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Hinds Community College

Independent Auditor's Report and Financial Statements

June 30, 2021



Hinds Community College

June 30, 2021

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Hinds Community College
June 30, 2021

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1400 Meadowbrook Road, Suite 300 / Jackson, MS 39211

P 601.948.6700 / F 601.948.6000

forvis.com

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Hinds Community College District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Prior-Year Comparative Information

The financial statements include prior-year comparative information of the Foundation only. Such information does not include all of the information required or sufficient detail to constitute a presentation of the District in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which such information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedule of Expenditures of Federal Awards and Schedule of Functional Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and

other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion based on our audit, the procedures performed as described above and the report of other auditors, the accompanying supplementary information mentioned above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated February 24, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

FORVIS, LLP

Jackson, Mississippi
February 24, 2023

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

The following discussion and analysis of Hinds Community College District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with these financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2020. The financial statements, notes and this discussion are the responsibility of management.

This annual report consists of a series of financial statements, prepared in accordance with the Government Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The College implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, and has incorporated one non-governmental component unit, Hinds Community College Foundation (the Foundation). The financial statements of the Foundation may be obtained by writing to the Hinds Community College Foundation, P. O. Box 1100, Raymond, Mississippi 39154-1100.

Overview of the Financial Statements

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

Statement of Net Position

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The District's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the District's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the District's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. A summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as June 30, 2021 and 2020 is as follows:

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

	2021		2020	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Assets				
Current assets	\$ 40,140,156	17%	\$ 30,155,169	13%
Noncurrent assets				
Endowment investments	48,742	0%	48,563	0%
Promissory note	9,649,800	4%	9,649,800	4%
Capital assets, net of accumulated depreciation	188,032,016	79%	191,602,909	83%
Total Assets	<u>237,870,714</u>	<u>100%</u>	<u>231,456,441</u>	<u>100%</u>
Deferred Outflows of Resources	<u>24,951,649</u>	<u>100%</u>	<u>23,670,759</u>	<u>100%</u>
Liabilities				
Current liabilities	20,328,119	8%	13,934,403	6%
Noncurrent liabilities, other	49,514,607	21%	53,395,813	24%
Net OPEB liability	7,520,879	3%	8,104,579	4%
Net pension liability	164,243,285	68%	148,574,240	66%
Total Liabilities	<u>241,606,890</u>	<u>100%</u>	<u>224,009,035</u>	<u>100%</u>
Deferred Inflows of Resources	<u>1,626,656</u>	<u>100%</u>	<u>7,910,865</u>	<u>100%</u>
Net Position				
Net investment in capital assets	140,595,666	718%	141,019,992	608%
Restricted				
Expendable				
Capital projects	3,503,128	18%	5,808,853	25%
Other restricted projects	549,375	3%	701,978	3%
Unrestricted	(125,059,352)	-639%	(124,323,523)	-536%
Total net position	<u>\$ 19,588,817</u>	<u>100%</u>	<u>\$ 23,207,300</u>	<u>100%</u>

The District has experienced a decrease in number of full-time academic student enrollment over the last few years, which resulted in less tuition revenues paid by each headcount. The District administration is working to adjust administration, staff and instructors to match our enrollment. Current assets increased approximately \$10.0 million.

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash equivalents reported as current assets on the District's financial statements was \$14,846,561 at June 30, 2021 and \$5,758,190 at June 30, 2020. This represents a \$9,088,371 increase.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Short-term Investments

The total amount of short-term investments reported as current assets on the District's financial statements was \$6,716,764 in 2021 and \$10,400,961 in 2020. This represents a \$3,684,197 decrease in investments.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations, county appropriations, accrued interest student tuition and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts, which totaled \$1,101,634 in fiscal year 2021 and \$1,357,467 in fiscal year 2020. The District's receivables totaled \$18,362,981 at June 30, 2021 and \$12,561,663 at June 30, 2020. This represents a \$5,801,318 increase in accounts receivable.

Inventories

The District maintains inventories of resale merchandise, as well as items for internal consumption. During 2021, the District outsourced its bookstore operations to a third party. Inventories totaled \$213,850 at June 30, 2021. That is a decrease of \$1,220,505 from the amount \$1,434,355 at June 30, 2020. The decrease in inventory relates to the outsourcing of bookstore operations.

Noncurrent Assets

Endowment Investments

The District reflects the Holtzclaw Trust as \$48,742 at June 30, 2021. The amount increased slightly from \$48,563 in fiscal year 2020, with the interest and dividends earned on the investments. The Trust is separate from the investments included in the District's discretely presented component unit, Hinds Community College Foundation.

Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCROF Investor 120, LLC (the borrower) in connection with the financing of a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program with the Foundation. The balance of the note at June 30, 2021 was \$9,649,800.

Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, livestock, equipment, vehicles, and historical library holdings at June 30, 2021 and 2020. The total capital assets, net of accumulated depreciation at 2021 was \$188,032,016. The amount reported, net of accumulated depreciation at 2020 was \$191,602,909. This represents a \$3,570,893 decrease in capital assets. The District continues to add facilities and expand its operations. In a competitive environment, the District wants to continue to repair or improve buildings and replace equipment in an attempt to provide our students and employees with the latest technology and the best learning environment.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 7,609,053	\$ 7,609,053	0%
Construction in progress	2,409,767	4,011,129	-40%
Livestock	71,100	69,400	2%
Buildings	104,003,186	106,068,849	-2%
Improvements	66,785,351	67,410,590	-1%
Library books	966,248	787,007	23%
Furniture and equipment	6,187,311	5,646,881	10%
	<u>\$ 188,032,016</u>	<u>\$ 191,602,909</u>	<u>-2%</u>

Deferred Outflows of Resources

Deferred Outflows Related to Pensions

As a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions An Amendment of GASB Statement No. 27*, the District recognized a deferred outflow of resources related to the net pension liability in the amount of \$19,787,506 and \$18,348,458 at June 30, 2021 and 2020, respectively.

Deferred Outflows Related to OPEB

As a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the District recognized deferred outflows of resources related to the net OPEB liability in the amount of \$1,481,949 and \$1,208,594 at June 30, 2021 and 2020, respectively.

Deferred Outflows Related to Costs of Refunding Debt

The District recognized deferred outflows of resources related to costs of refunding debt in the amount of \$3,682,194 at June 30, 2021 and \$4,113,707 at June 30, 2020.

Liabilities

Current Liabilities

Book Overdraft

Cash overdraft represents the checks, advices, and other charges outstanding at the end of fiscal year 2021, in excess of the bank balance. The amount increased to \$9,561,284 at June 30, 2021 from \$3,998,518 at June 30, 2020.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2021 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$6,100,242 at June 30, 2021, an increase of \$2,110,129 over the balance of \$3,990,113 at June 30, 2020.

Unearned Revenues

Unearned revenues represent revenues that were received by the District during the fiscal year, but not earned at the end of the fiscal year. For example, the District allows students to pre-register in the second summer session which starts after June 30. In addition, the 8-week summer session has not been earned in full. The unearned revenue totaled \$487,870 at June 30, 2021 and \$1,781,376 at June 30, 2020.

Other Current Liabilities

Other current liabilities represent assets belonging to individuals or organizations for which the District acts as custodian. Examples includes various student clubs and organizations and agency scholarships. The total amount held for others at June 30, 2021 was \$372,810 and \$515,893 at June 30, 2020. This was a decrease of \$143,083.

Compensated Absences - Current Portion

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The current portion of the accrued compensated absences was calculated to be \$226,913 at June 30, 2021.

Long-term Liabilities – Current Portion

Long-term liabilities – current portion represents balances that the District would expect to pay on notes and bonds, a portion of long-term debt within the next fiscal year. The amount of the current portion of long-term debt liabilities at June 30, 2021 was \$3,579,000 and \$3,443,000 at June 30, 2020.

Noncurrent Liabilities

Compensated Absences

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The noncurrent portion of the accrued compensated absences was calculated to be \$1,975,063 at June 30, 2021. This was a decrease of \$167,126 from the amount at June 30, 2020 of \$2,142,189.

Long-term Liabilities, Noncurrent Portion and Premium/Discount

This represents the portion of notes and bonds payable that are due after June 30, 2021. The amount of the noncurrent portion, net of premium/discount at June 30, 2021 was \$46,579,000, as compared to \$50,158,000 at June 30, 2020. The noncurrent portion of long-term debt decreased by \$3,579,000, due to the payment of principal during the year. The total amount of the bond discount, net of amortization was \$69,525 at June 30, 2021. This was a decrease from the balance of \$75,532 reported at June 30, 2020.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Bond premium, net of amortization was \$1,030,069 at June 30, 2021. This was a decrease from the balance of \$1,171,156 reported at June 30, 2020.

Net Pension Liability

The net pension liability at June 30, 2021 is \$164,243,285 compared to \$148,574,240 at June 30, 2020, which represents the District's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for those years. See Note 7 to the financial statements for further information regarding the District's policies for recognizing liabilities, expenses, and deferred outflows and inflows of resources related to pensions.

Net OPEB Liability

The District recognized a net OPEB liability at June 30, 2021 in the amount of \$7,520,879. The amount of the net OPEB liability as of June 30, 2020 was \$8,104,579.

Deferred Inflows of Resources

Deferred Inflows of Resources Related to Pensions

The District reflects a deferred inflow of resources related to the net pension liability in the amount of \$0 and \$7,374,594 at June 30, 2021 and 2020, respectively. These amounts are related to differences in projected and actual earnings, expected and actual experience and changes in assumption used in the pension calculation.

Deferred Inflows of Resources Related to OPEB

The District recognized a deferred inflow of resources related to OPEB in the amount of \$1,626,656 at June 30, 2021, which is an increase from \$536,271 at June 30, 2020.

Net Position

Net Investment in Capital Assets

In fiscal year 2021, net investment in capital assets portion of the District's net position decreased by \$424,326 to \$140,595,666 at June 30, 2021.

Restricted Net Position

Restricted net position at June 30, 2021:

Capital projects	\$ 3,503,128
Other restricted projects	549,375
	<hr/>
	\$ 4,052,503
	<hr/>

Restricted capital project funds consist of local appropriations restricted for capital purposes or debt retirement funds and proceeds from debt offerings for specific projects. Other project funds consist of endowment funds or other grant funds with restrictions from the grantor on spending. Currently, the

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

District will transfer amounts from the capital projects fund to the debt service fund to pay all principal, interest, and fees associated with bonds and notes payable.

Unrestricted Net Position

The following is a breakdown of the unrestricted net position at June 30, 2021:

Unrestricted General Fund (deficit)	<u><u>\$ (125,059,352)</u></u>
-------------------------------------	--------------------------------

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the District such as donors or grant agencies. This include funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities. However, the District also experienced a decrease in state appropriations.

