



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



MATTHEWS
CUTRER *and*
LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

**FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2022
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

*Ridgeland, Clinton, and Yazoo City,
Mississippi*

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD
JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 11
FINANCIAL STATEMENTS	
Business-type Activities – Enterprise Fund	
Statement of Net Position	12 - 13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15 - 16
Fiduciary Activities – Custodial Fund	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
NOTES TO FINANCIAL STATEMENTS	19 - 40
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule 1 - Public Employees' Retirement System of Mississippi - Schedule of VHPB's Proportionate Share of the Net Pension Liability	41
Schedule 2 - Public Employees' Retirement System of Mississippi - Schedule of VHPB's Contributions	42
Schedule 3 – Mississippi State and Local Employees' Life and Health Insurance OPEB Plan - Schedule of VHPB's Proportionate Share of the Net OPEB Liability	43
Schedule 4 – Mississippi State and Local Employees' Life and Health Insurance OPEB Plan - Schedule of VHPB's Contributions	44
Notes to Required Supplementary Information	45 - 48
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	49 – 50
SCHEDULE OF FINDINGS AND RESPONSES	51 – 54

1020 Highland Colony Parkway
Suite 500
Ridgeland, MS 39157
601.898.8875
Fax: 601.898.2983

541 B Highway 80 West
Clinton, MS 39056
601.924.6842
Fax: 601.924.6679

200 South Main Street
Yazoo City, MS 39194
662.746.4581
Fax: 662.746.5384

www.mclcpa.net

*American Institute of
Certified Public Accountants*

*Mississippi Society of
Certified Public Accountants*

J. Raleigh Cutrer, CPA/PFS/ABV
Charles R. Lindsay, CPA
Matthew E. Freeland, CPA
Ken L. Guthrie, CPA
Joe Tommasini, CPA
Matthew A. Turnage, CPA
Kimberly L. Hardy, CPA/CFE
William (Bill) McCoy, CPA
Michelle R. Stonestreet, CPA
Chris B. Savell, CPA
Judy W. Shannon, CPA



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of State of Mississippi Veterans' Home Purchase Board (VHPB), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VHPB's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of VHPB as of June 30, 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VHPB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Member of

CPAmerica

Member  Crowe Global

Emphasis of Matter

As discussed in note 1, the financial statements of VHPB are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the fiduciary activities of the State of Mississippi that is attributable to the transactions of VHPB. They do not purport to, and do not, present fairly the financial position of the State of Mississippi as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in note 1, VHPB adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VHPB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VHPB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VHPB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, and the schedules of VHPB's proportionate share of the net pension and OPEB liabilities and contributions on pages 41 through 48, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of VHPB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VHPB's the internal control over financial reporting or on compliance. That report is an integral part of

an audit performed in accordance with *Government Auditing Standards* in considering VHPB's internal control over financial reporting and compliance.

Mathews, Cutler & Lindsay, P.A.

Ridgeland, Mississippi

October 20, 2022

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

This section of State of Mississippi Veterans' Home Purchase Board's (VHPB) annual financial report presents the management's discussion and analysis of VHPB's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with VHPB's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of VHPB exceeded its liabilities and deferred inflows of resources by \$256,273,873 at June 30, 2022, and \$252,385,320 at June 30, 2021.
- VHPB's total net position at June 30, 2022, increased \$3,888,553 (1.54%) as compared to total net position at June 30, 2021. This increase largely attributable to the interest earned on loans.
- During the current fiscal year, VHPB's operating expenses totaled \$1,760,130, a decrease of \$222,949, as compared to the prior year operating expenses of \$1,983,079. This decrease was largely due to the decrease in salaries and benefits as a result of employee turnover during the year.
- VHPB's operating revenues for the current fiscal year totaled \$5,166,628 as compared to the prior year revenues of \$5,524,620. This was a decrease of \$357,992, primarily due to the decrease in the interest earned on loans.
- At June 30, 2022, VHPB had \$94,450,623 in available loan funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Business-type Activities – Enterprise Fund

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

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

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

Statement of Cash Flows - The statement of cash flows details the cash received and expended by the enterprise fund during the fiscal year presented. This statement presents cash flows from the following activities: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Fiduciary Activities – Custodial Fund

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

Statement of Fiduciary Net Position - The statement of fiduciary net position includes all assets and liabilities associated with the custodial fund, with the difference reported as fiduciary net position.

Statement of Changes in Fiduciary Net Position - The statement of changes in fiduciary net position reports all additions to and deductions from the custodial fund.

