		<u>14,938,012</u>
Net Cash Provided (Used) from Operating Activities	\$	<u><u>(78,039,905)</u></u>

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(Decrease) in net assets	\$ 2,770,757	\$ (436,836)
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	386,662	-
Amortization	20,005	-
Unrealized (gain)/loss on investments	(2,025,965)	1,853,159
Realized gain on sale of investments	(291,569)	(565,395)
Donated construction cost HCC	-	(428,103)
(Increase)/decrease in:		
Unconditional promises to give, short-term	32,570	24,227
Unconditional promises to give, long-term	31,980	54,170
Increase/(decrease) in:		
Accounts payable	(16,927)	16,927
	<u>907,513</u>	<u>518,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	-	400
Capitalized construction and loan costs	(4,490,216)	(4,057,528)
Purchase of equipment	(2,648,755)	-
Purchase of investments	(5,802,174)	(6,868,076)
Proceeds from sale of investments	5,243,758	6,622,811
	<u>(7,697,387)</u>	<u>(4,302,393)</u>
Net cash used in investing activities	<u>(7,697,387)</u>	<u>(4,302,393)</u>
Net decrease in cash and cash equivalents	(6,789,874)	(3,784,244)
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,337,521</u>	<u>13,121,765</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,547,647</u>	<u>\$ 9,337,521</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$ 136,130</u>	<u>\$ -</u>

Hinds Community College District
Notes to the Financial Statements
For the Year Ended June 30, 2020

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

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 13 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, 2020

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 reported

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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, 2020.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

The following is used to compute depreciation.

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

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 Notes 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

For the Year Ended June 30, 2020

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 Insurance 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 (\$124,323,523). This deficit can be attributed to the full recognition of net pension and net 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

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB 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.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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 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 \$5,758,190 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

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

collateral securities that are in the possession of an outside party. At June 30, 2020 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, 2020, the District did not have any investments to which this would apply.

As of June 30, 2020, the District had the following investments.

Investment Type		Fair Value
Short-term investments	\$	10,400,961
Marketable securities		48,563
Total	\$	<u>10,449,524</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, 2020:

- Short-term investments of \$10,400,961 are valued using quoted market prices (Level 1 inputs)
- Marketable securities of \$48,563 are valued using quoted market prices (Level 1 inputs)

Note 3. Accounts Receivable

The District's accounts receivable at June 30, 2020 consisted of the following:

Student tuition	\$	5,039,233
Federal, state, and private grants and contracts		7,125,261
State appropriations		164,121
Other		<u>1,590,515</u>
Total accounts receivable		13,919,130

HINDS COMMUNITY COLLEGE DISTRICT
For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

Less allowance for doubtful accounts	(1,357,467)
Accounts receivable - end of year	\$ 12,561,663

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, 2020 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.

Note 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 is presented as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,609,053				7,609,053
Construction in progress	5,726,619	7,256,823	37,593	(8,934,720)	4,011,129
Livestock	68,900	500			69,400
Total non-depreciable capital assets	13,404,572	7,257,323	37,593	(8,934,720)	11,689,582
<u>Depreciable capital assets:</u>					
Buildings	175,213,295				175,213,295
Improvements -buildings and other	90,784,247			8,934,720	99,718,967
Library books	3,013,184	121,491	100,610		3,034,065
Furniture and equipment	19,529,236	1,404,875	431,113		20,502,998
Total depreciable capital assets	288,539,962	1,526,366	531,723	8,934,720	298,469,325
<u>Less accumulated depreciation for:</u>					
Buildings	66,050,478	3,093,968			69,144,446
Improvements -buildings and other	28,821,593	3,486,784			32,308,377
Library books	2,201,894	135,712	90,548		2,247,058
Furniture and equipment	13,921,398	1,332,276	397,557		14,856,117
Total accumulated depreciation	110,995,363	8,048,740	488,105	0	118,555,998
Total depreciable capital assets, net	177,544,599	(6,522,374)	43,618	8,934,720	179,913,327
Total capital assets, net	\$ 190,949,171	734,949	81,211	0	191,602,909

HINDS COMMUNITY COLLEGE DISTRICT
For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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

