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**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Financial Statements
and Supplementary Information

June 30, 2021 and 2020
(With Independent Auditors' Report Thereon)

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
State of Mississippi
Veterans' Home Purchase Board:**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of State of Mississippi Veterans' Home Purchase Board ("VHPB"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise VHPB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

VHPB's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

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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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of VHPB as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements of VHPB are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the fiduciary activities of the State of Mississippi that is attributable to the transactions of VHPB. They do not purport to, and do not, present fairly the financial position of the State of Mississippi as of June 30, 2021 and 2020, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in note 1, VHPB adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, and the schedules of VHPB's proportionate share of the net pension and OPEB liabilities and contributions on pages 43 through 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 audits 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.

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Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise VHPB's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 audits 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. In our opinion, the supplementary information 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 September 15, 2021, on our consideration of VHPB'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 VHPB's the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VHPB's internal control over financial reporting and compliance.

Jackson, Mississippi
September 15, 2021

By: Sanders : O'Neil, H.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

This section of State of Mississippi Veterans' Home Purchase Board's ("VHPB") annual financial report presents the management's discussion and analysis of VHPB's financial performance during the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with VHPB's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of VHPB exceeded its liabilities and deferred inflows of resources by \$252,370,736 at June 30, 2021, \$248,250,050 at June 30, 2020, and \$242,770,849 at June 30, 2019.
- VHPB's total net position at June 30, 2021, increased \$4,120,686 (1.70%) as compared to total net position at June 30, 2020. This increase largely attributable to the interest earned on loans. The total net position at June 30, 2020, increased \$5,479,201 (2.26%) as compared to total net position at June 30, 2019. This increase largely attributable to the interest earned on loans.
- During the current fiscal year, VHPB's operating expenses totaled \$1,983,079, an increase of \$107,952, as compared to the prior year expenses of \$1,875,127. This increase was largely due to repairs and maintenance on the building. Operating expenses for the year ended June 30, 2020 decreased \$52,778 compared to the year ended June 30, 2019.
- VHPB's operating revenues for the current fiscal year totaled \$5,524,620 as compared to the prior year revenues of \$5,811,844. This was a decrease of \$287,224, primarily due to the decrease in the interest earned on loans. Operating revenues for the year ended June 30, 2020 increased \$32,145 compared to the year ended June 30, 2019.
- At June 30, 2021, VHPB had available loan funds of \$ 94,692,179

Less: Loans that have been approved but have not closed (9,126,022)
Loans awaiting board approval (2,113,032)

Net available loan funds at June 30, 2021 \$ 83,453,125

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces VHPB's financial statements. The financial statements are comprised of (1) the business-type activities – enterprise fund, (2) the fiduciary activities – custodial fund, and (3) notes to financial statements. VHPB also includes in this report additional information to supplement the financial statements.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Business-type Activities – Enterprise Fund

VHPB's enterprise fund accounts for the operating transactions of VHPB. The enterprise fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The enterprise fund financial statements include the following:

Statements of Net Position - The statements of net position include all of the enterprise fund's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the enterprise fund is improving or deteriorating, by reflecting the enterprise fund's overall financial health.

Statements of Revenues, Expenses and Changes in Net Position - The statements of revenues, expenses and changes in net position report how the enterprise fund's net position changed during the fiscal years presented. All current year revenues and expenses are included regardless of when cash is received or paid.

Statements of Cash Flows - The statements of cash flows detail the cash received and expended by the enterprise fund during the fiscal years presented. These statements present cash flows from the following activities: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Fiduciary Activities – Custodial Fund

VHPB's custodial fund accounts for the escrow transactions of VHPB. Custodial fund resources are held for the benefit of the borrowers and not available to support VHPB's loan program. The accounting used for the custodial fund is much like that used for the enterprise fund. The custodial fund financial statements include the following:

Statements of Fiduciary Net Position - The statements of fiduciary net position include all assets and liabilities associated with the custodial fund, with the difference reported as net position.

Statements of Changes in Fiduciary Net Position - The statements changes in fiduciary net position reports all additions to and deductions from the custodial funds.

Notes to Financial Statements

The notes to financial statements explain some of the information in the financial statements and provide more detailed data.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Implementation of New Accounting Standard

During fiscal year ended June 30, 2021, VHPB implemented GASBS No. 84, *Fiduciary Activities*, which provided additional guidance for fiduciary activities withing VHPB's enterprise fund. The escrow funds collected from borrowers for property taxes and insurance are now reported in a custodial fund.

OVERALL FINANCIAL ANALYSIS

Enterprise Fund Net Position - As noted earlier, the enterprise fund net position may serve over time as a useful indicator of an entity's financial position. In the case of VHPB, the enterprise fund assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$252,370,736 at June 30, 2021, \$248,250,050 at June 30, 2020, and \$242,770,849 at June 30, 2019.

The largest portion of VHPB's enterprise fund net position is unrestricted and available for the issuance of future mortgage loans and for the following years' operating expenses.

The following table presents VHPB's enterprise fund net position at June 30, 2021, compared to June 30, 2020 and 2019.

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 102,278,373	89,089,786	86,545,647
Loans receivable, net of current portion	151,593,267	161,134,057	157,862,477
Capital assets, net	<u>1,152,471</u>	<u>1,195,291</u>	<u>1,225,153</u>
Total assets	<u>255,024,111</u>	<u>251,419,134</u>	<u>245,633,277</u>
Deferred outflows of resources	<u>498,405</u>	<u>306,926</u>	<u>341,900</u>
Current liabilities	166,522	833,633	646,931
Noncurrent liabilities	<u>2,903,337</u>	<u>2,517,492</u>	<u>2,488,592</u>
Total liabilities	<u>3,069,859</u>	<u>3,351,125</u>	<u>3,135,523</u>
Deferred inflows of resources	<u>81,921</u>	<u>124,885</u>	<u>68,805</u>
Net position:			
Invested in capital assets	1,152,471	1,195,291	1,225,153
Unrestricted	<u>251,218,265</u>	<u>247,054,759</u>	<u>241,545,696</u>
Total net position	\$ <u>252,370,736</u>	<u>248,250,050</u>	<u>242,770,849</u>

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

OVERALL FINANCIAL ANALYSIS (CONTINUED)

Changes in net position - VHPB's enterprise fund total operating revenues for the year ended June 30, 2021, decreased \$287,224 from the previous year, largely due to a decrease in revenues from interest earned on outstanding mortgage loans. Operating revenues for the year ended June 30, 2020, increased \$32,145 compared to the year ended June 30, 2019.

The interest rates on mortgage loans did not change for loans made during the fiscal year ended June 30, 2021. During fiscal year 2021, the interest rate on loans maturing in 15 years or less remained at 2.50% and the interest rate on loans maturing from 16 to 30 years remained at 2.75%. The number of outstanding mortgage loans decreased by 102 loans during fiscal year 2021.