Notes to Financial Statements

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

Implementation of New Accounting Standard

During fiscal year ended June 30, 2022, VHPB implemented GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

OVERALL FINANCIAL ANALYSIS

Enterprise Fund Net Position - As noted earlier, the enterprise fund net position may serve over time as a useful indicator of an entity's financial position. In the case of VHPB, the enterprise fund assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$256,273,873 at June 30, 2022 and \$252,385,320 at June 30, 2021.

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

The following table presents VHPB's enterprise fund net position at June 30, 2022 compared to June 30, 2021.

	2022	2021
Current assets	\$ 105,315,954	\$ 102,292,957
Loans receivable net of current portion	153,664,296	151,593,267
Capital assets, net	<u>1,135,200</u>	<u>1,152,471</u>
Total assets	<u>260,115,450</u>	<u>255,038,695</u>
Deferred outflows of resources	<u>451,015</u>	<u>498,405</u>
Current liabilities	1,363,513	166,522
Noncurrent liabilities	<u>2,247,062</u>	<u>2,903,337</u>
Total liabilities	<u>3,610,575</u>	<u>3,069,859</u>
Deferred inflows of resources	<u>682,017</u>	<u>81,921</u>
Net position		
Net investment in capital assets	1,115,993	1,152,471
Restricted for economic development	<u>255,157,880</u>	<u>251,232,849</u>
Total net position	<u>\$ 256,273,873</u>	<u>\$ 252,385,320</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Enterprise Fund Changes in Net Position - VHPB's enterprise fund total operating revenues for the year ended June 30, 2022, decreased \$357,992 from the previous year, largely due to a decrease in revenues from interest earned on outstanding mortgage loans.

The interest rates on mortgage loans did not change for loans made during the fiscal year ended June 30, 2022. During fiscal year 2022, the interest rate on loans maturing in 15 years or less remained at 2.50% and the interest rate on loans maturing from 16 to 30 years remained at 2.75%. The number of outstanding mortgage loans decreased by 56 loans during fiscal year 2022.

VHPB relies on principal and interest payments received on outstanding mortgage loans to make loans available to eligible veterans. During the year ended June 30, 2022, VHPB received \$27,519,560 in principal and interest payments on outstanding loans and issued \$23,365,940 in new loans. At June 30, 2022, VHPB had \$94,450,623 in available loans funds.

The following table presents VHPB's enterprise fund operating activities for the fiscal year ended June 30, 2022, compared to the fiscal year ended June 30, 2021.

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 5,166,628	\$ 5,524,620
Operating expenses	<u>(1,760,130)</u>	<u>(1,983,079)</u>
Operating income	<u>3,406,498</u>	<u>3,541,541</u>
Nonoperating revenues (expenses)		
Interest and other investment income, net	482,796	599,797
Interest expense	(741)	-
Loss on disposal of capital assets	<u>-</u>	<u>(6,068)</u>
Total nonoperating revenues	<u>482,055</u>	<u>593,729</u>
Income before transfers	3,888,553	4,135,270
Transfers in	430	-
Transfers out	<u>(430)</u>	<u>-</u>
Changes in net position	<u>\$ 3,888,553</u>	<u>\$ 4,135,270</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

CAPITAL ASSETS

VHPB's enterprise fund investment in capital assets, net of accumulated depreciation, as of June 30, 2022, was \$1,135,200. During the year ended June 30, 2022, VHPB's enterprise fund did not have any capital asset acquisitions and disposed of four fully depreciated work stations.

A summary of VHPB's enterprise fund capital assets, net of accumulated depreciation and amortization, at June 30, 2022 compared to June 30, 2021 follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 226,000	\$ 226,000
Building and improvements	878,787	910,455
Furniture and equipment	8,683	13,204
Vehicles	2,812	2,812
Intangible right-to-use leased equipment	18,918	-
Capital assets, net	<u>\$ 1,135,200</u>	<u>\$ 1,152,471</u>

VHPB had no capital related debt or capital related deferred inflows/outflows at June 30, 2022 or 2021. Additional information on VHPB's capital assets can be found in note 6 on page 27 of this report.