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

Governmental Activities:	Spent to June 30, 2020	Remaining Commitments
Pedestrian Sidewalk - Raymond - MDOT	\$ 62,949	
Rankin CT Phase 2 Welding	106,975	365,000
Grey-Partridge Vo-Tech Ren. Phase 1	524,884	
Multipurpose Shed Physical Plant	22,462	158,000
Soccer Tennis Facility	115,252	
ATC Tech Nest	167,444	109,700
RY Airport Terminal Building	827,379	650,000
FAA Construct Access Taxiway	1,246,483	68,000
Utica Fire Suppression	293,997	56,003
Eagle Ridge HVAC Improvements	16,845	383,155
Williams Dorm Replacement	615,859	
Career Technical Improvements	10,600	1,489,400
Total	\$ <u>4,011,129</u>	<u>3,279,258</u>

Construction projects included above are funded through federal sources \$177,700, state sources (BoB) \$2,019,658 and institutional sources \$1,081,900.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

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, 2020.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2020, is listed in the following schedule.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Balance July 1, 2019	Deletions	Balance June 30, 2020	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	\$ 900,000	440,000	460,000	460,000
2009 Rankin Facilities Bonds	27,035,000	3.00-5.75%	10/01/19	830,000	830,000	0	
2015 Utica Student Union Note	5,000,000	.50-1.80%	2/01/22	2,301,000	739,000	1,562,000	767,000
2016 MS Development Bank, Refunding Bond	26,060,000	3.00-5.30%	10/01/33	25,510,000	195,000	25,315,000	1,110,000
2017 Education Facilities Refunding	3,095,000	2.25%	4/01/23	2,110,000	505,000	1,605,000	520,000
2017 HCCD General Taxable Obligation Note	8,000,000	3.99%	8/01/32	7,608,000	409,000	7,199,000	426,000
2017 MS Dev Bank - Special Obl Refunding Bonds	17,700,000	3.22%	4/01/41	17,615,000	155,000	17,460,000	160,000
				<u>\$ 56,874,000</u>	<u>3,273,000</u>	<u>53,601,000</u>	<u>3,443,000</u>
Bond Discount/Premium							
Bond Discount, net				(81,590)	(6,058)	(75,532)	
Bond Premium, net				1,314,331	143,175	1,171,156	
Bonds and Notes Payable, net				<u>\$ 58,106,741</u>	<u>3,410,117</u>	<u>54,696,624</u>	
Accrued leave liability				<u>\$ 2,505,535</u>	<u>157,843</u>	<u>2,347,692</u>	<u>205,503</u>

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 3,443,000	2,165,638	5,608,638
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	2,688,000	1,399,041	4,087,041
2026-2030	15,897,000	5,322,888	21,219,888
2031-2035	16,283,000	2,196,737	18,479,737
2036-2040	5,190,000	700,619	5,890,619
2041	1,140,000	37,050	1,177,050
Total	<u>\$ 53,601,000</u>	<u>16,597,994</u>	<u>70,198,994</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

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 number 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, 2020 was 17.40% 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, 2020

NOTES TO FINANCIAL STATEMENTS

30, 2020, 2019 and 2018 were \$9,829,936, \$8,663,100, and \$8,421,005, 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, 2020, the District reported a liability of \$148,574,240 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020 net pension liability was 0.844557 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.007303 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$15,012,481. At June 30, 2020 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	\$ 87,130	157,411
Net difference between projected and actual earnings on pension plan investments.		7,217,182
Changes of assumptions	1,456,290	
Changes in proportion and differences between contributions and proportionate share of contributions	6,975,102	1
Contributions subsequent to the measurement date	9,829,936	
	<u>\$ 18,348,458</u>	<u>7,374,594</u>

\$9,829,936 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2021	\$ 1,348,901
2022	(1,554,733)
2023	671,442
2024	678,318
Total	<u>\$ 1,143,928</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projections scale to account for future improvements in life expectancy.

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
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	100 %	

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 current contribution rate (17.40%). Based on those

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District’s proportionate share of the net pension liability	\$ 195,305,985	\$ 148,574,240	\$ 110,001,379

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

For the Year Ended June 30, 2020

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 \$299,931 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$8,104,579 proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2020

NOTES TO FINANCIAL STATEMENTS

2019, the District's proportion was 0.95511931 percent. This was an increase of 0.01298111 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$516,196. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	12,254	\$	116,009
Change of assumptions		604,218		420,262
Net difference between projected and actual earnings on OPEB plan investments		153		
Changes in proportion and differences between District contributions and proportionate share of contributions		292,038		
District contributions subsequent to the measurement date		299,931		
Total	\$	<u>1,208,594</u>	\$	<u>536,271</u>

\$299,931 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, 2021. 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:		
2021	\$	53,898
2022		53,898
2023		53,898
2024		65,932
2025		101,896
Thereafter		<u>42,870</u>
Total	\$	<u>372,392</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO FINANCIAL STATEMENTS

Inflation	2.75 percent
Salary increases	3.00 - 18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate rate of 4.75% by 2028
Pre-Medicare	

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investment is 4.50%.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. 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, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

		1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$	9,002,773	\$ 8,104,579	\$ 7,336,090

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	\$	7,510,141	\$ 8,104,579	\$ 8,777,976

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/>.