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

Total unrestricted net position (deficit)	\$ (125,059,352)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	<u><u>152,121,365</u></u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u><u>\$ 27,062,013</u></u>

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Operating Revenues		
Tuition and fees (net of scholarship allowance)	\$ 10,329,212	\$ 18,724,443
Grants and contracts	56,740,762	35,138,025
Auxiliary enterprises	13,903,252	15,887,388
Other operating revenues	1,409,712	2,238,398
Total operating revenues	<u>82,382,938</u>	<u>71,988,254</u>
Operating Expenses	<u>166,660,702</u>	<u>164,966,171</u>
Operating Income (Loss)	<u>(84,277,764)</u>	<u>(92,977,917)</u>
Nonoperating Revenues (Expenses)		
State appropriations	36,335,802	33,067,947
County appropriations	12,810,646	12,642,873
Federal grants and contracts	24,161,502	30,856,631
Investment income	134,326	271,049
Interest expense and other related debt expenses	(2,194,745)	(2,144,523)
Total nonoperating revenues, net	<u>71,247,531</u>	<u>74,693,977</u>
Loss Before Other Revenues, Expenses, Gains or Losses	<u>(13,030,233)</u>	<u>(18,283,940)</u>
Federal capital grants	715,351	1,583,735
State and county capital appropriations	8,393,081	12,492,679
Other nonoperating revenues (expenses), net	303,318	175,083
Total other revenues	<u>9,411,750</u>	<u>14,251,497</u>
Changes in Net Position	(3,618,483)	(4,032,443)
Net Position, Beginning of Year	<u>23,207,300</u>	<u>27,239,743</u>
Net Position, End of Year	<u><u>\$ 19,588,817</u></u>	<u><u>\$ 23,207,300</u></u>

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues increased by \$10,394,684 and operating expenses increased by \$1,694,531. The operating loss for the fiscal year decreased by \$8,700,153 to (\$84,277,764). The operating loss for fiscal year 2020 was (\$92,977,917). The District will continue to show a significant operating loss since two of the largest funding sources, state and local appropriations, are not included in operating revenues per GASB 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin and Warren.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$10,329,212. The amount decreased by \$8,395,231 from the amount in fiscal year 2020, which was \$18,724,443. Our gross tuition and fees collected decreased by \$857,474. The amount went from \$38,304,651 in fiscal year 2020 to \$37,447,177 in fiscal year 2021. The tuition discount for scholarship allowances, as estimated according to the National Association of College and University Business Officers' Advisory Report 2000-2005, for the fiscal year 2021 was \$27,117,965, compared to fiscal year 2020 amount of \$19,580,208. These numbers attempt to estimate the amount of financial aid refunds that the District disburses to students.

Grants and Contracts

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

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Federal	\$ 78,372,543	\$ 56,202,230
State	3,123,785	10,943,705
Nongovernmental	<u>121,287</u>	<u>432,456</u>
	<u>\$ 81,617,615</u>	<u>\$ 67,578,391</u>

The District had a \$22,170,313 increase in federal source grants in fiscal year 2021. State grants decreased by \$7,819,920 in fiscal year 2021.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Sales and Services from Educational Activities

Sales and services from educational activities include revenue from our child-care programs, sales of product and services from our vocational programs, and athletic events. The amount for fiscal year 2021 was \$245,981 and was \$253,815 for fiscal year 2020. The revenues decreased \$7,834 in fiscal year 2021.

Auxiliary Sales and Services

Auxiliary sales and services consist of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. These enterprises entities charge a fee directly related to the cost of those goods or services and are intended to be self-supporting. The activities include the District's bookstore at each location, student housing, faculty housing, the Eagle Ridge Conference Center, Wellness Facilities on the Raymond and Utica Campuses, John Bell Williams Airport in Raymond, Brewed Awakenings Coffee Shop on the Rankin Campus, the Eagle Ridge golf course in Raymond, and the Meat Market in Raymond. Auxiliary enterprises revenues decreased by \$1,984,136 from \$15,887,388 in fiscal year 2020 to \$13,903,252 in fiscal year 2021.

Operating Expenses

The following table details the District's operating expenses by natural and functional classification for the fiscal years ended June 30, 2021 and 2020:

Operating Expenses by Function with Prior Year Figures and Changes

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Instruction	\$ 43,362,432	\$ 56,764,619	\$ (13,402,187)
Academic support	1,352,815	1,695,522	(342,707)
Student services	9,124,457	10,481,605	(1,357,148)
Institutional support	31,077,226	16,162,388	14,914,838
Operations and maintenance of plant	11,673,351	17,579,566	(5,906,215)
Student financial aid	30,080,894	22,516,788	7,564,106
Auxiliary enterprises	14,865,209	15,015,466	(150,257)
Bad debt expenses	692,914	1,470,362	(777,448)
Pension expenses	16,081,802	15,014,850	1,066,952
OPEB expenses	233,330	216,265	17,065
Depreciation expense	8,116,272	8,048,740	67,532
	<u>\$ 166,660,702</u>	<u>\$ 164,966,171</u>	<u>\$ 1,694,531</u>

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Operating Expenses by Natural Classification

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Salaries and wages	\$ 55,679,671	\$ 59,719,153	\$ (4,039,482)
Fringe benefits	25,932,830	25,544,879	387,951
Travel	392,455	1,134,516	(742,061)
Contractual services	24,748,692	14,819,461	9,929,231
Utilities	3,562,805	3,077,034	485,771
Scholarships and fellowships	30,080,894	29,679,432	401,462
Commodities	13,728,722	14,043,432	(314,710)
Depreciation expense	8,116,272	8,048,740	67,532
Other operating expense	4,418,361	8,899,524	(4,481,163)
	<u>\$ 166,660,702</u>	<u>\$ 164,966,171</u>	<u>\$ 1,694,531</u>

Nonoperating Revenues (Expenses)

State Appropriations

The District's largest source of nonoperating revenue is the appropriations from the State of Mississippi Legislature. The funds pass through the Mississippi Community College Board (MCCB) which calculates the District's share based on a funding formula. The District received \$36,335,802 for fiscal year ended June 30, 2021 and \$33,067,947 for fiscal year 2020, resulting in an increase of \$3,267,855.

County Appropriations

The District receives strong financial support from all counties in the District where the College resides. The District uses the funding for salaries and benefits and for operational purposes. The District receives the appropriation in monthly payments, beginning in July of each year. The District received \$12,810,646 for the fiscal year 2021 from the counties. The amount has increased \$167,773 from the fiscal year 2020 amount of \$12,642,873.

Federal Pell Grants

The District received \$24,161,502 in Pell grants for fiscal year 2021, which is a decrease of \$6,695,129 from last year's amount of \$30,856,631. The amount of Pell grants the District receives is based on how many Pell eligible students come to the District. During our 2020-2021 award year, there were 5,615 students with Pell funds disbursed. During our 2019-2020 award year, there were 5,278 students with Pell funds disbursed.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Net Investment Income

Net investment income includes the interest income from the cash in the bank accounts, various investments in certificates of deposit, federal bond funds, and money market accounts. The investment income for fiscal year 2021 was \$134,326. This was a decrease of \$136,723 from fiscal year 2020 amount of \$271,049. This decrease is due to a decrease in investment accounts.

Other Revenues

Federal Capital Grants

The federal capital grants decreased in fiscal year 2021 by \$868,384 to \$715,351.

State and County Appropriation Restricted for Capital Purposes

State and county capital appropriations decreased by \$4,099,598 to \$8,393,081 in fiscal year 2021. Upon passage of a legislative bond bill in the Mississippi State Legislature, the State of Mississippi sells capital improvement bonds, and those funds are allocated by the MCCB to each college based on an enrollment formula. The appropriations must be spent on renovations and repairs or construction of new facilities. The amount and the millage rates is set by the local county Board of Supervisors.

Other Nonoperating Revenues and Expenses

Other nonoperating revenues and expenses increased \$128,235 to \$303,318 in fiscal year 2021.

Statement of Cash Flows

Another way to assess the financial health of the District is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the District during a period. The statement of cash flows also helps users assess:

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

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

Condensed Statement of Cash Flows (Direct Method) Years Ended June 30, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents provided by (used in)			
Operating activities	\$(60,750,389)	\$(78,039,905)	\$ 17,289,516
Noncapital financing activities	66,798,675	76,567,451	(9,768,776)
Capital and related financing activities	(778,259)	2,276,019	(3,054,278)
Investing activities	<u>3,818,344</u>	<u>(3,878,950)</u>	<u>7,697,294</u>
Net increase (decrease) in cash and cash equivalents	9,088,371	(3,075,385)	12,163,756
Cash and cash equivalents - beginning of year	<u>5,758,190</u>	<u>8,833,575</u>	<u>(3,075,385)</u>
Cash and cash equivalents - end of year	<u><u>\$ 14,846,561</u></u>	<u><u>\$ 5,758,190</u></u>	<u><u>\$ 9,088,371</u></u>

The major sources of funds included in operating activities include cash received from customers, \$10,046,981, grants and contracts, \$56,740,762, and sales and services of auxiliary enterprises, \$14,149,233. The major uses of funds were: payments made to employees, (\$69,106,718); to vendors (\$43,663,484); and other organizations (\$30,080,894).

Factors Impacting Future Periods

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

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

Tuition revenue continues to be our largest percentage of total revenue in fiscal year 2017 and beyond. If we increase our dependency on tuition revenue, then any change to state and federal financial aid packages offered to students will impact their ability to pay tuition and our revenue stream. For example, our enrollment decreases and increase in receivables are due in large part to the reduction in the amount of federal student financial aid flowing through our District. We are dependent on federal financial aid which makes us very sensitive to any proposed changes to federal financial aid funding.