VHPB relies on principal and interest payments received on outstanding mortgage loans to make loans available to eligible veterans. During the year ended June 30, 2021, VHPB received \$31,932,573 in principal and interest payments on outstanding loans and issued \$17,501,548 in new loans. At June 30, 2021, VHPB had \$94,692,179 in available loans funds of which \$9,126,022 was committed to loans awaiting closing dates. Additionally, there was \$2,113,032 in loans awaiting approval from VHPB's board of directors.

The following table presents VHPB's enterprise fund operating activities for the fiscal year ended June 30, 2021, compared to the fiscal years ended June 30, 2020 and 2019.

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 5,524,620	5,811,844	5,779,699
Operating expenses	<u>(1,983,079)</u>	<u>(1,875,127)</u>	<u>(1,927,905)</u>
Operating income	<u>3,541,541</u>	<u>3,936,717</u>	<u>3,851,794</u>
Nonoperating revenues (expenses) -			
Interest and other investment income, net	585,213	1,542,484	1,493,402
Loss on disposal of capital assets	<u>(6,068)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>579,145</u>	<u>1,542,484</u>	<u>1,493,402</u>
Income before capital contributions and transfers	4,120,686	5,479,201	5,345,196
Capital contributions	-	-	7,506
Transfers in – rent	-	-	35,484
Transfers out	<u>-</u>	<u>-</u>	<u>(52)</u>
Changes in net position	\$ <u>4,120,686</u>	<u>5,479,201</u>	<u>5,388,134</u>

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

CAPITAL ASSETS

VHPB's enterprise fund investment in capital assets, net of accumulated depreciation, as of June 30, 2021, was \$1,152,471. During the year ended June 30, 2021, VHPB's enterprise fund did not have any capital asset acquisitions and disposed of a computer server and a filing system with a total remaining undepreciated value of \$6,067.

A summary of VHPB's enterprise fund capital assets, net of accumulated depreciation, at June 30, 2021, compared to June 30, 2020 and 2019, follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 226,000	226,000	226,000
Buildings and improvements	910,455	942,123	973,791
Furniture and equipment	13,204	24,356	22,550
Vehicles	<u>2,812</u>	<u>2,812</u>	<u>2,812</u>
Net capital assets	\$ <u>1,152,471</u>	<u>1,195,291</u>	<u>1,225,153</u>

VHPB had no capital related debt or capital related deferred inflows/outflows at June 30, 2021 or 2020.

Additional information on VHPB's capital assets can be found in note 6 on pages 27 to 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The two major external factors that will strongly affect the projected levels of performance over the next few years are (1) the COVID-19 Pandemic's lasting effect on the economy and (2) the Federal Government's reaction to these effects.

Interest rates remain at historic lows. Because of the need to remain competitive and provide a distinct advantage to our veterans, VHPB has reduced its rates to the floor established by the Mississippi Legislature. Currently the 15-year rate is at 2.5% and the 30-year rate is at 2.75%. The floor established by the Legislature is 2.5%. Any further reduction in rates will require a change in the statute governing VHPB. The weighted average rate of return for all loans in July of 2021 was 3.298%. As long as new loans are booked at the current rates, this weighted average rate of return will continue to decline, effecting the weight of return the VHPB fund receives monthly. The current weighted average rate of return for funds being held with the State Treasury is less than 1%. Given that, it is still more advantageous for VHPB to lend more money to the State's veterans than to hold this money in Treasury. This not only gives VHPB a greater rate of return for its funds, but more importantly, fulfills its mission set forth by the State

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Legislature. As rates begin to increase in the private sector market, VHPB will be able to slowly increase its rates, increasing the weighted average rate, and improving this spread further.

To help facilitate the amount of funds being loaned to the State's veterans, VHPB has recently changed its internal board policy to allow VHPB to refinance veteran's loans with external lenders. Previously, only VHPB loans could be refinanced by the agency. Removing this restriction allows VHPB to now assist veterans who might not have met all of the qualifications at the time of their application and received financing outside of the agency. This fulfills VHPB's mission by allowing the agency to improve the financial well-being of veterans who were once unable to take advantage of our program. Lending this money to eligible veterans will increase the weighted average rate of return by reducing the amount of money being held in Treasury and increasing the number of veterans benefiting from our services. First priority will still be given to veterans who are first time home buyers, followed by veterans refinancing their VHPB loan and finally our veterans that are financed by other institutions.

Outside of lending, VHPB is making other changes that will make the agency more efficient. We have eliminated our contract with our maintenance management company. This will eliminate an expense for the agency of more than \$5,200. We will also be adding a data management system which will help improve employee efficiency and reduce our dependance on paper filing. First year costs for this system will be around \$7,600 with a recurring cost around \$1,800 annually. We are working with both of our core software providers to provide a way to transfer information from our underwriting software, Calyx, to our servicing software, Finastra. Early estimates show the first-year annual cost will be approximately \$9,000. This project is early in development and we do not have an annual maintenance estimate at this time. This interaction between our processing and servicing software will create an efficiency for employees and reduce the likelihood of potentially, costly errors. We are completing a much-needed renovation of the interior of our building. This includes replacing worn out carpet, removing stained wallpaper, painting interior walls, and replacing dated furniture. The total cost of this renovation will be approximately \$95,000. These improvements will help us meet our strategic initiative to be a more efficient and customer service focused agency.

CONTACTING VHPB'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of VHPB's finances and to demonstrate VHPB's accountability for the funds it receives. If you have any questions about this report or would like to request additional information, contact VHPB's Office of Finance and Administration at 3466 Highway 80 East, Pearl, Mississippi 39208.

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
 Business-type Activities - Enterprise Fund
 Statements of Net Position
 For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents:			
Equity in internal investment pool	\$ 95,940,150	82,612,256	13,327,894
Cash in banks	<u>13,889</u>	<u>20,804</u>	<u>(6,915)</u>
Total cash and cash equivalents	<u>95,954,039</u>	<u>82,633,060</u>	<u>13,320,979</u>
Receivables, net:			
Advances to cafeteria plan	4,703	2,906	1,797
Interest receivable on loans	441,923	434,495	7,428
Due from other funds	-	15,534	(15,534)
Loans receivable, current portion	<u>5,867,175</u>	<u>5,990,827</u>	<u>(123,652)</u>
Total receivables, net	<u>6,313,801</u>	<u>6,443,762</u>	<u>(129,961)</u>
Prepaid expenses	<u>10,533</u>	<u>12,964</u>	<u>(2,431)</u>
Total current assets	102,278,373	89,089,786	13,188,587
Loans receivable, net of current portion	151,593,267	161,134,057	(9,540,790)
Capital assets, net	<u>1,152,471</u>	<u>1,195,291</u>	<u>(42,820)</u>
Total assets	<u>255,024,111</u>	<u>251,419,134</u>	<u>3,604,977</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to net pension liability	474,091	289,613	184,478
Deferred outflows related to OPEB liability	<u>24,314</u>	<u>17,313</u>	<u>7,001</u>
Total deferred outflows of resources	<u>498,405</u>	<u>306,926</u>	<u>191,479</u>

(Continued)