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, 2020, \$25,315,000 of bonds outstanding are defeased.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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, 2020 was \$273,489. 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:

<u>Year</u>		<u>Amount (Annual)</u>
2021	\$	210,102
2022		167,029
2023		61,710
2024		3,840
Total	\$	<u><u>442,681</u></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.

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

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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
2021	\$	518,225	200,000	718,225
2022		518,225	300,000	818,225
2023		518,225	400,000	918,225
2024		475,040	450,000	925,040 *
Total	\$	<u>2,029,715</u>	<u>1,350,000</u>	<u>3,379,715</u>

* The 2024 year end rental lease payments are different than the amounts presented in the Foundation’s report. However, the College believes the figures presented above are accurate.

Note 11. 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, 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.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

Note 12. Natural Classifications with Functional Classifications

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 38,315,539	5,970,346	480,126	3,964,131	9,102
Academic support	1,199,305	238,243	35,482	180,396	0
Student services	6,244,936	1,094,958	480,791	1,403,563	0
Institutional support	6,746,114	1,029,194	92,264	4,403,203	0
Operating of plant	4,713,359	1,165,253	4,816	4,044,425	2,082,988
Student aid	0	0	0	(31,846)	0
Auxiliary enterprises	2,499,900	518,208	41,037	855,589	984,944
Bad debt expense	0	0	0	0	0
Pension expense	0	15,012,481	0	0	0
OPEB expense	0	516,196	0	0	0
Depreciation	0	0	0	0	0
Total operating expenses	\$ <u>59,719,153</u>	<u>25,544,879</u>	<u>1,134,516</u>	<u>14,819,461</u>	<u>3,077,034</u>

	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 5,359,374	2,356,452		11,987	56,467,057
Academic support	10	42,086		0	1,695,522
Student services	172,806	1,057,404		27,147	10,481,605
Institutional support	875,615	311,946		2,704,052	16,162,388
Operating of plant	0	1,477,749		4,090,976	17,579,566
Student aid	22,502,480	46,154		0	22,516,788
Auxiliary enterprises	769,147	8,751,641		595,000	15,015,466
Bad debt expense	0	0		1,470,362	1,470,362
Pension expense	0	0		0	15,012,481
OPEB expense	0	0		0	516,196
Depreciation	0	0	8,048,740	0	8,048,740
Total operating expenses	\$ <u>29,679,432</u>	<u>14,043,432</u>	<u>8,048,740</u>	<u>8,899,524</u>	<u>164,966,171</u>

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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 owes the District for payroll related expenses of the Donor Relations/Specialist Projects Coordinator as of June 30, 2020.

Other transactions between the Foundation and the District for the year ended June 30, 2020 are as follows:

Scholarships to the District	\$	510,540
Reimbursement to the District		
For Salaries and Miscellaneous		58,530
Various fees to the District		<u>17,200</u>
	\$	<u>586,270</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, 2020

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 (\$124,323,523) 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 \$9,829,936 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, 2021. The \$8,518,522 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$124,323,523) 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 \$299,931 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, 2021. The \$908,663 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The net investment in capital assets amount of \$141,019,992 includes the effect of deferring the recognition of expenses resulting from costs of refunding debt. The \$4,113,707 balance of deferred outflow of resources related to costs of refunding debt, at June 30, 2020 will be recognized as expense and will decrease the net investment in capital assets net position.

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

The unrestricted net position amount of (\$124,323,523) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$7,374,594 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$124,323,523) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$536,271 balance of deferred inflow of resources related to OPEB, at June 30, 2020 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 interest 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

HINDS COMMUNITY COLLEGE DISTRICT

For the Year Ended June 30, 2020

NOTES TO FINANCIAL STATEMENTS

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.

Note 19. Other Matters

The onset of the recent COVID-19 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 no subsequent events have occurred that require disclosure in the notes to the financial statements.