Hinds Community College District

Management's Discussion and Analysis

Year Ended June 30, 2021

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

Contact Information

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

Hinds Community College District

Statement of Net Position

June 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 14,846,561
Short-term investments	6,716,764
Accounts receivable, net of allowance for doubtful accounts	18,362,981
Inventories	213,850
Total Current Assets	<u>40,140,156</u>

Noncurrent Assets

Endowment investments	48,742
Promissory note receivable	9,649,800
Capital assets, net of accumulated depreciation	188,032,016
Total Noncurrent Assets	<u>197,730,558</u>
Total Assets	<u>237,870,714</u>

Deferred Outflows of Resources

Deferred outflows related to pensions	19,787,506
Deferred outflows related to OPEB	1,481,949
Deferred outflows related to loss on refunding bonds	3,682,194
Total Deferred Outflows of Resources	<u>24,951,649</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 262,822,363</u></u>
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Current Liabilities

Book overdraft	\$ 9,561,284
Accounts payable and accrued expenses	6,100,242
Unearned revenues	487,870
Other current liabilities	372,810
Compensated absences, current portion	226,913
Long-term liabilities, current portion	<u>3,579,000</u>
Total Current Liabilities	<u>20,328,119</u>

Noncurrent Liabilities

Compensated absences, net of current portion	1,975,063
Long-term debt, net of current portion and premium/discount	47,539,544
Net pension liability	164,243,285
Net OPEB liability	7,520,879
Total Noncurrent Liabilities	<u>221,278,771</u>
Total Liabilities	<u>241,606,890</u>

Deferred Inflows of Resources

Deferred inflows related to pensions	-
Deferred inflows related to OPEB	1,626,656
Total Deferred Inflows of Resources	<u>1,626,656</u>
Total Liabilities and Deferred Inflows of Resources	<u>243,233,546</u>

Net Position

Net investment in capital assets	140,595,666
Restricted	
Expendable	
Capital projects	3,503,128
Other restricted projects	549,375
Unrestricted	<u>(125,059,352)</u>
Total Net Position	<u>19,588,817</u>

Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 262,822,363</u></u>
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Hinds Community College Foundation
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and Cash Equivalents		
Cash and cash equivalents		
Designated for long-term use	\$ 2,793,209	\$ 2,547,646
Receivables		
Unconditional promises to give, short-term	<u>20,000</u>	<u>62,200</u>
Total current assets	<u>2,813,209</u>	<u>2,609,846</u>
Investments in Marketable Securities	<u>17,114,628</u>	<u>14,916,064</u>
Property, Equipment and Other Assets		
Real estate, at donated value	210,762	210,762
Property held for sale, net of valuation allowance	17,000	17,000
Building and equipment, net of accumulated depreciation	11,285,197	11,594,707
Loan costs, net of accumulated amortization	<u>974,527</u>	<u>1,008,822</u>
Net property, equipment and other assets	<u>12,487,486</u>	<u>12,831,291</u>
Other Receivables		
Unconditional promises to give, net of current portion	<u>-</u>	<u>5,000</u>
Total assets	<u><u>\$ 32,415,323</u></u>	<u><u>\$ 30,362,201</u></u>
Liabilities and Net Assets		
Long-term Liabilities		
Notes payable	<u>\$ 13,880,000</u>	<u>\$ 13,880,000</u>
Total liabilities	<u>13,880,000</u>	<u>13,880,000</u>
Net Assets		
Without donor restrictions	907,878	866,334
With donor restrictions	<u>17,627,445</u>	<u>15,615,867</u>
Total net assets	<u>18,535,323</u>	<u>16,482,201</u>
Total liabilities and net assets	<u><u>\$ 32,415,323</u></u>	<u><u>\$ 30,362,201</u></u>

Hinds Community College District

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2021

Operating Revenues

Tuition and fees, net of scholarship allowance of (\$27,117,965)	\$ 10,329,212
Federal grants and contracts	53,495,690
State grants and contracts	3,123,785
Nongovernmental grants and contracts	121,287
Sales and services of educational departments	245,981
Auxiliary enterprises	
Student housing	2,753,920
Food services	2,580,101
Bookstore	7,037,676
Other auxiliary revenues	1,531,555
Other operating revenues	<u>1,163,731</u>
 Total operating revenues	 <u>82,382,938</u>

Operating Expenses

Salaries and wages	55,679,671
Fringe benefits	25,932,830
Travel	392,455
Contractual services	24,748,692
Utilities	3,562,805
Scholarships and fellowships	30,080,894
Commodities	13,728,722
Depreciation	8,116,272
Other operating expense	<u>4,418,361</u>
 Total operating expenses	 <u>166,660,702</u>

Operating Loss (84,277,764)

Nonoperating Revenues (Expense)

State appropriations	36,335,802
County appropriations	12,810,646
Federal grants and contracts	24,161,502
Investment income	134,326
Interest expense and other related debt expenses	<u>(2,194,745)</u>
 Total nonoperating revenues (expense)	 <u>71,247,531</u>

Loss Before Other Revenues, Expenses, Gains or Losses (13,030,233)

Federal capital grants	715,351
Other nonoperating revenues (expenses), net	303,318
State and county capital appropriations	8,393,081
Total other revenues	<u>9,411,750</u>

Change in Net Position (3,618,483)

Net Position, Beginning of Year 23,207,300

Net Position, End of Year \$ 19,588,817

Hinds Community College Foundation
Statements of Activities
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Support		
Gift pledges	\$ 50,414	\$ 73,313
Interest and investment income	37,254	44,537
Special events	69,817	91,238
Realized gain (loss) on investments	(24,223)	21,073
Other income	94	208
Total without donor restriction support	<u>133,356</u>	<u>230,369</u>
Net assets released from restrictions		<u>3,358,148</u>
	<u>133,356</u>	<u>3,588,517</u>
Expenses		
Program services		
Scholarships	2,163,522	2,471,795
Faculty and staff development	34,301	155,724
College departments and organizations	171,489	181,974
Alumni groups	17,750	5,194
Cain Hall	-	286
Grants	37,839	5,772
Depreciation expense	649,257	386,662
Amortization expense	34,294	20,005
Other	208,185	143,911
Total program services	<u>3,316,637</u>	<u>3,371,323</u>
Supporting services		
General administration	199,461	166,087
Fundraising	38,326	59,206
Total supporting services	<u>237,787</u>	<u>225,293</u>
	<u>3,554,424</u>	<u>3,596,616</u>
Unrealized Gain on Investments	<u>142,964</u>	<u>277,671</u>
Increase in Net Assets without Donor Restrictions	<u>41,544</u>	<u>269,572</u>

Hinds Community College Foundation
Statements of Activities (Continued)
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets With Donor Restrictions		
Support		
Gift pledges	\$ 3,018,630	\$ 2,880,888
Interest and investment income	304,155	409,715
Special events	1,000	1,000
Realized gain on investments	117,975	270,496
New market tax credit program income	-	179,790
Centennial income	217,807	8,519
Lease income	618,225	360,631
Total with donor restriction support	<u>4,277,792</u>	<u>4,111,039</u>
Net assets released from restrictions	<u>(3,319,648)</u>	<u>(3,358,148)</u>
Total with donor restrictions support and reclassifications	958,144	752,891
 Unrealized Gain on Investments	 1,053,434	 1,748,294
 Increase in Net Assets with Donor Restrictions	 <u>2,011,578</u>	 <u>2,501,185</u>
 Increase in Net Assets	 <u><u>\$ 2,053,122</u></u>	 <u><u>\$ 2,770,757</u></u>

Hinds Community College Foundation
Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Balance, December 31, 2018	\$ 596,762	\$ 13,114,682	\$ 13,711,444
Reclassifications	-	-	-
Intra-fund transfers	-	-	-
Increase in net assets	<u>269,572</u>	<u>2,501,185</u>	<u>2,770,757</u>
Balance, December 31, 2019	<u>866,334</u>	<u>15,615,867</u>	<u>16,482,201</u>
Reclassifications	-	-	-
Intra-fund transfers	-	-	-
Increase in net assets	<u>41,544</u>	<u>2,011,578</u>	<u>2,053,122</u>
Balance, December, 31, 2020	<u><u>\$ 907,878</u></u>	<u><u>\$ 17,627,445</u></u>	<u><u>\$ 18,535,323</u></u>

Hinds Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities

Cash received from customers	\$ 10,046,981
Grants and contracts	56,740,762
Sales and services of auxiliary enterprises	14,149,233
Payments to employees	(69,106,718)
Payments to suppliers for goods and services	(43,663,484)
Cash payments to other organizations	(30,080,894)
Other receipts	1,163,731

Net cash used in operating activities	(60,750,389)
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Cash Flows from Noncapital Financing Activities

Tuitions and fees	30,080,894
Institutional payments for scholarships and fellowships	(30,080,894)
Appropriations	46,052,459
Grants received	20,442,898
Other	303,318

Net cash provided by noncapital financing activities	66,798,675
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Cash Flows from Capital and Related Financing Activities

Principal and interest paid on long-term debt	(5,341,312)
Acquisition of capital assets	(4,545,379)
Grants received	715,351
Appropriations	8,393,081

Net cash used in capital and related financing activities	(778,259)
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Cash Flows from Investing Activities

Sale of investments	3,684,197
Interest	134,147

Net cash provided by investing activities	3,818,344
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Increase in Cash and Equivalents

9,088,371

Cash and Cash Equivalents, Beginning of Year

5,758,190

Cash and Cash Equivalents, End of Year

\$ 14,846,561

Hinds Community College District
Statement of Cash Flows (Continued)
Year Ended June 30, 2021

Reconciliation of Operating Loss to Net Cash

Used in Operating Activities

Operating loss	<u>\$ (84,277,764)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	8,116,272
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Accounts receivable, net	1,011,275
Inventories	1,220,505
Accounts payable and accrued expenses	2,110,129
Book overdraft	5,562,766
Unearned revenues	(1,293,506)
Other current liabilities	(143,083)
Net change in pension related accounts	6,855,403
Net change in OPEB related accounts	233,330
Compensated absences	(145,716)
	<u>23,527,375</u>
Net cash used in operating activities	<u><u>\$ (60,750,389)</u></u>

Hinds Community College Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,053,122	\$ 2,770,757
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	649,257	386,662
Amortization expense	34,294	20,005
Unrealized gain on investments	(1,196,398)	(2,025,965)
Realized gain on investments	(93,752)	(291,569)
Decrease in		
Unconditional promises to give, short-term	42,200	32,570
Unconditional promises to give, long-term	5,000	31,980
Increase (decrease) in		
Accounts payable	-	(16,927)
Net cash provided by operating activities	<u>1,493,723</u>	<u>907,513</u>
Cash Flows from Investing Activities		
Capitalized construction and loan costs	(330,581)	(4,490,216)
Purchase of equipment	(9,166)	(2,648,755)
Purchase of investments	(5,239,547)	(5,802,175)
Proceeds from sale of investments	<u>4,331,134</u>	<u>5,243,758</u>
Net cash used in investing activities	<u>(1,248,160)</u>	<u>(7,697,388)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	245,563	(6,789,875)
Cash and Cash Equivalents, Beginning of Year	<u>2,547,646</u>	<u>9,337,521</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,793,209</u></u>	<u><u>\$ 2,547,646</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 181,508	\$ 136,130

Hinds Community College District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Hinds Community College District

Notes to Financial statements

June 30, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hinds Community College District (the District) was founded in 1917 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of the District is found in Section 37-29-31, Miss. Code Ann. (1972).

The District is governed by a 13 member Board of Trustees, selected by the Board of Supervisors of Hinds, Rankin, Warren, Copiah and Claiborne Counties who support the District through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the Superintendent of Education, unless the superintendent chooses not to serve, in which case the county Board of Supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the District works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 public community colleges as they serve the taxpayers of the State of Mississippi.