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
 Business-type Activities - Enterprise Fund
 Statements of Net Position
 For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
<u>LIABILITIES</u>			
Current liabilities:			
Warrants payable	\$ 11,249	650,591	(639,342)
Accounts payable	118,929	35,231	83,698
Compensated absences	8,825	7,307	1,518
Funds held for others	10,906	17,747	(6,841)
Due to other funds	16,563	-	16,563
Due to other governments	50	44	6
Unearned revenue	<u>-</u>	<u>122,713</u>	<u>(122,713)</u>
Total current liabilities	<u>166,522</u>	<u>833,633</u>	<u>(667,111)</u>
Noncurrent liabilities:			
Compensated absences	92,000	101,954	(9,954)
Net pension liability	2,696,880	2,289,243	407,637
Net OPEB liability	<u>114,457</u>	<u>126,295</u>	<u>(11,838)</u>
Total noncurrent liabilities	<u>2,903,337</u>	<u>2,517,492</u>	<u>385,845</u>
Total liabilities	<u>3,069,859</u>	<u>3,351,125</u>	<u>(281,266)</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to net pension liability	54,187	114,385	(60,198)
Deferred inflows related to OPEB liability	<u>27,734</u>	<u>10,500</u>	<u>17,234</u>
Total deferred inflows of resources	<u>81,921</u>	<u>124,885</u>	<u>(42,964)</u>
<u>NET POSITION:</u>			
Invested in capital assets	1,152,471	1,195,291	(42,820)
Unrestricted	<u>251,218,265</u>	<u>247,054,759</u>	<u>4,163,506</u>
Total net position	<u>\$ 252,370,736</u>	<u>248,250,050</u>	<u>4,120,686</u>

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

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
Business-type Activities - Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Interest on loans	\$ 5,409,561	5,655,512	(245,951)
Fees	112,445	152,030	(39,585)
Other	<u>2,614</u>	<u>4,302</u>	<u>(1,688)</u>
Total operating revenues	<u>5,524,620</u>	<u>5,811,844</u>	<u>(287,224)</u>
Operating expenses:			
General and administrative	1,392,771	1,376,187	16,584
Contractual services	408,206	238,008	170,198
Commodities	76,525	37,726	38,799
Loan closing costs	68,825	138,782	(69,957)
Depreciation	36,752	36,345	407
Loss on foreclosed loans	<u>-</u>	<u>48,079</u>	<u>(48,079)</u>
Total operating expenses	<u>1,983,079</u>	<u>1,875,127</u>	<u>107,952</u>
Operating income	<u>3,541,541</u>	<u>3,936,717</u>	<u>(395,176)</u>
Nonoperating revenues (expenses):			
Interest and other investment income, net	585,213	1,542,484	(957,271)
Loss on disposal of capital assets	<u>(6,068)</u>	<u>-</u>	<u>(6,068)</u>
Total nonoperating revenues (expenses)	579,145	1,542,484	(963,339)
Changes in net position	4,120,686	5,479,201	(1,358,515)
Net position, beginning	<u>248,250,050</u>	<u>242,770,849</u>	<u>5,479,201</u>
Net position, ending	\$ <u>252,370,736</u>	<u>248,250,050</u>	<u>4,120,686</u>

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

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
Business-type Activities - Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from (to) borrowers - miscellaneous	\$ (10,268)	76,382
Cash payments to suppliers for goods and services	(463,800)	(568,914)
Cash payments to employees for services	(1,237,541)	(1,241,859)
Other operating cash receipts (disbursements), net	816	4,571
Principal and interest received on loans	31,932,573	23,984,644
Issuance of loans	<u>(17,501,548)</u>	<u>(21,232,569)</u>
Net cash provided by operating activities	12,720,232	1,022,255
Cash flows from capital and related financing activities -		
Acquisition of capital assets	-	(6,483)
Cash flows from investing activities -		
Interest and other investment income - nonoperating	<u>600,747</u>	<u>1,570,036</u>
Net increase in cash and cash equivalents	13,320,979	2,585,808
Cash and cash equivalents at beginning of year	<u>82,633,060</u>	<u>80,047,252</u>
Cash and cash equivalents at end of year	\$ <u>95,954,039</u>	<u>82,633,060</u>
Classified on the balance sheet as follows:		
Equity in internal investment pool	\$ 95,940,150	82,612,256
Cash in banks	<u>13,889</u>	<u>20,804</u>
Cash and cash equivalents at end of year	\$ <u>95,954,039</u>	<u>82,633,060</u>

(Continued)

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
Business-type Activities - Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>3,541,541</u>	<u>3,936,717</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	36,752	36,345
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Advances to cafeteria plan	(1,797)	269
Accounts receivable	-	2,134
Interest receivable on loans	(7,428)	49,389
Loans receivable	9,664,442	(3,306,825)
Prepaid expenses	2,431	(2,430)
Warrants payable	(639,342)	241,160
Accounts payable and accruals	75,262	36,656
Funds held for others	(6,841)	(763)
Due to other funds	16,563	(1,488)
Due to other governments	6	6
Unearned revenue	(122,713)	(77,783)
Net pension liability and related deferred outflows/inflows of resources	162,961	106,059
Net OPEB liability and related deferred outflows/inflows of resources	<u>(1,605)</u>	<u>2,809</u>
Total adjustments	<u>9,178,691</u>	<u>(2,914,462)</u>
Net cash provided by operating activities	\$ <u>12,720,232</u>	<u>1,022,255</u>

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

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
 Fiduciary Activities - Custodial Fund
 Statements of Fiduciary Net Position
 For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
<u>ASSETS</u>			
Current assets:			
Equity in internal investment pool	\$ 1,355,691	1,582,274	(226,583)
Accounts receivable	<u>64,860</u>	<u>27,482</u>	<u>37,378</u>
Total assets	<u>1,420,551</u>	<u>1,609,756</u>	<u>(189,205)</u>
<u>LIABILITIES</u>			
Current liabilities:			
Warrants payable	87,413	185,355	(97,942)
Accounts payable	<u>-</u>	<u>17,726</u>	<u>(17,726)</u>
Total liabilities	<u>87,413</u>	<u>203,081</u>	<u>(115,668)</u>
<u>FIDUCIARY NET POSITION:</u>			
Restricted - held for borrowers' escrow	\$ <u>1,333,138</u>	<u>1,406,675</u>	<u>(73,537)</u>
Total fiduciary net position	<u>\$ 1,333,138</u>	<u>1,406,675</u>	<u>(73,537)</u>

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

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
Fiduciary Activities - Custodial Fund
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Additions:			
Borrowers' escrow deposits	\$ 4,447,566	4,710,309	(262,743)
Other	<u>60</u>	<u>80</u>	<u>(20)</u>
Total additions	4,447,626	4,710,389	(262,763)
Deductions -			
Escrow payments for insurance and taxes	<u>4,521,163</u>	<u>4,736,908</u>	<u>(215,745)</u>
Changes in fiduciary net position	<u>(73,537)</u>	<u>(26,519)</u>	<u>(47,018)</u>
Fiduciary net position, beginning - as previously reported	1,406,675	-	1,406,675
Prior period adjustment (see note 13)	<u>-</u>	<u>1,433,194</u>	<u>(1,433,194)</u>
Fiduciary net position, beginning - as restated	<u>1,406,675</u>	<u>1,433,194</u>	<u>(26,519)</u>
Fiduciary net position, ending	\$ <u>1,333,138</u>	<u>1,406,675</u>	<u>(73,537)</u>

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

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

State of Mississippi Veterans' Home Purchase Board ("VHPB") was established in 1946 by an act of the Mississippi State Legislature. VHPB was established to provide a benefit in the form of mortgage loans to Mississippi veterans in appreciation for their service to our country.