Hinds Community College Foundation
Component Unit
Notes to the Financial Statements
For the Year Ended December 31, 2019

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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, 2019 and 2018, 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, 2019 AND 2018

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 \$57,624 and \$52,516 for the years ended December 31, 2019 and 2018, 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, 2019 AND 2018**

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, 2019 and 2018 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, 2019 AND 2018**

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 alternative investments.

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.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight line method over the estimated useful lives of the related assets for financial statement purposes, ranging from 7 to 40 years. This method closely reflects the true usage of property, plant, and equipment.

The Foundation capitalizes construction and equipment costs related to the new facilities at the Vicksburg-Warren Campus of Hinds Community College.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

Revenue is recognized on the accrual basis of accounting for financial statement purposes. The main source of revenue for the Foundation is from contributions and the investments, consisting of interest, dividends, and gains on the sale of investments. Investment income is recorded when earned by the Foundation. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

NOTE B. INVESTMENTS

At December 31, 2019 and 2018, the Foundation’s investments were valued at a fair market value of \$14,916,064 and \$12,040,114, respectively, resulting in unrealized gain on investments of \$2,025,965 at December 31, 2019 and unrealized loss of \$1,853,159 at December 31, 2018.

At December 31, 2019, investments were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds (Level 1)	\$ 3,640,418	\$ 4,209,552
Common stock (Level 1)	7,017,365	8,329,337
Fixed income (Level 1)	963,420	986,628
Alternative (Level 1)	<u>1,300,219</u>	<u>1,390,547</u>
	<u>\$ 12,921,422</u>	<u>\$ 14,916,064</u>

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

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds (Level 1)	\$ 3,400,221	\$ 3,415,272
Common stock (Level 1)	5,729,061	5,811,856
Fixed income (Level 1)	2,080,706	2,009,858
Alternative (Level 1)	<u>861,805</u>	<u>803,401</u>
	<u>\$ 12,071,793</u>	<u>\$ 12,040,114</u>

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE B. INVESTMENTS – CONTINUED

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Proceeds from sales	<u>\$ 5,243,758</u>	<u>\$ 6,622,811</u>
Realized gain from sales	<u>\$ 291,569</u>	<u>\$ 565,395</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. 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 2019. There have been no changes in the methodologies used at December 31, 2019.

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;

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE C. FAIR VALUE MEASUREMENTS – CONTINUED

- 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.

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.

The Board of Directors reviews and approves the Foundation's fair value measurement policies and procedures annually. At least annually, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE D. DONATED PROPERTY AND REAL ESTATE

At December 31, 2019 and 2018, donated property and other real estate consisted of the following:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Land and buildings	\$ 187,000	\$ 187,000
Artwork	<u>23,762</u>	<u>23,762</u>
	<u>\$ 210,762</u>	<u>\$ 210,762</u>

The Foundation has additional real estate assets which they are actively marketing for sale. At both December 31, 2019 and 2018, 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, 2019 and 2018.

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 \$6,048 and \$5,682 for 2019 and 2018, respectively.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE G. SUBSEQUENT EVENTS

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

Due to the Coronavirus disease 2019 (COVID-19), there has been a significant drop in market activity starting in March 2020. The full impact on the fair market value of the investments is unknown at this time.

NOTE H. RESTRICTED ASSETS – CASH AND INVESTMENTS

The Foundation had \$2,547,647 and \$9,337,521 of cash and cash equivalents and \$14,130,599 and \$11,525,375 of investments restricted by donors at December 31, 2019 and 2018, respectively. The restricted assets can only be used in accordance with donor restrictions and are not available to the Foundation for general expenditures.

NOTE I. RESTRICTIONS ON NET ASSETS

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Provide scholarship assistance	\$ 13,210,492	\$ 10,703,409
Provide for college departments and foundations	395,988	409,206
Provide for faculty and staff development	750,082	667,807
Provide for alumni chapters	62,269	52,869
Grants	222,479	13,002
New market tax credit	591,881	168,060
Other	<u>382,676</u>	<u>1,100,329</u>
	<u>\$ 15,615,867</u>	<u>\$ 13,114,682</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.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

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.