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

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

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

Basis of Accounting and Presentation

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

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

Hinds Community College District

Notes to Financial statements

June 30, 2021

Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Short-term Investments

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

Restricted Cash and Cash Equivalents

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

Other Long-term Investments

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

Investments

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

Hinds Community College District

Notes to Financial statements

June 30, 2021

Fair Value Measurements

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

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

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

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

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

Capital Assets (Including Intangible Assets)

Capital assets are recorded at cost at the date of acquisition, or if donated, at acquisition value at the date of donation. Livestock for educational purposes is adjusted at year-end to reflect market price.

Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purposes. No interest costs were capitalized for the year ended June 30, 2021.

The following is used to compute depreciation:

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

Hinds Community College District

Notes to Financial statements

June 30, 2021

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

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

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

Deferred outflows of resources and deferred inflows of resources presented in the financial statements pertain to the pension plan, other post-employment benefits (OPEB) and cost of refunding debt as further described in *Notes 6, 7 and 8*.

Compensated Absences

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

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Insurance Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are

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reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the State.

Net Position

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

The District reported a deficit for unrestricted net position of (\$125,059,352). This deficit can be attributed to the full recognition of net pension and net OPEB liabilities.

Classification of Revenues

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

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

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

State Appropriations

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

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June 30, 2021

Scholarship Discounts and Allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash.

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Change in Accounting Principles

Effective July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. This standard clarifies whether a government has a fiduciary responsibility and is required to present a fiduciary fund financial statement. The adoption of this standard did not result in the identification of any fiduciary activities for the District nor in the previously reported net position.

Note 2: Deposits and Investments

Cash, Cash Equivalents and Investments

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

Deposits

Custodial credit risk is the risk that, in the event of a depository failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. Deposits above Federal Deposit Insurance Corporation (FDIC) coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss Code Ann. (1972).

Under this program, the District's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

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The carrying amount of deposits with financial institutions reported in the statement of net position as unrestricted cash and cash equivalents was \$14,846,561 for the District.

Investments

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

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2021, there is no custodial credit risk associated with any investments.

Concentration of Credit Risk - Disclosure of investments by amounts and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds and external investments pools, and other pooled investments. As of June 30, 2021, the District did not have any investments to which this would apply.

<u>Investment Type</u>	<u>Fair Value</u>
Short-term investments	\$ 6,716,764
Marketable securities	48,742
	<u>\$ 6,765,506</u>

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

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Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2021:

- Short-term investments of \$6,716,764 are valued using quoted market prices (Level 1 inputs)
- Marketable securities of \$48,742 are valued using quoted market prices (Level 1 inputs)

Note 3: Accounts Receivable

The District's accounts receivable at June 30, 2021 consisted of the following:

Student tuition	\$ 3,772,125
Federal, state, and private grants and contracts	6,290,484
State appropriations	3,258,110
Other	6,143,896
	<u>19,464,615</u>
Less allowance for doubtful accounts	<u>(1,101,634)</u>
	<u><u>\$ 18,362,981</u></u>

Note 4: Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCRF Investor 120, LLC (the borrower). The note commenced on December 18, 2017. The note is secured by a security agreement with the borrower. Interest is due to the District quarterly on March 15, June 15, September 15 and December 15 of each year. Interest will be earned at an annual rate of 1%. The balance of the promissory note at June 30, 2021 was \$9,649,800. Payments will be made for interest only through December 15, 2024; commencing on March 15, 2025 payments of principal and interest will be made. The note matures on December 17, 2047. See *Note 16*.

Hinds Community College District

Notes to Financial statements

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Note 5: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021 is presented as follows:

	2021				
	Beginning Balance	Additions	Disposals	Construction Completed	Ending Balance
Nondepreciable capital assets:					
Land	\$ 7,609,053	\$ -	\$ -	\$ -	\$ 7,609,053
Construction in progress	4,011,129	3,588,744	(16,844)	(5,173,262)	2,409,767
Livestock	69,400	1,700	-	-	71,100
	<u>11,689,582</u>	<u>3,590,444</u>	<u>(16,844)</u>	<u>(5,173,262)</u>	<u>10,089,920</u>
Depreciable capital assets					
Buildings	175,213,295	-	-	961,279	176,174,574
Improvements - buildings and other	99,718,967	-	-	3,026,581	102,745,548
Library materials	3,034,065	183,215	(274,677)	-	2,942,603
Furniture and equipment	20,502,998	2,036,998	(628,097)	-	21,911,899
	<u>298,469,325</u>	<u>2,220,213</u>	<u>(902,774)</u>	<u>3,987,860</u>	<u>303,774,624</u>
Less accumulated depreciation					
Buildings	69,144,446	3,026,942	-	-	72,171,388
Improvements- buildings and other	32,308,377	3,651,820	-	-	35,960,197
Library materials	2,247,058	3,974	(274,677)	-	1,976,355
Furniture and equipment	14,856,117	1,433,536	(565,065)	-	15,724,588
	<u>118,555,998</u>	<u>8,116,272</u>	<u>(839,742)</u>	<u>-</u>	<u>125,832,528</u>
Total depreciable capital assets, net	<u>179,913,327</u>	<u>(5,896,059)</u>	<u>(63,032)</u>	<u>3,987,860</u>	<u>177,942,096</u>
Capital assets, net	<u>\$ 191,602,909</u>	<u>\$ (2,305,615)</u>	<u>\$ (79,876)</u>	<u>\$ (1,185,402)</u>	<u>\$ 188,032,016</u>

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

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The details of construction in progress are as follows:

<u>Governmental Activities</u>	<u>Spent to June 30, 2021</u>	<u>Remaining Commitments</u>
Soccer Tennis Facility	\$ 115,252	\$ -
Pedestrian Sidewalk-Raymond-MDOT	62,949	-
FAA Construct Access Taxiway	17,100	-
BB.205-082: Career-Technical Improvements	10,600	1,489,400
BB.205-077: Grey-Partridge Vo-Tech Renovation Phase I	524,884	18,950
Holtzclaw Museum Reno	3,571	-
FY21 HAHS Improvements	8,296	472,086
FY21 Rankin WIN Job Center Start Up	228,179	55,808
Raymond Lake Dam Emergency Plan FY21	16,543	-
Sheffield Woolley Structural Reno	732,324	483,316
New Tennis Court	74,210	136,839
Williams Dorm Replacement	615,859	-
	<u>\$ 2,409,767</u>	<u>\$ 2,656,399</u>

Constructions projects included above are funded through federal sources \$472,086, state sources \$1,508,350, and institutional sources \$675,963.

Note 6: Long-term Liabilities

Long-term liabilities of the District consist of notes payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2021.

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Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2021, is listed in the following schedule:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance 6/30/20	Deletions	Ending Balance 6/30/21	Due Within One Year
MS Debt Bank-Raymond Dorm bonds	\$ 18,330,000	3.00-5.25%	4/1/2021	\$ 460,000	\$ 460,000	\$ -	\$ -
2015 Utica Student Union Note	5,000,000	.50-1.8%	2/1/2022	1,562,000	767,000	795,000	795,000
2016 MS Development Bank, Refunding Bond Rankin	26,060,000	2.00-4.00%	10/1/2033	25,315,000	1,110,000	24,205,000	1,165,000
2017 Educational Facilities Refunding	3,095,000	2.25%	4/1/2023	1,605,000	520,000	1,085,000	535,000
2017 HCCD General Taxable Obligation Note	8,000,000	3.99%	8/1/2032	7,199,000	426,000	6,773,000	444,000
2017 MS Dev Bank - Special Obl Refunding Bonds	17,770,000	3.22%	4/1/2041	17,460,000	160,000	17,300,000	640,000
				<u>\$53,601,000</u>	<u>\$3,443,000</u>	<u>\$ 50,158,000</u>	<u>\$ 3,579,000</u>
Bond Discount/Premium							
Bond discount, net				\$ (75,532)	\$ (6,007)	\$ (69,525)	
Bond premium, net				<u>1,171,156</u>	<u>141,087</u>	<u>1,030,069</u>	
Total Bond Discount/Premium				<u>\$ 1,095,624</u>	<u>\$ 135,080</u>	<u>\$ 960,544</u>	
Compensated absences				<u>\$ 2,347,692</u>	<u>\$ 145,716</u>	<u>\$ 2,201,976</u>	<u>\$ 226,913</u>

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

Year Ended June 30	Principal	Interest	Total
2022	\$ 3,579,000	\$ 1,690,376	\$ 5,269,376
2023	2,913,000	1,590,734	4,503,734
2024	2,468,000	1,494,911	3,962,911
2025	2,688,000	1,399,041	4,087,041
2026	2,845,000	1,295,832	4,140,832
2027-2031	16,773,000	4,710,430	21,483,430
2032-2036	13,537,000	1,717,870	15,254,870
2037-2041	5,355,000	533,163	5,888,163
	<u>\$ 50,158,000</u>	<u>\$ 14,432,357</u>	<u>\$ 64,590,357</u>

Note 7: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The District contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the PERS 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

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Notes to Financial statements

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available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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

Contributions. PERS members are required to contribute 9.00 percent of their annual covered salary, and the institution is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 was 17.40% of annual covered payroll. Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The District's contributions to PERS for the fiscal years ended June 30, 2021, 2020 and 2019 were \$9,402,305, \$9,829,936, and \$8,663,100, respectively, which equaled to the required contributions for each year.

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

At June 30, 2021, the District reported a liability of \$164,243,285 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The District's proportionate share used to calculate the June 30, 2021 net pension liability was 0.848415 percent, which was based on a

Hinds Community College District

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measurement date of June 30, 2020. This was an increase of 0.003858 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$16,081,802. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,425,651	\$ -
Net difference between projected and actual earnings on pension plan investments	6,746,486	-
Changes of assumptions	918,783	-
Changes in proportion and difference between contributions and proportionate share of contributions	1,294,281	-
Contributions subsequent to the measurement date	9,402,305	-
	<u>\$ 19,787,506</u>	<u>\$ -</u>

\$9,402,305 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$ 1,315,222
2023	3,570,523
2024	3,325,494
2025	2,173,962
	<u>\$ 10,385,201</u>

Actuarial Assumptions

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

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Inflation	2.75%
Salary increases	3.00%-18.25% average, 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 – For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The 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.

For the year ended June 30, 2020, 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27%	4.90%
International Equity	22%	4.75%
Global Equity	12%	5.00%
Fixed Income	20%	0.50%
Real Estate	10%	4.00%
Private Equity	8%	6.25%
Cash	1%	0.00%
	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension

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plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ 212,592,751	\$ 164,243,285	\$ 124,335,549

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

Note 8: Other Postemployment Benefits (OPEB) Plan

General Information about the OPEB Plan

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

Benefits Provided

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing healthcare benefits to retirees under age 65 and the average cost of providing healthcare benefits to all participants when

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premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer.