VHPB is administered by a Board of Directors consisting of six members appointed by the Governor, with the advice and consent of the Senate, to serve four-year staggered terms.

For financial reporting purposes, VHPB includes all funds that relate to VHPB operations. VHPB is included in the State of Mississippi's basic financial statements.

(b) Basis of Presentation

The accompanying financial statements of VHPB conforms to the pronouncements of the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

(c) Fund Accounting

The financial activities of VHPB are recorded in individual funds used to report financial position, changes in financial position and cash flows. Fund accounting is used to aid financial management by segregating transactions relating to certain activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The funds reported for VHPB are as follows:

Business-type Activities - Enterprise Fund - This is the operating fund which accounts for the transactions of VHPB related to providing and processing mortgage loans.

Custodial fund - This fund accounts for the escrow transactions of the mortgage loans provided by VHPB.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies (Continued)

(d) Basis of Accounting

The Enterprise Fund presents its financial statements using the economic resources measurement and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

The Enterprise Fund operating income includes revenues and expenses related to the primary, continuing operations of VHPB. Principal operating revenues are interest charges to customers for mortgage loans. Principal operating expenses are the costs of providing the mortgage loans and include administrative services and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

The Custodial Fund presents its financial statements using the economic resources measurement and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(e) Equity in Internal Investment Pool

Equity in internal investment pool is cash deposited with the State Treasurer's Office and consists of pooled demand deposits and investments carried at cost, which approximates fair value.

(f) Cash and Cash Equivalents

VHPB considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Additionally, VHPB considers its equity in internal investment pool to be cash equivalents.

(g) Loans Receivable

VHPB makes home mortgage loans to eligible Mississippi veterans from a revolving fund originally established through State general fund appropriations. Because VHPB operates from a revolving fund, there are periods of time when requests for loans exceed the availability of money to lend. In this case, a waiting list is utilized to establish veterans' priority for funding when funds become available.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements

June 30, 2021 and 2020

(1) **Summary of Significant Accounting Policies (Continued)**

(g) **Loans Receivable (Continued)**

The terms of financing include a maximum amount (\$400,000 plus a funding fee, at June 30, 2021) and fixed interest rates for the term of the loan. The maximum loan term is thirty years.

Inasmuch as 92.95% of the loans receivable balance is guaranteed by the United States Veterans' Administration, no provision for uncollectable accounts has been made. Substantially all non-guaranteed loans are current, and management anticipates that the loans will be repaid according to loan terms.

(h) **Capital Assets, Net**

The State of Mississippi Department of Finance and Administration has established thresholds for recording capital assets of \$5,000 for furniture and equipment and \$50,000 for buildings.

VHPB records its capital assets at cost. Donated assets are valued at estimated market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized.

Provisions for depreciation are computed by use of the straight-line method over the estimated useful lives of the assets, as follows:

<u>Property Class</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	3 - 10

(i) **Accrued Compensated Leave**

Mississippi law authorizes payment for a maximum of thirty days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of State government. Therefore, accumulated unpaid major medical leave is not accrued because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Financial Statements
June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies (Continued)

(j) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. VHPB has four pension related items and three other postemployment benefits related items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. VHPB has three pension related item and one other postemployment benefits related item that qualifies for reporting in this category.

See notes 10 and 11 for further details.

(k) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of VHPB's pension plan with the Public Employees' Retirement System ("PERS") and additions to/deductions from the plan's 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.

(l) Postemployment Benefits Other than Pensions

For purposes of measuring the net postemployment benefits other than pensions ("OPEB") liability and deferred outflows/inflows of resources relating to OPEB, and OPEB expense, information about the fiduciary net position of the Mississippi 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, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value as determined by the State.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Financial Statements
June 30, 2021 and 2020

(1) **Summary of Significant Accounting Policies (Continued)**

(m) **Net Position**

Enterprise fund

Invested in capital assets – represents the costs of capital assets less accumulated depreciation. VHPB did not have any debt or deferred inflows/outflows of resources related to capital assets as of June 30, 2021 and 2020.

Unrestricted – represents the amount of unrestricted funds available for appropriations for future operations.

Custodial fund

Restricted – held for borrowers' escrow – represents the amount of restricted funds available for borrowers' property taxes and insurance.

(n) **Budget Information**

The State of Mississippi Department of Finance and Administration ("DFA") monitors VHPB budget compliance through an allotment process. VHPB is responsible for exercising budgetary control and ensuring that allotments are not overspent, subject to DFA review. The legal level of budgetary control is at VHPB level by activity or function as well as by major expenditure classification, if applicable.

(o) **Financial Statement Format**

For consistency, certain 2020 financial statement amounts have been reclassified to conform with the 2021 financial statement presentation. Such reclassifications had no material effect on VHPB's 2020 financial position, results of operations, changes in net position or cash flows.

The increase (decrease) columns in the financial statements and footnotes are presented only to facilitate financial analysis and understanding. Data in these columns do not present financial position, changes in financial position, or cash flows in conformity with accounting principles generally accepted in the United States of America.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies (Continued)

(p) Use of Estimates in the Preparation of Financial Statements

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

(q) New Accounting Pronouncements

Effective for fiscal year 2021, VHPB implemented the following new standard issued by GASB:

- GASB Statement No. 84, *Fiduciary Activities*, effective for financial reporting periods beginning after December 15, 2019. This Statement establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of this Statement, VHPB now reports the escrow activities related to mortgage loans in the new fiduciary classification of custodial fund. This fund reclassification resulted in the restatement of VHPB's financial statements (see note 13 for details).
- GASB Statement No. 90, *Major Equity Interests – an amendment of GASB Statements No. 14 and 61*, effective for financial reporting periods beginning after December 15, 2019. This Statement modifies previous guidance for reporting government's major equity interest in a legally separate organization and guidance for reporting a component unit if a government acquires 100 percent equity in that component unit. Implementation of this Statement has no impact on VHPB's fiscal year 2021 financial statements.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, the removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for financial reporting periods beginning after June 15, 2020. Implementation of this Statement has no impact on VHPB's fiscal year 2021 financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies (Continued)

(q) New Accounting Pronouncements (Continued)

in June 2020, the requirements of this Statement, except for the requirements in the following sentences, are effective for financial reporting periods beginning after June 15, 2021. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement were effective immediately. Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for financial reporting periods beginning after December 15, 2019. Implementation of this Statement has no impact on VHPB's fiscal year 2021 financial statements.