NOTE L. ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2019 and 2018 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, 2019 and 2018 are as follows:

Endowment net assets, December 31, 2017	\$ 8,266,908
Contributions	97,955
Scholarship transfers	<u>288,497</u>
Endowment net assets, December 31, 2018	8,653,360
Contributions	232,208
Scholarship transfers	<u>315,446</u>
Endowment net assets, December 31, 2019	<u>\$ 9,201,014</u>

NOTE M. NON-MONETARY DONATIONS

During 2019 and 2018, the Foundation received non-monetary donations of \$42,351 and \$473,825, respectively.

Continued

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the Foundation had uninsured cash deposits at Merchants & Planters Bank of \$0. At December 31, 2019 and 2018, the Foundation had uninsured cash deposits at Trustmark Bank of \$1,197,074 and \$7,844,253, respectively, and at Capital One of \$172,278 and \$257,278, respectively. Cash held in investment accounts was \$417,886 and \$645,214 at December 31, 2019 and 2018, 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 \$1,028,827 in closing costs. In April 2019, the construction of the new facility was completed. Closing costs were capitalized and will be amortized over the life of the loan. At December 31, 2019 and 2018, amortization expense was \$20,005 and \$0, respectively.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE O. NEW MARKET TAX CREDIT PROGRAM – CONTINUED

Additionally, the loan proceeds were used to make initial payments on construction costs and equipment. Total construction costs and equipment costs in the amount of \$11,981,369 have been capitalized due to the completion of the construction.

Additionally, the Foundation is maintaining four separate bank accounts in the administration of the program which at December 31, 2019 and 2018 totaled \$1,381,893 and \$8,601,531, respectively.

The Foundation also received income of \$179,790 and \$463,438 from the program in the years ended December 31, 2019 and 2018, respectively.

After the completion of the new facility in 2019, the Foundation began leasing the building and equipment to Hinds Community College. Lease income was \$360,631 and \$0 for the year ended December 31, 2019 and 2018, respectively. Lease payments for the next five years are as follows:

2020	\$	618,225
2021	\$	718,225
2022	\$	818,225
2023	\$	918,225
2024	\$	715,927

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>2019</u>	<u>2018</u>
Investments	\$ 6,165,446	\$ 3,749,704
Cash and Cash Equivalents	<u>2,463,358</u>	<u>9,330,384</u>
	<u>\$ 8,628,804</u>	<u>\$ 13,080,088</u>

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE Q. PROPERTY AND EQUIPMENT

Property and equipment stated at cost are summarized as follows:

	<u>2019</u>	<u>2018</u>
Building	\$ 9,332,614	\$ 4,842,397
Equipment	<u>2,648,755</u>	<u>-</u>
	<u>11,981,369</u>	<u>4,842,397</u>
Less accumulated depreciation	<u>(386,662)</u>	<u>-</u>
Total property and equipment	<u>\$ 11,594,707</u>	<u>\$ 4,842,397</u>

NOTE R. OTHER ASSETS

Other assets are summarized as follows:

	<u>2019</u>	<u>2018</u>
Loan costs	\$ 1,028,827	\$ 1,028,827
Less accumulated amortization	<u>(20,005)</u>	<u>-</u>
Total other assets	<u>\$ 1,008,822</u>	<u>\$ 1,028,827</u>

NOTE S. LONG-TERM DEBT

In both the years ended December 31, 2019 and 2018, the Foundation had a 30 year note with Enhanced Capital New Market Development Fund in the amount of \$10,000,000 to finance the construction of the new facility related to the New Market Tax Credit Program. The note is an interest only note until January 2025. The note bears interest at 1.31% and matures December 2047.

Additionally, in both the years ended December 31, 2019 and 2018, the Foundation had a 30 year note with Southern Community Capital in the amount of \$3,880,000 to finance the construction of the new facility related to the New Market Tax Credit Program. The note is an interest only note until January 2025. The note bears interest at 1.31% and matures December 2047.

At both December 31, 2019 and 2018, the outstanding balance on these notes was \$13,880,000.

Continued

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018**

NOTE S. LONG-TERM DEBT – CONTINUED

Annual maturities of long-term debt are as follows:

2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		<u>13,880,000</u>
Total	<u>\$</u>	<u>13,880,000</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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability	\$ 148,574,240	139,260,215	138,183,126	147,526,363	127,988,144	102,734,671
District's proportion of the net pension liability	0.844557%	0.837254%	0.831257%	0.825900%	0.827972%	0.846377%
District's covered payroll	55,003,810	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	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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 District 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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 9,829,936	8,663,100	8,421,005	8,398,784	8,321,482	8,146,996
Contributions in relation to the contractually required contribution	9,829,936	8,663,100	8,421,005	8,398,784	8,321,482	8,146,996
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	56,493,885	55,003,810	53,466,698	53,325,613	52,834,806	51,726,959
Contributions as a percentage of covered payroll	17.40%	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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportionate share of the net OPEB liability	\$ 8,104,579	7,287,910	7,250,572
District's proportion of the net OPEB liability	0.95511931%	0.94213820%	0.92410000%
District's covered-employee payroll	43,738,982	42,612,270	41,517,272 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	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.