Contributions to the OPEB plan from the District were \$244,321 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$7,520,879 proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.96643552 percent. This was an increase of 0.01131621 percent from the proportionate share as of the measurement date of June 30, 2019.

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For the year ended June 30, 2021, the District recognized OPEB expense of \$233,330. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,587	\$ 1,308,834
Changes of assumptions	1,167,686	317,822
Net difference between projected and actual earnings on OPEB plan investments	242	-
Changes in proportion and difference between contributions and proportionate share of contributions	304,434	-
	<u>\$ 1,481,949</u>	<u>\$ 1,626,656</u>

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

Year ending June 30:

2022	\$ (39,106)
2023	(39,106)
2024	(26,843)
2025	9,935
2026	(49,587)
	<u>(49,587)</u>
Total	<u>\$ (144,707)</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:

Inflation	2.75%
Salary increases	3.00%-18.25%, including wage inflation

Hinds Community College District

Notes to Financial statements

June 30, 2021

Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%

Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%

Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2021 decreasing to an
Pre-Medicare	ultimate rate of 4.50% by 2030

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

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19%. Since the prior measurement date, the discount rate has changed from 3.50% to 2.19%. The trust was established on June 20, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,307,371. The fiduciary net position is projected to be depleted immediately; therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using

Hinds Community College District

Notes to Financial statements

June 30, 2021

a discount rate that is 1-percentage-point lower (1.19 percent) or 1- percentage point higher (3.19 percent) than the current discount rate:

	<u>1% Decrease (1.19%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (3.19%)</u>
Net OPEB liability	\$ 8,311,085	\$ 7,520,879	\$ 6,843,098

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 6,944,380	\$ 7,520,879	\$ 8,174,025

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

Note 9: Leases

Leased property under operating leases is comprised mainly of copiers and other business equipment with original lease terms ranging from three to five years. Total rental expense for the year ended June 30, 2021 was \$233,627. In 2017, a 10 van 60 month lease was executed as a result of a cost benefit analysis. In 2018, a 60 golf cart 48 month lease was entered into to save working capital at the time. The following is a schedule of the future minimum rental payments required under those operating leases:

<u>Year</u>	<u>Annual Amount</u>
2022	\$ 170,393
2023	73,446
2024	1,887
	<u>\$ 245,726</u>

As further discussed in *Note 16*, the District and the Foundation are constructing a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program. In connection with this

Hinds Community College District

Notes to Financial statements

June 30, 2021

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

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

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

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

Year	Equipment	Building	Total
2022	\$ 518,225	\$ 300,000	\$ 818,225
2023	518,225	400,000	918,225
2024	475,040	450,000	925,040
2025	-	500,000	500,000
2026	-	500,000	500,000
2027-2031	-	2,500,000	2,500,000
2032-2036	-	2,500,000	2,500,000
2037-2041	-	2,500,000	2,500,000
2042-2046	-	2,500,000	2,500,000
2047-2048	-	1,250,000	1,250,000
	<u>\$ 1,511,490</u>	<u>\$ 13,400,000</u>	<u>\$ 14,911,490</u>

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

Hinds Community College District

Notes to Financial statements

June 30, 2021

Note 10: Contingencies

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

Litigation - The District is party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the outcome or liability, if any, of the District with respect to the various proceedings. However, the District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the District.

Hinds Community College District
Notes to Financial statements
June 30, 2021

Note 11: Natural Classifications with Functional Classifications

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 31,514,851	\$ 5,073,095	\$ 39,498	\$ 3,968,021	\$ 29,788	\$ -	\$ 1,938,515	\$ -	\$ 798,664	\$ 43,362,432
Academic support	841,646	172,395	-	77,998	959	-	36,953	-	222,864	1,352,815
Student services	5,796,819	1,068,983	317,298	453,954	18,435	-	1,158,055	-	310,913	9,124,457
Institutional support	11,316,450	1,843,413	33,719	14,380,366	171,691	-	2,341,081	-	990,506	31,077,226
Operation of plant	4,179,838	1,035,893	1,034	2,828,719	2,178,968	-	1,390,192	-	58,707	11,673,351
Student aid	-	-	-	-	-	30,080,894	-	-	-	30,080,894
Auxiliary enterprises	2,030,067	423,919	906	3,039,634	1,162,964	-	6,863,926	-	1,343,793	14,865,209
Bad debt expense	-	-	-	-	-	-	-	-	692,914	692,914
Pension expense	-	16,081,802	-	-	-	-	-	-	-	16,081,802
OPEB expense	-	233,330	-	-	-	-	-	-	-	233,330
Depreciation	-	-	-	-	-	-	-	8,116,272	-	8,116,272
Total operating expenses	<u>\$ 55,679,671</u>	<u>\$ 25,932,830</u>	<u>\$ 392,455</u>	<u>\$ 24,748,692</u>	<u>\$ 3,562,805</u>	<u>\$ 30,080,894</u>	<u>\$ 13,728,722</u>	<u>\$ 8,116,272</u>	<u>\$ 4,418,361</u>	<u>\$ 166,660,702</u>

Hinds Community College District

Notes to Financial statements

June 30, 2021

Note 12: Related Party Transactions

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

The Foundation owes the District for payroll related expenses of the Donor Relations/Specialist Projects Coordinator as of June 30, 2021.

Other transactions between the Foundation and the District for the year ended June 30, 2021 are as follows:

Scholarships to the District	\$ 311,999
Reimburse to the District	
For salaries and miscellaneous	<u>58,985</u>
	<u><u>\$ 370,984</u></u>

Note 13: Risk Management

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

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

Note 14: Current Economic Conditions

The current economic environment presents institutions of higher education with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value

Hinds Community College District

Notes to Financial statements

June 30, 2021

of investments and other assets, declines in student financial aid, enrollment revenue, government support, grant revenue, tax revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

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

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments of investment values and allowances for accounts receivable that could negatively impact the District's ability to maintain sufficient liquidity.

Note 15: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$125,059,352) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$9,402,305 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$10,385,201 balance of deferred outflow of resources related to pensions at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$125,059,352) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. The \$1,481,949 of deferred outflow of resources related to OPEB at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The net investment in capital assets amount of \$140,595,666 includes the effect of deferring the recognition of expenses resulting from costs of refunding debt. The \$3,682,194 balance of deferred outflow of resources related to costs of refunding debt, at June 30, 2021 will be recognized as expense and will decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$125,059,352) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,626,656 balance of deferred inflow of resources related to OPEB at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 16: New Market Tax Credit Program

During fiscal year ended June 30, 2018, the District along with the Foundation, entered into a New Market Tax Credit Program which is administered by the Community Development Financial

Hinds Community College District

Notes to Financial statements

June 30, 2021

Institution (CDFI) of the U.S. Department of the Treasury. This program is designed to encourage capital investment in low-income communities that have inadequate access to capital. Investment vehicles known as Community Development Entities (CDEs) are certified by the CDFI Fund to apply for allocation credits. These credits allow investors a credit against federal and state income taxes for making a qualified investment in the CDE. These credits are extended over a seven-year period to generate private investment. The purpose of the program is to construct a new facility at the Vicksburg-Warren Campus of the District.

The transaction was structured with the Foundation establishing a separate operating segment as the qualified active low-income community business for the purpose of administering the loan proceeds, constructing the facility, renting the facility to the District and making payments on the loan (See *Note 9* for lease information). The \$13,880,000 loan carries an interest rate of 1.307692% and is collateralized by the building. Payments on this loan will be interest only through the year 2024 and principal and interest beginning in 2025 through December 17, 2047.

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

Note 17: Hinds County Schools Vocational Technical Center

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

Note 18: Subsequent Events

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

In December 2022, PERS increased the employer contribution rate from 17.40% to 22.40%

Hinds Community College District
Notes to Financial statements
June 30, 2021

Note 19: Future Change in Accounting Principle

With the issuance of GASB Statement No. 87, *Leases*, GASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of net position as both an intangible asset and a liability. GASB 87 removed the classification of leases between two categories, and all leases will now be recorded the same on the statements of revenues, expenses, and changes in net position. GASB 87 also contains amended guidance regarding the identification of lease and non-lease components in an arrangement. GASB 87 is effective for the District's fiscal year ended September 30, 2022. The District is evaluating the impact GASB 87 will have on the financial statements; however, GASB 87 is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Hinds Community College Foundation
Component Unit
Notes to the Financial Statements
Year Ended December 31, 2020

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Foundation was established in 1979 to enhance the educational mission of Hinds Community College ("HCC") by providing a vehicle for private sector support and by increasing community awareness of the programs and services offered by HCC. The Foundation is supported primarily through donor contributions from alumni, area business organizations, and community friends in central Mississippi. The Foundation's offices are located on the Raymond, Mississippi campus of HCC.

Promises to Give

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

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

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

Contributed Services

During the years ended December 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

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

Investments, Property and Other Real Estate

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

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

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

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

Investment income has been reduced by investment fees of \$62,195 and \$57,624 for the years ended December 31, 2020 and 2019, respectively.

Functional Classification

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

Cash and Cash Equivalents

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets with Donor Restrictions

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

Long-Lived Assets

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

Investment Policy

Restricted assets for the Foundation at December 31, 2020 and 2019 include an endowment fund. Contributions to the fund are subject to donor restrictions that stipulate the original principal amount of the gift is to be held and invested by the Foundation indefinitely.

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

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

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment Policy – Continued

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

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

Interpretations of Relevant Law

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

Spending Policy

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

Property and Equipment

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

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

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

NOTE B. INVESTMENTS

At December 31, 2020 and 2019, the Foundation's investments were valued at a fair market value of \$17,114,628 and \$14,916,064, respectively, resulting in unrealized gain on investments of \$1,196,398 at December 31, 2020 and unrealized gain of \$2,025,965 at December 31, 2019.

At December 31, 2020, investments were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds (Level 1)	\$ 4,117,395	\$ 5,176,705
Common stock (Level 1)	6,952,736	9,044,712
Fixed income (Level 1)	1,932,444	1,979,011
Alternative (Level 1)	<u>920,973</u>	<u>914,200</u>
	<u>\$ 13,923,548</u>	<u>\$ 17,114,628</u>

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

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

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019**

NOTE B. INVESTMENTS – CONTINUED

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

<u>Description</u>	<u>2020</u>	<u>2019</u>
Proceeds from sales	\$ 4,331,134	\$ 5,243,758
Realized gain from sales	\$ 93,752	\$ 291,569

NOTE C. FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The method used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. FASB ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets or liabilities; and Level 3 inputs consist of unobservable inputs and have the lowest priority.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Foundation during 2020. There have been no changes in the methodologies used at December 31, 2020.