VHPB is currently analyzing its accounting practices to determine the potential impact on the basic financial statements for the following GASB Statements becoming effective in future periods:

- GASB Statement No. 87, *Leases*, effective for financial reporting periods beginning after June 15, 2021.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for financial reporting periods beginning after December 15, 2020.
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for financial reporting periods beginning after December 15, 2021.
- GASB Statement No. 92, *Omnibus 2020*, the requirements related to effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments were effective upon issuance (January 2020). The remaining requirements are effective for financial reporting periods beginning after June 15, 2021.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for financial reporting periods beginning after June 15, 2022.
- GASB Statement 96, *Subscription-Based Information Technology Arrangements*, effective for financial reporting periods beginning after June 15, 2022.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Financial Statements
June 30, 2021 and 2020

(1) **Summary of Significant Accounting Policies (Continued)**

(r) **Advertising**

Advertising costs are expensed as incurred. Advertising expense totaled \$11,808 and \$6,810 for the years ended June 30, 2021 and 2020, respectively.

(2) **Equity in Internal Investment Pool**

Monies deposited with the State Treasurer's Office internal investment pool are considered to be cash and cash equivalents. The State Treasurer is responsible for maintaining the cash balances in accordance with State laws, and excess cash is invested in the State's cash and short-term investment pool. Details of investments of the internal investment pool for State agencies can be obtained from the State Treasurer. As of June 30, 2021, the State's total pooled investments for State agencies were approximately \$7.3 billion, and the average remaining life of the securities invested was 1,172 days.

Investments in the State Treasurer's investment pools are stated at cost, which approximates fair value, and are categorized according to credit risk in the State of Mississippi's Comprehensive Annual Report. However, VHPB's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other State agencies.

(3) **Cash in Banks**

Cash in banks consists of demand deposit accounts in local banks. The carrying amount of VHPB's cash deposits as of June 30, 2021, was \$13,889 and the corresponding bank balances were \$47,140. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law.

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Mississippi Code Ann. 1972. Under this program, VHPB'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 those 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 Depository Insurance Corporation.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements
June 30, 2021 and 2020

(4) Due From Other Funds

A summary of amounts due from other funds follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Due from the State Treasurer's Office internal investment pool	\$ <u> - </u>	<u>15,534</u>	<u>(15,534)</u>

(5) Loans Receivable

VHPB makes mortgage loans to eligible Mississippi veterans primarily for the purchase of residential housing. Loans are financed by VHPB's revolving trust fund through repayments of loan principal and interest earnings. In 1946, initial funding of \$5,000,000 was appropriated from the State of Mississippi's general fund. Subsequent appropriations during the Korean and Vietnam wars resulted in net appropriations since 1946 of \$9,600,000. At June 30, 2020, 92.95% of the loans receivable balance was guaranteed by the United States Veterans' Administration.

Interest rates on loans vary from 2.50% to 7.00% and are generally repaid over 30 years.

A summary of loans receivable follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Guaranteed by the United States Veterans' Administration	\$ 146,366,922	156,499,377	(10,132,455)
Non-guaranteed loans	<u>11,093,520</u>	<u>10,625,507</u>	<u>468,013</u>
Total loans receivable	157,460,442	167,124,884	(9,664,442)
Less loans receivable, current portion	<u>5,867,175</u>	<u>5,990,827</u>	<u>(123,652)</u>
Loans receivable, net of current portion	\$ <u>151,593,267</u>	<u>161,134,057</u>	<u>(9,540,790)</u>

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements
June 30, 2021 and 2020

(5) Loans Receivable (Continued)

Loans mature at various intervals through June 30, 2051. The scheduled principal payments receivable on loans maturing in subsequent years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 5,867,175
2023	6,002,819
2024	6,109,509
2025	6,254,311
2026	6,428,557
Thereafter	<u>126,798,071</u>
Total maturities	\$ <u>157,460,442</u>

As of June 30, 2021, VHPB had 11 loans with outstanding balances totaling \$890,968 in delinquent status. Management of VHPB believes that sufficient remedies are available under the loan agreements to prevent any material losses on these loans.

VHPB may extend loans to directors and employees of VHPB, provided they are veterans eligible to participate in the program and meet all VA and VHPB loan underwriting criteria. Such loans are made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable loans with other customers, and do not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. At June 30, 2021, there were no loans outstanding in this group.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Financial Statements
June 30, 2021 and 2020

(6) **Capital Assets**

A summary of capital asset activity for the year ended June 30, 2021, follows:

<u>Description</u>	<u>2020 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>2021 Balance</u>
Capital assets, not being depreciated - Land	\$ <u>226,000</u>	<u>-</u>	<u>-</u>	<u>226,000</u>
Capital assets being depreciated:				
Buildings and improvements	1,583,400	-	-	1,583,400
Furniture and equipment	155,174	-	(16,367)	138,807
Vehicles	<u>28,121</u>	<u>-</u>	<u>-</u>	<u>28,121</u>
Total capital assets being depreciated	<u>1,766,695</u>	<u>-</u>	<u>(16,367)</u>	<u>1,750,328</u>
Less accumulated depreciation for:				
Buildings and improvements	641,277	31,668	-	672,945
Furniture and equipment	130,818	5,084	(10,299)	125,603
Vehicles	<u>25,309</u>	<u>-</u>	<u>-</u>	<u>25,309</u>
Total accumulated depreciation	<u>797,404</u>	<u>36,752</u>	<u>(10,299)</u>	<u>823,857</u>
Capital assets being depreciated, net	<u>969,291</u>	<u>(36,752)</u>	<u>(6,068)</u>	<u>926,471</u>
Capital assets, net	\$ <u>1,195,291</u>	<u>(36,752)</u>	<u>(6,068)</u>	<u>1,152,471</u>

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements

June 30, 2021 and 2020

(6) Capital Assets (Continued)

A summary of capital asset activity for the year ended June 30, 2020, follows:

<u>Description</u>	<u>2019 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>2020 Balance</u>
Capital assets, not being depreciated -				
Land	\$ <u>226,000</u>	<u>-</u>	<u>-</u>	<u>226,000</u>
Capital assets being depreciated:				
Buildings and improvements	1,583,400	-	-	1,583,400
Furniture and equipment	148,691	6,483	-	155,174
Vehicles	<u>28,121</u>	<u>-</u>	<u>-</u>	<u>28,121</u>
Total capital assets being depreciated	<u>1,760,212</u>	<u>6,483</u>	<u>-</u>	<u>1,766,695</u>
Less accumulated depreciation for:				
Buildings and improvements	609,609	31,668	-	641,277
Furniture and equipment	126,141	4,677	-	130,818
Vehicles	<u>25,309</u>	<u>-</u>	<u>-</u>	<u>25,309</u>
Total accumulated depreciation	<u>761,059</u>	<u>36,345</u>	<u>-</u>	<u>797,404</u>
Capital assets being depreciated, net	<u>999,153</u>	<u>(29,862)</u>	<u>-</u>	<u>969,291</u>
Capital assets, net	\$ <u>1,225,153</u>	<u>(29,862)</u>	<u>-</u>	<u>1,195,291</u>