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

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 years in which information is available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 299,931	324,856	309,112 **
Contributions in relation to the actuarially determined contribution	299,931	324,856	309,112 **
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	59,716,112	54,835,730	53,529,060
Contributions as a percentage of covered-employee payroll	0.50%	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. Prior year information is based on historical amounts reported in prior year audit report(s).

** 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, 2020

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%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to

Hinds Community College District

Notes to the Required Supplementary Information For the Year Ended June 30, 2020

102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

(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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Hinds Community College District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

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.

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) Changes in benefit provisions

2017:

None

2018:

None

2019:

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, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3%

Hinds Community College District

Notes to the Required Supplementary Information For the Year Ended June 30, 2020

Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.25%
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	4.75%
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

SUPPLEMENTARY INFORMATION

Hinds Community College District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-through programs from:			
Mississippi Department of Agriculture			
Speciality Crop Block Grant Program - Farm Bill	10.170	NR194423XXXXC085	\$ 40,629
Child and Adult Care Food Program	10.558	5MS300326	12,209
Summer Food Service Program for Children	10.559	5MS300326	5,110
Total pass-through Mississippi Department of Agriculture			<u>57,948</u>
Mississippi Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	185MS405S2520	187,169
Total pass-through Mississippi Department of Human Services			<u>187,169</u>
Total U.S. Department of Agriculture			<u>245,117</u>
<u>U.S. Department of Justice</u>			
Pass-through program from:			
Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18LB4211	10,822
Total pass-through Mississippi Department of Public Safety			<u>10,822</u>
Total U.S. Department of Justice			<u>10,822</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	16-01-87-01	689,262
WIOA Youth Activities	17.259	16-01-87-01	438,084
WIOA Youth Activities - OSO	17.259	16-01-87-01	161,260
WIOA Dislocated Worker Formula Grants	17.278	16-01-87-01	738,064
WIOA Dislocated Worker Formula Grants - Adult Programs	17.278	16-01-87-01	261,537
Total Workforce Innovation and Opportunity Act Cluster			<u>2,288,207</u>
Total pass-through Central Mississippi Planning and Development District, Inc.			<u>2,288,207</u>
Mississippi Community College Board			
Apprenticeship USA Grants	17.285	16-S90-004-6026-1	106,937
Total pass-through Mississippi Community College Board			<u>106,937</u>
Total U.S. Department of Labor			<u>2,395,144</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	38,025
Airport Improvement Program	20.106	3-28-0064-024-2019	1,106,445
COVID-19 - Airport Improvement Program	20.106	3-28-0064-026-2020	30,000
Total pass-through Mississippi Department of Transportation			<u>1,174,470</u>
Total U.S. Department of Transportation			<u>1,174,470</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through programs from:			
University of Mississippi			
Science	43.001	NNX15AH78H	7,499
Total pass-through University of Mississippi			<u>7,499</u>
Total National Aeronautics and Space Administration			<u>7,499</u>
<u>National Science Foundation</u>			
Research and Development Cluster			
Pass-through programs from:			
National Science Foundation			
Education and Human Resources	47.076	1623282	387,540
Education and Human Resources	47.076	1623160	115,821
Education and Human Resources	47.076	1657174	241,406
Total pass-through National Science Foundation			<u>744,767</u>
Jackson State University			
Education and Human Resources	47.076	1826699	27,847
Total pass-through Jackson State University			<u>27,847</u>
Total Research and Development Cluster			<u>772,614</u>
Total National Science Foundation			<u>772,614</u>
<u>Small Business Administration</u>			
Pass-through programs from:			
University of Mississippi			
Small Business Development Centers	59.037	17-11-029	86,660
Total pass-through University of Mississippi			<u>86,660</u>
Total Small Business Administration			<u>86,660</u>