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

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

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019**

NOTE D. DONATED PROPERTY AND REAL ESTATE

At December 31, 2020 and 2019, donated property and other real estate consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Land and buildings	\$ 187,000	\$ 187,000
Artwork	<u>23,762</u>	<u>23,762</u>
	<u>\$ 210,762</u>	<u>\$ 210,762</u>

The Foundation has additional real estate assets which they are actively marketing for sale. At both December 31, 2020 and 2019, these assets were valued at \$17,000.

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

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

The Foundation did not owe HCC for payroll related expenses of the Donor Relations/Special Projects Coordinator as of December 31, 2020 and 2019.

NOTE F. RETIREMENT PLAN

The Foundation has one employee who participates in the retirement plan provided by the Hinds Community College District ("HCCD"). The plan is covered by the Public Employees Retirement System of Mississippi, a cost sharing, multiple-employer, defined benefit public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or (800) 444-PERS. The Foundation reimburses HCCD for these costs. Employer contributions were \$6,413 and \$6,048 for 2020 and 2019, respectively.

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019**

NOTE G. SUBSEQUENT EVENTS AND COVID-19 PANDEMIC

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

As a result of the spread of the coronavirus (COVID-19) pandemic and government responses to the pandemic, economic uncertainties have arisen during 2020 and through the date of the financial statements were available to be issued which could likely impact the day to day administration and volume of the business. Management does not believe that the COVID-19 has had a significant impact on its operating activities thus far; however, future financial impacts of these uncertainties are unknown at this time.

NOTE H. RESTRICTED ASSETS – CASH AND INVESTMENTS

The Foundation had \$2,793,209 and \$2,547,646 of cash and cash equivalents and \$16,360,906 and \$14,130,599 of investments restricted by donors at December 31, 2020 and 2019, respectively. The restricted assets can only be used in accordance with donor restrictions and are not available to the Foundation for general expenditures.

NOTE I. RESTRICTIONS ON NET ASSETS

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

<u>Description</u>	<u>2020</u>	<u>2019</u>
Provide scholarship assistance	\$ 15,178,301	\$ 13,210,492
Provide for college departments and foundations	314,416	395,988
Provide for faculty and staff development	806,221	750,082
Provide for alumni chapters	57,809	62,269
Grants	223,323	222,479
New market tax credit	333,296	591,881
Other	<u>714,079</u>	<u>382,676</u>
	<u>\$ 17,627,445</u>	<u>\$ 15,615,867</u>

NOTE J. INCOME TAXES

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

In evaluating the Foundation's tax provisions and accruals, future taxable income and

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019**

NOTE J. INCOME TAXES – CONTINUED

the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Foundation believes their estimates are appropriate based on the current facts and circumstances.

NOTE K. INTRA-FUND REVENUES AND EXPENSES

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

NOTE L. ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2020 and 2019 consist of an endowment fund established to support scholarships and other departments for Hinds Community College. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended for scholarships.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2020 and 2019 are as follows:

Endowment net assets, December 31, 2018	\$ 8,653,360
Contributions	232,208
Scholarship transfers	<u>315,446</u>
Endowment net assets, December 31, 2019	9,201,014
Contributions	446,479
Scholarship transfers	<u>223,968</u>
Endowment net assets, December 31, 2020	<u>\$ 9,871,461</u>

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE M. NON-MONETARY DONATIONS

During 2020 and 2019, the Foundation received non-monetary donations of \$48,644 and \$42,351, respectively.

NOTE N. DEPOSITS

The Federal Deposit Insurance Corporation ("FDIC") insures demand accounts of each depositor up to \$250,000 in each federally-chartered financial institution. Amounts in excess of \$250,000 are not covered by FDIC insurance. Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents in a financial institution, which from time to time exceed the \$250,000 federally insured limit. The Foundation has minimized credit risk by depositing cash and cash equivalents at several banks with high credit standings. Accounts at these institutions were insured by the FDIC. The Foundation has not experienced any losses of such funds and management believes the Foundation is not exposed to any significant credit risk on cash and equivalents. At December 31, 2020 and 2019, the Foundation had uninsured cash deposits at Merchants & Planters Bank of \$36,088 and \$0, respectively, at Trustmark Bank of \$1,366,293 and \$1,197,074, respectively, and at Capital One of \$87,278 and \$172,278, respectively. Cash held in investment accounts was \$481,645 and \$417,886 at December 31, 2020 and 2019, respectively.

NOTE O. NEW MARKET TAX CREDIT PROGRAM

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

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

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019**

NOTE O. NEW MARKET TAX CREDIT PROGRAM – CONTINUED

The activity of the program substantially began in December 2017 with the receipt of \$13,896,926 in loan proceeds which were used to pay \$1,028,827 in closing costs. In April 2019, the construction of the new facility was completed. Closing costs were capitalized and will be amortized over the life of the loan. At December 31, 2020 and 2019, amortization expense was \$34,294 and \$20,005, respectively.

Additionally, the loan proceeds were used to make initial payments on construction costs and equipment. Total construction costs and equipment costs in the amount of \$12,321,117 have been capitalized due to the completion of the construction.

Additionally, the Foundation is maintaining five separate bank accounts in the administration of the program which at December 31, 2020 and 2019 totaled \$1,953,571 and \$1,869,352, respectively.

The Foundation also received income of \$0 and \$179,790 from the program in the years ended December 31, 2020 and 2019, respectively.

After the completion of the new facility in 2019, the Foundation began leasing the building and equipment to Hinds Community College. Lease income was \$618,225 and \$360,631 for the year ended December 31, 2020 and 2019, respectively. Lease payments for the next five years are as follows:

2021	\$	718,225
2022	\$	818,225
2023	\$	918,225
2024	\$	715,927
2025	\$	720,584

NOTE P. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2020</u>	<u>2019</u>
Investments	\$ 7,686,259	\$ 6,165,446
Cash and Cash Equivalents	<u>2,692,306</u>	<u>2,463,358</u>
	<u>\$ 10,378,565</u>	<u>\$ 8,628,804</u>

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE Q. PROPERTY AND EQUIPMENT

Property and equipment stated at cost are summarized as follows:

	<u>2020</u>	<u>2019</u>
Building	\$ 9,663,194	\$ 9,332,614
Equipment	<u>2,657,922</u>	<u>2,648,755</u>
	12,321,116	11,981,369
Less accumulated depreciation	<u>(1,035,919)</u>	<u>(386,662)</u>
Total property and equipment	<u>\$ 11,285,197</u>	<u>\$ 11,594,707</u>

NOTE R. OTHER ASSETS

Other assets are summarized as follows:

	<u>2020</u>	<u>2019</u>
Loan costs	\$ 1,028,827	\$ 1,028,827
Less accumulated amortization	<u>(54,300)</u>	<u>(20,005)</u>
Total other assets	<u>\$ 974,527</u>	<u>\$ 1,008,822</u>

NOTE S. LONG-TERM DEBT

In both the years ended December 31, 2020 and 2019, the Foundation had a 30 year note with Enhanced Capital New Market Development Fund in the amount of \$10,000,000 to finance the construction of the new facility related to the New Market Tax Credit Program. The note is an interest only note until January 2025. The note bears interest at 1.31% and matures December 2047.

Additionally, in both the years ended December 31, 2020 and 2019, the Foundation had a 30 year note with Southern Community Capital in the amount of \$3,880,000 to finance the construction of the new facility related to the New Market Tax Credit Program. The note is an interest only note until January 2025. The note bears interest at 1.31% and matures December 2047.

At both December 31, 2020 and 2019, the outstanding balance on these notes was \$13,880,000.

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

NOTE S. LONG-TERM DEBT – CONTINUED

Annual maturities of long-term debt are as follows:

2021	\$	-
2022		-
2023		-
2024		-
2025		520,793
Thereafter		<u>13,359,207</u>
Total	\$	<u>13,880,000</u>

Required Supplementary Information

Hinds Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.848415%	0.844557%	0.837254%	0.831257%	0.825900%	0.827972%	0.846377%
District's proportionate share of the net pension liability	\$ 164,243,285	\$ 148,574,240	\$ 139,260,215	\$ 138,183,126	\$ 147,526,363	\$ 127,988,144	\$ 102,734,671
District's covered payroll	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698	\$ 53,325,613	\$ 52,834,806	\$ 51,726,959	\$ 51,718,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
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%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FY 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Hinds Community College District
Schedule of the District's Pension Contributions
PERS
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,402,305	\$ 9,829,936	\$ 8,663,100	\$ 8,421,005	\$ 8,398,784	\$ 8,321,482	\$ 8,146,996
Contributions in relation to the contractually required contribution	<u>9,402,305</u>	<u>9,829,936</u>	<u>8,663,100</u>	<u>8,421,005</u>	<u>8,398,784</u>	<u>8,321,482</u>	<u>8,146,996</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 54,036,236	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698	\$ 53,325,613	\$ 52,834,806	\$ 51,726,959
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FY 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Hinds Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last Ten Fiscal Years*

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.96643552%	0.95511931%	0.94213820%	0.92410000%
District's proportionate share of the net OPEB liability	\$ 7,520,879	\$ 8,104,579	\$ 7,287,910	\$ 7,250,572
District's covered-employee payroll	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698	\$ 53,325,613
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.31%	14.73%	13.63%	13.60%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

Hinds Community College District
Schedule of the District's Contributions
OPEB
Last Ten Fiscal Years*

	2021	2020	2019	2018
Actuarially determined contribution	\$ 244,321	\$ 299,931	\$ 324,856	\$ 309,112
Contributions in relation to the actuarially determined contribution	<u>244,321</u>	<u>299,931</u>	<u>324,856</u>	<u>309,112</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 54,036,236	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698
Contributions as a percentage of covered-employee payroll	0.45%	0.53%	0.59%	0.58%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

Hinds Community College District
Notes to the Required Supplementary Information -
Pension Schedules
Year Ended June 30, 2021

A. Changes of Assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumptions 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 6.00% to 7.00%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.

Hinds Community College District
Notes to the Required Supplementary Information -
Pension Schedules (Continued)
Year Ended June 30, 2021

- 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%.

B. Changes in Benefit Provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by *The Wall Street Journal* on December 31 of each preceding year with a minimum rate of 1% and a maximum rate of 5%.

C. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Hinds Community College District
Notes to the Required Supplementary Information -
OPEB Schedules
Year Ended June 30, 2021

A. Changes of Assumptions

2017: The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

2018: The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.

2019: The discount rate was changed from 3.89% for the prior measurement date to 3.50% for the current measurement date.

2020: The discount rate was changed from 3.50% for the prior measurement date to 2.19% for the current measurement date.

B. Changes in Benefit Provisions

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the base coverage beginning January 1, 2021.

C. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the 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 healthcare costs trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.00%

Hinds Community College District
Notes to the Required Supplementary Information -
OPEB Schedules (Continued)
Year Ended June 30, 2021

Ultimate healthcare cost trend rates	
Medicare supplement claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare supplement claims	
Pre-Medicare	2028
Long-term investment rate of return,	
Net of OPEB plan investment	
expense, including price inflation	3.50%

Supplementary Information

Hinds Community College District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Direct				
Conservation Stewardship Program	10.924		\$ -	\$ 62,841
Passed through				
Mississippi Department of Education				
Child and Adult Care Food Program	10.558	5MS300326	-	10,628
Mississippi Department of Human Services				
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568	6020446 / 6020542	-	540,219
Pilot Projects to Reduce Dependency and Increase Work				
Requirements and Work Effort under SNAP	10.596	6020080	-	34,400
Total Mississippi Department of Human Services			-	574,619
Mississippi Community College Board				
Distance Learning and Telemedicine Loans and Grants	10.855	USDA Telemedicine	-	30,383
Total U.S. Department of Agriculture			-	678,471
U.S. Department of Homeland Security				
Passed through				
Mississippi Department of Public Safety				
Homeland Security Grant Program (HMGP)	97.067	EMW-2020-SS-00033	-	6,424
Total U.S. Department of Homeland Security			-	6,424
U.S. Department of Justice				
Passed through				
Mississippi Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-MU-BX-0045	-	9,425
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0664	-	10,000
Total U.S. Department of Justice			-	19,425
U.S. Department of Labor				
Direct				
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		-	445,756
Passed through				
Central Mississippi Planning and Development District, Inc.				
Workforce Innovation and Opportunity Act Cluster				
WIOA Adult Program	17.258	20-01-87-01	-	640,799
WIOA Youth Activities	17.259	20-01-87-01	-	521,600
WIOA Dislocated Worker Formula Grants	17.278	20-01-87-01	-	1,018,143
Total passed through Central Mississippi Planning and			-	2,180,542
Development District, Inc.				
Mississippi Community College Board				
Apprenticeship USA Grants	17.285	16-S90-057-6006-1	-	76,417
Apprenticeship USA Grants	17.285	AP-30019-16-60-A28	-	771
Total passed through Mississippi Community College Board			-	77,188
Total U.S. Department of Labor			-	2,703,486

Hinds Community College District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Passed through				
Mississippi Department of Transportation				
Airport Improvement Program	20.106	3-28-0064-024-2019	\$ -	148,300
Airport Improvement Program	20.106	3-28-0064-027-2021	-	1,800
COVID-19 - Airport Improvement Program	20.106	3-28-0064-028-2021	-	13,000
Total U.S. Department of Transportation			-	163,100
National Aeronautics and Space Administration				
Passed through				
University of Mississippi				
Office of Stem Engagement (OSTEM)	43.008	NHX15AH78H	-	7,500
Total National Aeronautics and Space Administration			-	7,500
Institute of Museum and Library Services				
Direct				
Museum Grants for African American History and Culture	45.309		-	7,638
Total Institute of Museum and Library Services			-	7,638
National Science Foundation				
Research and Development Cluster				
Passed through				
National Science Foundation				
Education and Human Resources	47.076	1826699	-	37,003
Education and Human Resources	47.076	1623160	-	31,263
Education and Human Resources	47.076	1657174	-	256,483
Jackson State University				
Education and Human Resources	47.076	1623282	-	320,056
Total National Science Foundation			-	644,805
Small Business Administration				
Passed through				
University of Mississippi				
Small Business Development Centers	59.037	SBAHQ-20-B-0021	-	26,979
Small Business Development Centers	59.037	SBAHQ-21-B-0039	-	73,415
Total Small Business Administration			-	100,394
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007		-	450,874
Federal Work-Study Program	84.033		-	109,068
Federal Pell Grant Program	84.063		-	24,161,502
Federal Direct Student Loans	84.268		-	14,778,775
Total Student Financial Assistance Cluster			-	39,500,219

Hinds Community College District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
TRIO Cluster				
TRIO Student Support Services	84.042		\$ -	\$ 251,730
TRIO Talent Search	84.044		-	365,337
TRIO Upward Bound	84.047A		-	1,556,135
TRIO Upward Bound	84.047M		-	1,056,013
Total TRIO Cluster			-	3,229,215
Higher Education - Institutional Aid (Title III)				
Higher Education Institutional Aid	84.031		-	4,835,028
Minority Science and Engineering Improvement	84.120A		-	262,477
Education Stabilization Fund				
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion	84.425E		-	5,216,497
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	10,038,298
COVID-19 - Higher Education Emergency Relief Fund - Historically Black Colleges and Universities	84.425J		-	9,558,905
COVID-19 - Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	293
Passed through				
Mississippi Office of the Governor				
COVID-19 - Higher Education Emergency Relief Fund - Historically Black Colleges and Universities	84.425C	S425C200045	-	1,599,305
Total Higher Education Emergency Relief Fund			-	26,413,298
Mississippi Community College Board				
Adult Education - Basic Grants to States	84.002	V002A190025	-	844,353
Mississippi State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A20024	-	1,025,076
Total U.S. Department of Education			-	76,109,666

Hinds Community College District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Passed through				
Mississippi Department of Human Services				
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235	7017183 / 7017184	\$ -	\$ 201,355
Childcare Development Fund Cluster				
Passed through				
Mississippi Department of Human Services				
Child Care and Development Block Grant	93.575	6021291/6021292	-	148,418
Passed through				
Mississippi Community College Board				
Child Care and Development Block Grant	93.575	FY2020-52	-	221,077
Total U.S. Department of Health and Human Services			-	570,850
U.S. Department of Treasury				
Passed through				
Central Mississippi Planning and Development District, Inc.				
COVID-19 Coronavirus Relief Fund	21.019	HB1795	-	603,747
Mississippi Department of Finance and Administration				
COVID-19 Coronavirus Relief Fund	21.019	HB1793	-	3,450,954
Total U.S. Department of Treasury			-	4,054,701
Total Expenditures of Federal Awards			\$ -	\$ 85,066,460

Hinds Community College District

Notes to Schedule of Expenditures of Federal Awards

June 30, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hinds Community College District (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

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

Note 4: Federal Direct Student Loans

For purposes of the Schedule, loans made to students under the Federal Direct Loan Program are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balances are included in the financial statements, since the loans are made and subsequently collected by the federal government.

Supplementary Information

Hinds Community College Foundation
Component Unit

Hinds County College Foundation

Schedule of Functional Expenses

Year Ended December 31, 2020

	Program Services						Supporting Services		
Description	Scholarships	Faculty and Staff Development	College Departments and Organizations	Alumni Groups	Grants	Other Programs	General Administration	Fund - Raising	Total
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,147	\$ -	\$ 173,147
Special events	-	-	-	-	-	-	-	3,465	3,465
Time to Soar Campaign	-	-	-	-	-	-	-	5,625	5,625
Scholarships	2,163,522	-	-	-	-	-	-	-	2,163,522
Faculty and staff development	-	34,301	-	-	-	-	-	-	34,301
College departments and organizations	-	-	152,396	-	-	-	-	-	152,396
Alumni groups	-	-	-	16,762	-	-	-	-	16,762
Grants	-	-	-	-	37,839	-	-	-	37,839
Other restricted funds	-	-	-	-	-	891,736	-	-	891,736
Accounting fees	-	-	-	-	-	-	13,625	-	13,625
Bank service fees	-	-	-	-	-	-	182	674	856
Miscellaneous	-	-	-	-	-	-	12,507	-	12,507
Non-monetary gifts	-	-	19,093	988	-	-	-	28,562	48,643
	<u>\$ 2,163,522</u>	<u>\$ 34,301</u>	<u>\$ 171,489</u>	<u>\$ 17,750</u>	<u>\$ 37,839</u>	<u>\$ 891,736</u>	<u>\$ 199,461</u>	<u>\$ 38,326</u>	<u>\$ 3,554,424</u>
Less intrafund expenses									-
									<u>\$ 3,554,424</u>
Percentage of total program and supporting services	61%	1%	5%	0%	1%	25%	6%	1%	100%



1400 Meadowbrook Road, Suite 300 / Jackson, MS 39211

P 601.948.6700 / F 601.948.6000

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**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***

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Hinds Community College District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2023.

Our report includes a reference to other auditors who audited the financial statements of the Hinds Community College Foundation (the Foundation), as described in our report on the District's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

FORVIS, LLP

Jackson, Mississippi
February 24, 2023



1400 Meadowbrook Road, Suite 300 / Jackson, MS 39211

P 601.948.6700 / F 601.948.6000

forvis.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Hinds Community College District's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on TRIO Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the TRIO Cluster as described in finding number 2021-003 for Eligibility.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on TRIO Cluster

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion on TRIO Cluster” paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TRIO Cluster for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The District’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-003 that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

FORVIS, LLP

Jackson, Mississippi
February 24, 2023

Hinds Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported
Material weakness(es) identified? ☒ Yes ☐ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported
Material weakness(es) identified? ☒ Yes ☐ No

5. Type of auditor’s report issued on compliance for major federal program(s):

☒ Unmodified – ☒ Qualified – ☐ Adverse ☐ Disclaimer
Student TRIO
Financial Cluster
Assistance
Cluster,
Education
Stabilization
Fund, and
Coronavirus
Relief Fund

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

Hinds Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.007 84.033 84.063 84.268	Student Financial Assistance Cluster Federal Supplemental Educational Opportunity Grant Federal Work-Study Program Federal Pell Grant Program Federal Direct Student Loans
84.042 84.044 84.047	TRIO Cluster TRIO Student Support Services TRIO Talent Search TRIO Upward Bound
84.425C, E, F, J, and L	Education Stabilization Fund
21.019	Coronavirus Relief Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$2,551,994.