(7) Due to Other Governments

A summary of amounts due to other governments follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
City of Pearl, Mississippi	\$ <u>50</u>	<u>44</u>	<u>6</u>

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Notes to Financial Statements
June 30, 2021 and 2020

(8) Noncurrent Liabilities

A summary of changes in the noncurrent liabilities during the year ended June 30, 2021, follows:

<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Compensated absences	\$ 109,261	37,689	(46,125)	100,825	8,825
Net pension liability	2,289,243	569,041	(161,404)	2,696,880	-
Net OPEB liability	<u>126,295</u>	<u>16,377</u>	<u>(28,215)</u>	<u>114,457</u>	<u>-</u>
Noncurrent liabilities	\$ <u>2,524,799</u>	<u>623,107</u>	<u>(235,744)</u>	<u>2,912,162</u>	<u>8,825</u>

A summary of changes in the long-term liabilities during the year ended June 30, 2020, follows:

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Compensated absences	\$ 97,883	52,058	(40,680)	109,261	7,307
Net pension liability	2,280,214	206,021	(196,992)	2,289,243	-
Net OPEB liability	<u>117,510</u>	<u>18,366</u>	<u>(9,581)</u>	<u>126,295</u>	<u>-</u>
Noncurrent liabilities	\$ <u>2,495,607</u>	<u>276,445</u>	<u>(247,253)</u>	<u>2,524,799</u>	<u>7,307</u>

(9) Deferred Compensation Plan

Through the State of Mississippi, VHPB employees are offered a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets and income of the plan are held for the exclusive benefit of participants and their beneficiaries.

(10) Pension Plan

General Information about the Pension Plan

Plan Description

VHPB contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides

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(10) Pension Plan (Continued)

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 and may also be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS, 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

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(10) Pension Plan (Continued)

employers are required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 and 2020, was 17.40% of annual covered payroll. Plan provisions and the Board of Trustee's 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.

A summary of VHPB's contribution to PERS for the fiscal years ended June 30, 2021 and 2020, which equaled the required contribution for each year, follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Employer contribution	\$ <u>161,148</u>	<u>161,404</u>	<u>(256)</u>
Contribution rate	<u>17.40%</u>	<u>17.40%</u>	

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

At June 30, 2021 and 2020, VHPB reported a liability for its proportionate share of the net pension liability of the plan as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Net pension liability	\$ <u>2,696,880</u>	<u>2,289,243</u>	<u>407,637</u>

The net pension liability for fiscal year 2021 was measured as of June 30, 2020, and the net pension liability for fiscal year 2020 was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those respective dates. VHPB's proportion of the net pension liability was based on the ratio of VHPB's actual contributions to the pension plan relative to the total actual contributions of all participating entities for the plan fiscal year.

VHPB's change in proportionate share of the plan's net pension liability for fiscal year 2021 follows:

<u>Description</u>	<u>Measurement Date</u>	<u>Percentage</u>
Proportionate share	6/30/20	0.013931%
Proportionate share	6/30/19	<u>0.013013%</u>
Increase		<u>0.000918%</u>

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(10) Pension Plan (Continued)

VHPB's change in proportionate share of the plan's net pension liability for fiscal year 2020 follows:

<u>Description</u>	<u>Measurement Date</u>	<u>Percentage</u>
Proportionate share	6/30/19	0.013013%
Proportionate share	6/30/18	<u>0.013709%</u>
Decrease		<u>(0.000696)%</u>

For the years ended June 30, 2021 and 2020, VHPB recognized pension expense of \$324,109 and \$267,463, respectively.

At June 30, 2021 and 2020, VHPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 14,092	-	22,430	-
Changes in proportion and differences between VHPB contributions and proportionate share of contributions	162,100	54,187	104,353	84,976
VHPB contributions subsequent to the measurement date	161,148	-	161,404	-
Differences between expected and actual experience	23,398	-	1,426	2,374
Net difference between projected and actual earnings on plan investments	<u>113,353</u>	<u>-</u>	<u>-</u>	<u>27,035</u>
Totals	\$ <u>474,091</u>	<u>54,187</u>	<u>289,613</u>	<u>114,385</u>

The above deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

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(10) Pension Plan (Continued)

The \$161,148 reported in fiscal year 2021 as deferred outflows of resources related to pensions resulting from VHPB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 70,906
2023	71,245
2024	80,908
2025	<u>35,697</u>
Total	\$ <u>258,756</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2020 measurement date, was determined by an actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

<u>Description</u>	<u>Assumptions</u>
Inflation	2.75%
Salary increases	3.00% - 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: (1) for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119 and (2) 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 actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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(10) Pension Plan (Continued)

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.90%
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	<u>100.00%</u>	

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 of 9.00 percent and that employer contributions will be made at the current contribution rate of 17.40 percent. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of VHPB's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents VHPB's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what VHPB's proportionate share of

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(10) Pension Plan (Continued)

the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

<u>Description</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
VHPB's proportionate share of the net pension liability	\$ <u>3,490,779</u>	<u>2,696,880</u>	<u>2,041,593</u>

Pension Plan Fiduciary Net Position

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

(11) Other Postemployment Benefits Plan

General Information about the Other Postemployment Benefits ("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 of Mississippi 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 OPEB Plan issues a publicly available financial report that can be obtained at Mississippi Department of Finance and Administrations' website (<http://knowyourbenefits.dfa.ms.gov/>).

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, state agencies, universities,

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(11) Other Postemployment Benefits (Continued)

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 VHPB were \$4,024 and \$4,565 for the years ended June 30, 2021 and 2020, respectively.

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

VHPB reported a liability of \$114,457 and \$126,295 at June 30, 2021 and 2020, respectively, for its proportionate share of the net OPEB liability.

The net OPEB liability for fiscal year 2021 was measured as of June 30, 2020, and the net OPEB liability for fiscal year 2020 was measured as of June 30, 2019. The total

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(11) Other Postemployment Benefits (Continued)

OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those respective dates. The basis for VHPB'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, 2020, VHPB's proportion was 0.01470777 percent. This was a decrease of 0.00017603 percent from the proportionate share as of the measurement date of June 30, 2019. At the measurement date of June 30, 2019, VHPB's proportion was 0.0148838 percent. This was a decrease of 0.00030715 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2021 and 2020, VHPB recognized OPEB expense of \$2,419 and \$7,374, respectively.