Continued

Hinds Community College District
Schedule of Expenditures of Federal Awards (Continued)
Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity's Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	\$ 647,115
Federal Work-Study Program (FWS)	84.033	N/A	376,181
Federal Pell Grant Program	84.063	N/A	30,856,631
Federal Direct Student Loans	84.268	N/A	21,627,012
Total Student Financial Assistance Cluster			53,506,939
TRIO Cluster			
TRIO Student Support Services	84.042	N/A	328,957
TRIO Talent Search	84.044A	N/A	370,567
TRIO Upward Bound	84.047A	N/A	191,203
TRIO Upward Bound	84.047A	N/A	237,055
TRIO Upward Bound	84.047A	N/A	223,370
TRIO Upward Bound	84.047A	N/A	230,115
TRIO Upward Bound	84.047A	N/A	226,702
TRIO Upward Bound	84.047M	N/A	210,002
TRIO Upward Bound	84.047M	N/A	231,640
TRIO Upward Bound	84.047M	N/A	250,600
Total TRIO Cluster			2,500,211
Higher Education - Institutional Aid (Title III)			
Higher Education Institutional Aid	84.031	N/A	1,265,986
Higher Education Institutional Aid	84.031B	N/A	994,816
Higher Education Institutional Aid	84.031B	N/A	2,395,498
Total Higher Education - Institutional Aid (Titel III)			4,656,300
Minority Science and Engineering Improvement	84.120A	N/A	165,209
Total Direct Programs			60,828,659
Pass-through programs from:			
Mississippi State Department of Education			
Adult Education - Basic Grants to States	84.002	V002A160025	832,033
Adult Education - Basic Grants to States	84.002A	V002A170025	15,687
Career and Technical Education - Basic Grants to States	84.048	V048A170024	1,522,863
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	H126A170034	76,789
Total pass-through Mississippi State Department of Education			2,447,372
Higher Education Emergency Relief Fund			
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	P425E202952	5,214,156
COVID-19 - Higher Education Emergency Relief Fund - Instructional Portion	84.425F	P425F202602	2,142,759
COVID-19 - Higher Education Emergency Relief Fund - Historically Black Colleges and Universities	84.425J	P425J200097	139,468
Total U.S. Department of Education			7,496,383
			70,772,414
U.S Department of Health and Human Services			
Pass-through programs from:			
Mississippi Department of Human Services			
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235	7017183	138,692
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235	7017184	455,302
Total pass-through Mississippi Department of Human Services			593,994
Mississippi Community College Board			
Temporary Assistance for Needy Families	93.558	6015192	124,886
Total pass-through Mississippi Community College Board			124,886
Institutions of Higher Learning			
Grants to States for Access and Visitation Programs	93.597	6012989	36,773
Total U.S. Department of Health and Human Services			755,653
Total Expenditures of Federal Awards			\$ 76,220,393

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, 2020

(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, 2020. 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 \$26,417 to a sub-recipient under CFDA# 93.597 - Grants to States for Access and Visitation Programs

SUPPLEMENTARY INFORMATION

**Hinds Community College Foundation
Component Unit**

**HINDS COMMUNITY COLLEGE FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

Description	Program Services										Fund - Raising	Total
	Scholarships	Faculty and Staff Development	College Departments and Organizations	Alumni Groups	Cain Hall	Grants	Other Programs	General Administration	Supporting Services			
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,048	\$ -	\$ 143,048	\$ -	\$ 143,048
Special events	-	-	-	-	-	-	-	-	-	-	3,281	3,281
Hospitality	-	-	-	-	-	-	-	-	-	-	17,555	17,555
Scholarships	2,471,795	-	-	-	-	-	-	-	-	-	-	2,471,795
Faculty and staff development	-	155,724	-	-	-	-	-	-	-	-	-	155,724
College departments and organizations	-	-	177,574	-	-	-	-	-	-	-	-	177,574
Alumni groups	-	-	-	4,544	-	-	-	-	-	-	-	4,544
Cain Hall	-	-	-	-	286	-	-	-	-	-	-	286
Grants	-	-	-	-	-	5,772	-	-	-	-	-	5,772
Other restricted funds	-	-	-	-	-	-	550,578	-	-	-	-	550,578
Accounting fees	-	-	-	-	-	-	-	12,600	-	-	-	12,600
Bank service fees	-	-	-	-	-	-	-	174	1,069	-	-	1,243
Miscellaneous	-	-	-	-	-	-	-	10,265	-	-	-	10,265
Non-monetary gifts	-	-	4,400	650	-	-	-	-	-	-	37,301	42,351
Sub-Total	\$ 2,471,795	\$ 155,724	\$ 181,974	\$ 5,194	\$ 286	\$ 5,772	\$ 550,578	\$ 166,087	\$ 59,206	\$ 3,596,616		