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Hinds Community College District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section II – Financial Statement Findings

Reference Number	Finding
2021-001	<p>Criteria or specific requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting, including information technology general controls.</p> <p>Condition – During 2021, the District converted to a new system for accounting and financial reporting. The District worked with a consultant for this transition, but it did not have a formalized process in place to test the results of the software conversion in a test environment to ensure all needed functions would operate properly in the system. While these matters were able to be corrected and remediated after the software conversion, material errors were identified, and material audit adjustments were proposed that were not identified by management in a timely manner.</p> <p>Effect – During the course of the audit, we identified the following matters that were not identified by management:</p> <ul style="list-style-type: none"> • Bank statement reconciliations for the year were not completed in a timely manner • Conversion asset/liability accounts were not cleared by year-end • Corrections to capital assets accounts were required • Account mapping and groupings related to certain statement of net position and net position accounts required correction • Corrections were needed to opening balances to adjust internal fund balances • Reports generated from within the new accounting system were not readily available to facilitate the year-end close and account reconciliation process <p>Cause – The District did not have a formalized process or procedure in place to test the results of the software conversion in a test environment to ensure all needed functions, including accurate financial reporting, would operate properly in the new system.</p> <p>Recommendation – We recommend management of the District create a formalized process and policy over future financial software conversions and any system/software upgrades. This process should include sufficient testing in a test environment to prevent future errors.</p>

Hinds Community College District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Reference Number	Finding
2021-001 (Continued)	<p><i>Views of responsible officials and planned corrective actions</i> – The District kicked off the Workday ERP Platform implementation August 2019 with a Go-Live date of July 1, 2020 for full alignment of FY21. Covid closure of on-site implementation activities occurred March 2020, causing the scope of work to be modified and processes to be implemented post July 1, 2020 Go-Live impacting financial reporting for the FY21 year.</p> <p>Due to Covid closure March 2020, on-site audit activities by the FY20 auditing firm ceased. Federal Fiscal Audit deadlines were later extended to June 2021 and then September 2021. The timing delay in receiving audited statement of net position statements and changes in net position statements from our FY20 auditing firm prevented the ability to load opening balances into the new Workday ERP Platform planned for Go-Live July 2021 impacting financial reporting for opening balances, account reconciliation, and completion of account mappings until post July 2021 Go-Live date. Account mapping has been completed and open balances have since been loaded so account reconciliation can occur.</p> <p>During FY 20/21 and FY 21/22, the District had a high rate of turnover due to and during COVID within the Human Resource (HR) Department. This department is responsible for payroll, benefits, and payroll tax remittance. This turnover, coupled with remote working and changing payroll systems, caused significant issues with benefits reconciliation. The District implemented a new Workday HCM which included all payroll system operations in July 2020. The training for this system was hindered greatly by the pandemic, as employees were working from home and in-person trainings were not available. The HR Department has worked to correct the debit and credit discrepancies for FY21 liabilities. Hinds currently has 28 monthly liabilities. We are reconciling all but 3 each month prior to running monthly payroll. We should have the remaining 3 liabilities reconciled by the end of March 2023.</p> <p>The District implemented a new Workday ERP Platform July 2020 and fixed assets was moved fully into the new Platform March 2021, resulting in increased fixed asset activity the last quarter of FY21. The activity was multiplied due to the District moving from proprietary operation of bookstores to outsourcing bookstore operations to Barnes & Noble's in Summer 2021.</p>

Hinds Community College District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Reference Number	Finding
2021-002	<p><i>Criteria or specific requirement</i> – Management is responsible for establishing and maintaining effective internal control over financial reporting, including the proper application of GAAP.</p> <p><i>Condition</i> – During 2021, the District converted to a new system for accounting and financial reporting. This conversion altered the standard year-end close process. The design of the District’s accounting, financial reporting, and year-end close process did not include a procedure for challenging the implementation of GAAP.</p> <p><i>Effect</i> – Potentially material misstatements in the financial statements could occur and not be prevented or detected in a timely manner. During the course of the audit, we identified the following matters that were not identified by management:</p> <ul style="list-style-type: none"> • Timing of the recognition of federal awards for students • Improper lease accounting • Correction of long-term debt payoff • Errors in the calculation of net position components <p><i>Cause</i> – The District did not have a formalized process or procedure in place to challenge the application of GAAP, including accurate financial reporting.</p> <p><i>Recommendation</i> – We recommend management of the District enhance its year-end close process to include a formalized process to review and approve the application of GAAP to ensure the external financial statements are fairly stated.</p> <p><i>Views of responsible officials and planned corrective actions</i> – Due to the conversion to the new Workday ERP Platform the standard year-end closing process was altered not ensuring a consistent constraint of application of GAAP standards. Since identification of the matters, the following have been addressed: 1) timing of the recognition of federal awards has been adjusted to recognize transactions in the applicable period, 2) correction of long-term debt payoff was recorded using an applicable journal entry to reflect a correct balance, 3) net position components will now incorporate an additional fund for statutory entries resulting in a corrected calculation in net position components. In the matter of lease accounting, the GASB 87 standard is being implemented and the District will seek external assistance in testing of controls. With the new Workday ERP Platform, a new process (began November 2022) will be implemented to align year-end steps with fiscal year closeout to add additional internal controls to ensure GAAP compliance.</p>

Hinds Community College District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Reference Number	Finding
Section III – Federal Award Findings and Questioned Costs	
2021-003	<p>TRIO Cluster, Assistance Listing Numbers 84.042, 84.044 and 84.047 U.S. Department of Education Program Year 2020-2021</p> <p>Criteria or specific requirement – Eligibility – 34 CFR Sections 645.3 and 645.6. Proper documentation should be retained to support eligibility.</p> <p>Condition – The District did not retain sufficient documentation to support eligibility determinations for students.</p> <p>Questioned costs – Assistance Listing Number 84.047 - \$1,160 – Questioned costs include sampled stipends paid to students for which no supporting eligibility document was provided</p> <p>Context – Out of a population of 2,331 stipends paid to students during program year 2020-2021, a sample of 40 stipends were selected for underlying eligibility testing. Our sampling method was not intended to be statistically valid. There was no underlying eligibility documentation provided by the District for 8 of the 40 selected stipends.</p> <p>Effect – The District was not able to support the eligibility determination of all student recipients, and, therefore, potentially provided stipends to ineligible student recipients.</p> <p>Cause – The District’s processes did not ensure sufficient documentation was retained to support eligibility determinations of student recipients.</p> <p>Identification as a repeat finding – N/A</p> <p>Recommendation – The District should expand its processes to ensure eligibility documents are retained to support the eligibility determinations.</p>

Hinds Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Reference Number	Finding
	<p>Views of responsible officials and planned corrective actions - In address of the TRIO student documentation errors, Title III and Sponsored Grants Department and Assistant Director for Grant Initiatives supervising TRIO Project Directors will be retrained on the process of student documentation for each program activity, campus visit, cultural excursions, and visitation. Training and supervision will be continued with weekly and monthly meetings for verification of steps followed. The District has Blumen Software that is purchased by each TRIO Upward Bound Program. Requirements will be communicated, and training will be provided on the software to house TRIO projects and track services.</p>



1400 Meadowbrook Road, Suite 300 / Jackson, MS 39211

P 601.948.6700 / F 601.948.6000

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Report on Compliance with State Laws and Regulations

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Hinds Community College District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2023.

Our report includes a reference to other auditors who audited the financial statements of the Hinds Community College Foundation (the Foundation), as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of compliance with state laws and regulations. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on compliance with state laws and regulations associated with the Foundation.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

FORVIS, LLP

Jackson, Mississippi
February 24, 2023

Hinds Community College District
Summary of Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding
2020-001	<p>Corrected</p> <p>Director Informational Technology – Tamisha Johnson 601-857-3809</p> <p>Risk Assessment of GLBA and NIST 800-171 compliance for annual financial audit was completed by the District, and the District's Board of Trustees approved Information Security Policy December 2, 2020. The Annual Risk Assessment agreement for compliance of GLBA and NIST standards is on-going including annual assessments.</p>

Hinds Community College District

Response to Schedule of Findings and Questioned Costs

Year Ending June 30, 2021

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Hinds Community College District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2021:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
----------------	---------------------------------------

2021-001	a. Administrator: V.P. Finance / CFO..... Victor Parker 601-857-3961 V. P. Human Resources.....Andrea Janoush 601-857-3201
----------	---

b. Corrective Action Planned: The District kicked off the Workday ERP Platform implementation August 2019 with a Go-Live date of July 1, 2020 for full alignment of FY21. Covid closure of on-site implementation activities occurred March 2020 causing the scope of work to be modified and processes to be implemented post July 1, 2020 Go-Live impacting financial reporting for the FY21 year.

Due to Covid closure March 2020, on-site audit activities by the FY20 auditing firm ceased. Federal Fiscal Audit deadlines were later extended to June 2021 and then September 2021. The timing delay in receiving audited statement of net position and statements of changes in net position from our FY20 auditing firm prevented the ability to load opening balances into the new Workday ERP Platform planned for Go-Live July 2021 impacting financial reporting for opening balances, account reconciliation, and completion of account mappings until post July 2020 Go-Live date. Account mapping has been completed and open balances have since been loaded so account reconciliation can occur.

During FY 20/21 and FY 21/22, the District had a high rate of turnover due to and during COVID within the Human Resource (HR) Department. This department is responsible for payroll, benefits, and payroll tax remittance. This turnover coupled with remote working and changing payroll systems caused significant issues with benefits reconciliation. The District implemented a new Workday HCM which included all payroll system operations in July 2020. The training for this system was hindered greatly by the pandemic as employees were working from home and in-person trainings were not available. The HR Department has worked to correct the debit and credit discrepancies for FY21 liabilities. Hinds currently has 28 monthly liabilities. We are reconciling all but 3 each month prior to running monthly payroll. We should have the remaining 3 liabilities reconciled by the end of March 2023.

The District implemented a new Workday ERP Platform July 2020 and fixed assets was moved fully into the new Platform March 2021 resulting in increased fixed asset activity the last quarter of FY21. The activity was multiplied due to the District moving from proprietary operation of bookstores to outsourcing bookstore operations to Barnes & Noble's Summer 2021.

The anticipated completion date is March 2023.

2021-002

a. Administrator: V.P. Finance / CFO..... Victor Parker 601-857-3961
V.P. Student Services..... Jennifer Miles 601-857-3250

b. Corrective Action Planned: Due to the conversion to the new Workday ERP Platform the standard year-end closing process was altered not ensuring a consistent constraint of application of GAAP standards. Since identification of the matters the following have been addressed: 1) timing of the recognition of federal awards has been adjusted to recognize transactions in the applicable period, 2) correction of long-term debt payoff was recorded using an applicable journal entry to reflect a correct balance, 3) net position components will now incorporate an additional fund for statutory entries resulting in a corrected calculation in net position components. In the matter of lease accounting, the GASB 87 standard is being implemented for FY22 and the District will seek external assistance in testing of controls. With the new Workday ERP Platform, a new process (began November 2022) will be implemented to align year-end steps with fiscal year close out to add additional internal controls to ensue GAAP compliance.

The anticipated correction date is November 2022.

2021-003

a. Administrator: V.P. Finance / CFO..... Victor Parker 601-857-3961
V.P. CTE Instruction / HBCU Initiatives Sherry Bellmon 601-885-7002

b. Corrective Action Planned: In address of the TRIO student documentation errors, Title III and Sponsored Grants Department and Assistant Director for Grant Initiatives supervising TRIO Project Directors will be retrained on the process of student documentation for each program activity, campus visit, cultural excursions, and visitation. Training and supervision will be continued with weekly and monthly meetings for verification of steps followed. The Title III and Sponsored Grants Department has Blumen Software that is purchased by each TRIO Upward Bound Program. Requirements will be communicated, and training will be provided on the software to house TRIO projects and track services.

The anticipated completion date is March 2023.



Victor Parker, V.P. Finance / CFO



Date