At June 30, 2021 and 2020, VHPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 17,771	4,837	9,416	6,549
Changes in proportion and differences between VHPB contributions and proportionate share of contributions	2,369	2,978	3,139	2,143
VHPB contributions subsequent to the measurement date	4,024	-	4,565	-
Differences between expected and actual experience	146	19,919	191	1,808
Net difference between projected and actual earnings on plan investments	4	-	2	-
Totals	\$ <u>24,314</u>	<u>27,734</u>	<u>17,313</u>	<u>10,500</u>

The above deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

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(11) Other Postemployment Benefits (Continued)

The \$4,024 reported in fiscal year 2021 as deferred outflows of resources related to OPEB resulting from VHPB contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (1,727)
2023	(1,727)
2024	(1,523)
2025	(967)
2027	<u>(1,500)</u>
Total	\$ <u><u>(7,444)</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	June 30, 2020
Measurement date	June 30, 2020
Experience study date	April 2, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age
Inflation	2.75%
Salary increases, including wage inflation	3.00% - 18.25%
Long-term expected rate of return	3.50%
Municipal Bond index rate:	
Measurement date	2.19%
Prior measurement date	3.50%
Year fiduciary net position is to be depleted	2020
Projected cash flows	N/A
Discount rate:	
Measurement date	2.19%
Prior measurement date	3.50%
Health care cost trend rates	7.00% decreasing to 4.50% by 2030

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(11) Other Postemployment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Discount rate

The discount rates of 2.19% and 3.50% used to measure the total OPEB liability at June 30, 2020 and 2019, respectively, were based on the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Long-term expected rate of return

The long-term investment rate of return, net of OPEB Plan investment expense, including inflation, was 3.50%.

Mortality

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: (1) for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119 and (2) 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.

Sensitivity

The following presents VHPB's proportionate share of the net OPEB liability calculated using (1) health care cost trend rates that are 1-percentage-point lower than the assumed health care cost trend rates and (2) health care cost trend rates that are 1-percentage-point higher than the assumed health care cost trend rates, and using (1) a discount rate that is 1-percentage-point lower than and (2) 1-percentage-point higher than that described above.

Healthcare Cost Trend Rates Sensitivity

<u>Description</u>	<u>Health Care Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
VHPB's proportionate share of the net OPEB liability	\$ <u>105,684</u>	<u>114,457</u>	<u>124,397</u>

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(11) Other Postemployment Benefits (Continued)

Discount Rate Sensitivity

<u>Description</u>	<u>Discount Rates</u>		
	<u>1% Decrease (2.50%)</u>	<u>Current (3.50%)</u>	<u>1% Increase (4.50%)</u>
VHPB's proportionate share of the net OPEB liability	\$ <u>126,483</u>	<u>114,457</u>	<u>104,142</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report available on the Mississippi Department of Finance and Administrations' website.

(12) Operating Leases

VHPB has entered into various operating leases which contain cancellation provisions and are subject to annual appropriations. Expenditures under operating leases for the years ended June 30, 2021 and 2020, totaled approximately \$8,895 and \$11,787, respectively.

(13) Prior Period Adjustment

The implementation of GASB Statement No. 84, *Fiduciary Activities*, requires VHPB to report the escrow financial information in a Fiduciary Custodial Fund. The Statement had no effect on the net position of the Business-type Activities Enterprise Fund.

The effect of the prior period adjustment necessary to restate the fiscal year 2020 beginning fiduciary net position for the escrow activity follows:

<u>Description</u>	<u>2020</u>
Custodial Fund – beginning fiduciary net position, as previously reported	\$ -
Adjustment to record the beginning fiduciary net position of the custodial fund	<u>1,433,194</u>
Custodial Fund – beginning fiduciary net position, as restated	\$ <u>1,433,194</u>

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(14) Risk Management

VHPB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees while performing VHPB business; and acts of God. Losses are generally covered by commercial insurance, with the exception of the self-insured risks discussed below. There have been no significant reductions in coverage and settlement amounts did not exceed insurance coverage for the year ended June 30, 2021.

Workers' Compensation Insurance – VHPB is a participant in the Mississippi State Agencies Self-Insured Workers' Compensation Pool (the "Pool"). The Pool is a self-insured workers' compensation pool organized under Mississippi Code Ann. 1972 section 71-3-5 and is in compliance with the Mississippi Workers' Compensation Commission. Participants are jointly and severally liable for obligations of the Fund. The possibility of additional liability exists, but that amount, if any, is considered to be minimal.

Tort Claims – VHPB is a participant in the Mississippi Tort Claims Fund ("the Fund") which is under the administration of the Mississippi Tort Claims Board. The Fund is a self-insured tort (civil suit) claims fund organized under Mississippi Code Ann. 1972 section 11-46-17. Participation for State agencies is mandatory. The Fund is self-insured for claims up to the statutory limits. Under sections 11-46-15 and 11-46-17 of the Mississippi Code Ann. 1972, no court is allowed to issue a verdict in excess of certain statutory limits that increased to \$500,000 on July 1, 2002, or if the entity carries excess liability insurance, in excess of the additional coverage. The participants of the Fund are jointly and severally liable for the obligations of the Fund. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Unemployment Insurance – VHPB is a participant in the Unemployment Insurance Fund ("the Fund") which is under the administration of the Department of Finance and Administration, Office of Insurance. The Fund is a self-insured unemployment insurance fund organized under Mississippi Code Ann. 1972 section 71-5-355. Participation for State agencies is mandatory. The Fund is self-insured for all unemployment claims filed with the Mississippi Employment Security Commission by former State employees. The participants of the Fund are jointly and severally liable for the obligations of the Fund. The possibility of additional liability exists, but that amount, if any, cannot be determined.

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(15) Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, the date on which the financial statements were available to be issued. During the period from the end of the year through this date, no other circumstances occurred that required recognition or disclosure in these financial statements.

The President of the United States declared a national state of emergency due to the coronavirus COVID-19 pandemic. This event is expected to cause significant financial and operational disruptions nationwide for an undetermined period of time. The effects on VHPB's operations and finances are unknown at this time.

Effective fiscal year 2022, VHPB made two loan policy changes. The VHPB maximum loan limit was changed to agree with the maximum Mississippi loan limit set by Veterans Affairs. Also, to expand its assistance to veterans, VHPB will offer refinancing for veteran loans with external lenders at rate .50% over the current purchase rate.

STATE OF MISSISSIPPI
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 Required Supplementary Information
 Public Employees' Retirement System of Mississippi -
 Schedule of VHPB's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VHPB's proportion of the net pension liability	0.013931%	0.013013%	0.013709%	0.012543%	0.012037%	0.011659%	0.011351%	0.009679%
VHPB's proportionate share of the net pension liability	\$ 2,696,880	2,289,243	2,280,214	2,085,072	2,150,109	1,802,251	1,377,804	1,341,116
VHPB's covered payroll	\$ 927,606	847,525	875,447	804,609	770,032	728,407	693,611	580,778
VHPB's proportionate share of the net pension liability as a percentage of its covered payroll	290.74%	270.11%	260.46%	259.14%	279.22%	247.42%	198.64%	230.92%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%	61.02%

¹GASB 68 was implemented in fiscal year 2015. Information is not available to present a full ten years.
VHPB has presented information for the years in which it is available.

Note: The amounts presented for each fiscal year were determined as of the measurement date of
June 30 of the year prior to the fiscal year presented.