Less: Intra-fund expenses

Total \$ 3,596,616

Percentage of total program and supporting services: 69% 4% 5% 0% 0% 0% 15% 5% 2% 100%

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 (the District), as of and for the year ended June 30, 2020, 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 May 29, 2021. Our report includes a reference to other auditors who audited the financial statements of Hinds Community College Foundation (the 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 control 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) as a basis for designing 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 financial statements. 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
May 29, 2021

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, 2020. 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.

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

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, 2020.

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 2020-001, that we consider to be a material weakness.

Hinds Community College District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. 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
May 29, 2021

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 activities of Hinds Community College District as of and for the year ended June 30, 2020, which comprise Hinds Community College District's basic financial statements and have issued our report thereon dated May 29, 2021. 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 (the 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 did not disclose any instances of noncompliance with other state laws and regulations.

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
May 29, 2021

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, 2020

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 programs:

CFDA Numbers

Name of Federal Program or Cluster

84.007, 84.033, 84.063 & 84.268

Student Financial Assistance Programs Cluster

84.425E, 84.425F & 84.425J

Education Stabilization Fund Under the Coronavirus
Aid, Relief and Economic Security (CARES) Act

8. Dollar threshold used to distinguish between type A and type B programs: \$2,286,612.
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary of schedule of prior audit findings in accordance with 2 CFR 200.511(b). 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 2020-001

Criteria:

The 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 in place to adequately protect the student's information.

Context:

The District is in the process of fully evaluating these issues and assessing the related risks.

Questioned Costs:

None.

Cause:

Unknown.

Effect:

Until these risks are adequately assessed and procedures are implemented to address these issues, the District is potentially at risk of providing inadequate and/or incomplete protection of student financial aid information.

Identification of a Repeat Finding:

Yes.

Whether Sampling was Statically Valid:

No.

Recommendation:

The risk assessment process should be completed and controls put in place to adequately address identified risk so that student financial aid information is adequately protected.

View of Responsible Officials:

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. Due to COVID-19, the FY20 completion time line was impacted.

Risk Assessment was completed and Hinds Community College Board of Trustee approved Information Security Policy on December 2, 2020.

The Information Security, Data Governance Policy, Acceptable Use Policy were again reviewed, update and approved at May 2021 Hinds Community College Board of Trustee meeting as an on-going assessment.

Part of the BKD Risk Assessment agreement is an annual compliance assessment of GLBA & NIST standards. This agreement runs through November 2021 and will be renewed.

AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Hinds Community College District

Response to Schedule of Findings and Questioned Costs

Year Ending June 30, 2020

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, 2020:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2020-001	<p>a. Executive Director of Technology & CIO</p> <p>Name: Taylor Armstrong Phone Number: 601-857-3632</p> <p>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. Due to COVID-19, the FY20 completion timeline was impacted.</p> <p>Risk Assessment was completed and Hinds Community College Board of Trustee approved Information Security Policy on December 2, 2020.</p> <p>The Information Security, Data Governance Policy, Acceptable Use Policy were again reviewed, updated and approved at May 2021 Hinds Community College Board of Trustee meeting as an on-going assessment.</p> <p>Part of the BKD Risk Assessment agreement is an annual compliance assessment of GLBA & NIST standards. This agreement runs through November 2021 and will be renewed.</p>



Victor Parker, V.P. Finance

8/2/21
Date

Hinds Community College District

Response to Schedule of Findings and Questioned Costs

Year Ending June 30, 2020

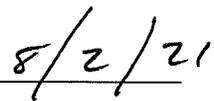
SUMMARY OF PRIOR AUDIT FINDINGS

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, 2020:

<u>Finding</u>	<u>Status</u>
2019-001	Not Corrected – See Repeat finding 2020-001 Risk Assessment of GLBA and NIST 800-171 compliance for annual financial audit. Anticipated Completion Date: June 30, 2020 (Prior to close of FY2020 Fiscal year) *COVID-19 Pandemic impacted completion timeline. BKD firm was on-site at Hinds Community College April 2020 for gathering phase of risk assessment prior to pandemic initiation. Risk Assessment completion was then impacted.



Victor Parker, V.P. Finance



Date