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

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Required Supplementary Information
Public Employees' Retirement System of Mississippi -
Schedule of VHPB's Contributions
Last Ten Fiscal Years¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 161,148	161,404	133,485	137,883	126,726	121,280	114,724	109,244
Contributions in relation to the statutorily required contribution	<u>161,148</u>	<u>161,404</u>	<u>133,485</u>	<u>137,883</u>	<u>126,726</u>	<u>121,280</u>	<u>114,724</u>	<u>109,244</u>
Annual contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
VHPB's covered payroll	\$ <u>926,144</u>	<u>927,606</u>	<u>847,525</u>	<u>875,447</u>	<u>804,609</u>	<u>770,032</u>	<u>728,407</u>	<u>693,611</u>
Contributions as a percentage of covered payroll	<u>17.40%</u>	<u>17.40%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

¹GASB 68 was implemented in fiscal year 2015. Information is not available to present a full ten years.
VHPB has presented information for the years in which it is available.

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

SCHEDULE 3

STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
Required Supplementary Information
Mississippi State and Local Employees' Life and Health Insurance OPEB Plan -
Schedule of VHPB's Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
VHPB's proportion of the net OPEB liability	0.01470777%	0.01488380%	0.01519095%	0.01487202%
VHPB's proportionate share of the net OPEB liability	\$ 114,457	126,295	117,510	116,687
VHPB's covered payroll	\$ 927,606	847,525	875,447	804,609
VHPB's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.34%	14.90%	13.42%	14.50%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	N/A

¹GASB 75 was implemented in fiscal year 2018. Information is not available to present a full ten years. VHPB has presented information for the years in which it is available.

Note: The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

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

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Required Supplementary Information
Mississippi State and Local Employees' Life and Health Insurance OPEB Plan -
Schedule of VHPB's Contributions
Last Ten Fiscal Years¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined employer contribution	\$ 7,322	6,909	7,150	6,495
Contributions in relation to the actuarially determined contribution	<u>4,565</u>	<u>5,062</u>	<u>5,081</u>	<u>4,591</u>
Annual contribution deficiency	\$ <u>2,757</u>	<u>1,847</u>	<u>2,069</u>	<u>1,904</u>
VHPB's covered payroll	\$ <u>927,606</u>	<u>847,525</u>	<u>875,447</u>	<u>804,609</u>
Contributions as a percentage of covered payroll	<u>0.49%</u>	<u>0.60%</u>	<u>0.58%</u>	<u>0.57%</u>

¹GASB 75 was implemented in fiscal year 2018. Information is not available to present a full ten years.
VHPB has presented information for the years in which it is available.

Note: The amounts presented for each fiscal year were determined as of the measurement date of
June 30 of the year prior to the fiscal year presented.

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

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Required Supplementary Information
June 30, 2021 and 2020

PENSION SCHEDULES

(1) Changes of Assumptions

Plan Year 2020:

- There were no changes in actuarial assumptions since the last valuation.

Plan Year 2019:

- The expectation of retired life mortality was changed to PubS.H-2010(B) Retiree Table with the following adjustments: (1) for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119, (2) for females, 85% of the female rates from ages 18 to 65 were scaled up to 102% for ages 75 to 119, and (3) 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: (1) for males, 137% of male rates at all ages, (2) for females, 115% of female rates at all ages, and (3) 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%.

Plan Year 2018:

- There were no changes in actuarial assumptions since the last valuation.

Plan Year 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.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Required Supplementary Information
June 30, 2021 and 2020

PENSION SCHEDULES (CONTINUED)

(2) Changes of Assumptions (Continued)

- 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%.

Plan Year 2016:

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

Plan Year 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 retirement rates were 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.

(3) Changes in Benefit Provisions

In plan years 2017 through 2020, there were no changes to benefit provisions.

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.

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Required Supplementary Information
June 30, 2021 and 2020

PENSION SCHEDULES (CONTINUED)

(4) Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of VHPB's contributions are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported (June 30, 2018 valuation for the June 30, 2020 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	30.9 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

OPEB SCHEDULES

(1) Changes in Actuarial Assumptions and Methods

Plan Year 2020:

- The discount rate was changed from 3.50% for the prior measurement date to 2.19% for the current measurement date.

Plan Year 2019:

- The discount rate was changed from 3.89% for the prior measurement date to 3.50% for the current measurement date.

Plan Year 2018:

- The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Notes to Required Supplementary Information
June 30, 2021 and 2020

OPEB SCHEDULES (CONTINUED)

(2) Changes in Benefit Provisions

In plan years 2017 through 2020, there were no changes in benefit provisions.

(3) Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of VHPB's contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the plan year ended June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market value of assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates – Medicare Supplement Claims – Pre-Medicare	7.00%
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 pension plan investment expense, including price inflation	3.50%

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**
Capital Assets
June 30, 2021 and 2020

<u>Description</u>	<u>Cost</u>						<u>6/30/2021</u>
	<u>6/30/2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2020</u>	<u>Increase</u>	<u>Decrease</u>	
Land	\$ 226,000	-	-	226,000	-	-	226,000
Buildings and improvements	1,583,400	-	-	1,583,400	-	-	1,583,400
Furniture and equipment	148,691	6,483	-	155,174	-	16,367	138,807
Vehicles	28,121	-	-	28,121	-	-	28,121
Total cost	\$ 1,986,212	6,483	-	1,992,695	-	16,367	1,976,328

<u>Description</u>	<u>Accumulated Depreciation</u>						<u>6/30/2021</u>
	<u>6/30/2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2020</u>	<u>Increase</u>	<u>Decrease</u>	
Land	\$ -	-	-	-	-	-	-
Buildings and improvements	609,609	31,668	-	641,277	31,668	-	672,945
Furniture and equipment	126,141	4,677	-	130,818	5,084	10,299	125,603
Vehicles	25,309	-	-	25,309	-	-	25,309
Total accumulated depreciation	\$ 761,059	36,345	-	797,404	36,752	10,299	823,857
Capital assets, net				\$ 1,195,291			1,152,471

<u>Capital Assets, Net</u>			
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Increase (Decrease)</u>
Land	\$ 226,000	226,000	-
Buildings and improvements	910,455	942,123	(31,668)
Furniture and equipment	13,204	24,356	(11,152)
Vehicles	2,812	2,812	-
	\$ 1,152,471	1,195,291	(42,820)

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

INDEPENDENT AUDITORS' 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*

June 30, 2021 and 2020

BREAZEALE, SAUNDERS & O'NEIL, LTD.CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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***

**The Board of Directors
State of Mississippi
Veterans' Home Purchase Board:**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of State of Mississippi Veterans' Home Purchase Board ("VHPB"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise VHPB's basic financial statements and have issued our report thereon dated September 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered VHPB's internal control over financial reporting ("internal control") as a basis or 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 VHPB's internal control. Accordingly, we do not express an opinion on the effectiveness of VHPB'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 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 VHPB'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 VHPB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VHPB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jackson, Mississippi
September 15, 2021

Brigade, Sanders : O. Neil, H.L.