RIGHT-TO-USE LEASE CONTRACT LIABILITY

The implementation of GASB Statement No. 87, *Leases*, required VHPB to record a liability for equipment leases effective at the beginning of the fiscal year. At June 30, 2022, VHPB had \$19,207 in outstanding right-to-use lease contracts. Additional information on VHPB's right-to-use lease contracts can be found in note 8 on page 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The housing market over the past year has been historical. Prices have increased significantly and houses are spending little to no time on the market before going under contract at or above asking price. This has forced the Federal Reserve to start raising rates to try to cool the rising inflation for not only houses but all consumer goods. Because of this, mortgage rates have been rising steadily throughout this year and are approaching 7% and higher. The Federal Reserve is expected to continue to raise rates throughout the rest of this year which will take mortgage rates even higher.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

Contrary, the Board has chosen to leave VHPB rates low and create an advantage to Mississippi's Veteran borrowers. As private sector rates have been rising, the Board has continued to hold rates low, at 2.5% for a 15-year loan and 2.75% for a 30-year loan. This has provided our Veterans with a 3-4% rate advantage over other potential buyers. As a staff, the operating fund is being monitored closely to ensure that the fund remains solvent for future borrowers. The staff has taken into consideration not only the ability to continue day to day operations but also the need to replace all tangible assets within the agency. In addition to these operating funds, the staff has calculated an average cash in from payments and pay offs as well as cash out from new lending to predict how long the balance of the fund can sustain operations and continued Veteran borrowing. As the fund draws near that amount, the Board will take evasive action by raising rates, decreasing the maximum loan amount or a combination of both. As of July 2022 (FY 2023), the weighted average rate on loans was 3.18%. Since VHPB rates are as low as they can go, this rate will not go much lower. This will help in the predictability of the cash in and cash out.

Changes made over the previous and current year are beginning to show signs of increased lending activity. The Board removed the restriction of refinancing loans outside of the VHPB. This allows VHPB to refinance Veterans that may not have met one or more of the qualifying VHPB factors at application to refinance with VHPB at a favorable rate once those factors can be met. The Board also increased the maximum loan amount to the VA maximum loan amount for guaranty in Mississippi. Although the external refinances have had minimal effect, the increase in the maximum loan amount has had a greater effect. The average loan size within the VHPB has increased more than \$30k. The timing of this increase was pivotal with the increase in home prices over the past year. This increase has also allowed the VHPB to make loans to more influential service members that are more likely to share their experience with other military members and veterans.

In addition to the changes directly made in lending, VHPB has made other changes that will make the agency both more productive and more efficient. Personnel changes and the addition and updating of different platforms has nearly doubled the number of loans being closed each month. Procedure updates in the application and document gathering portion of the application has started to streamline the entire process. It has been a challenge for the loan processing team, but as they adapt to the new procedures the loan process is becoming less cumbersome for staff and our Veteran applicants. A document management system has been put into place to stop the passing of documents from office to office, copying and scanning and increased the organization and accessibility of all the applications in the process. An active auditor was hired to audit the loan processing and servicing of all loans. She went to work to help implement the new, streamlined process and implement the document management system. An operations manager was hired to supervise both the loan processing and servicing departments. The auditor worked directly with the operations manager to implement and improve the application process. Over the coming year, the auditor will work with the operations manager to improve and streamline

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

the procedures of the loan servicing department, focusing primarily on the escrow department.

VHPB continues to leverage technology to improve efficiencies and improve the agency's workflow. We are currently transitioning to a new processing system offered by our current vendor Calyx. This system is designed for smaller "mortgage brokers" and will be a better fit for our agency. It will allow our processors to process a veteran application all the way through closing. This will allow us to better monitor the performance of our processors and know what and where additional training might be necessary. This will also better serve our veterans by allowing them to work with the same individual throughout the entire loan process. Implementing this system will create a cost savings that can be utilized to enhance our data management software. The data management software has a work flow management piece we will begin to utilize. This will be used across the entire agency and enable us to better distribute tasks to all employees. Using the workflow management with the data management will make auditing specific tasks easier and see where our strengths and shortfalls lie. We will be able to see where our work flow is stalling and put measures in place to keep tasks flowing through completion.

As we proceed, ensuring we have the right people in the right jobs will be pertinent. We will continue to move people where they will be most effective. Cross training staff will be instrumental for our future. Redundancy in all tasks in the agency will be key to our future success.

CONTACTING VHPB'S FINANCIAL MANAGEMENT

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND

STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS

Current assets:

Cash and cash equivalents:

Equity in internal investment pool	\$ 98,926,393
------------------------------------	---------------

Cash in banks	17,792
---------------	--------

Receivables, net:

Advances to cafeteria plan	977
----------------------------	-----

Interest receivable on loans	454,288
------------------------------	---------

Due from other funds	32,058
----------------------	--------

Loans receivable, current portion	5,878,297
-----------------------------------	-----------

Prepaid expenses	6,149
------------------	-------

Total current assets	<u>105,315,954</u>
----------------------	--------------------

Noncurrent assets:

Loans receivable, net of current portion	153,664,296
--	-------------

Capital assets:

Land	226,000
------	---------

Depreciable capital assets, net	890,282
---------------------------------	---------

Right-to-use lease assets, net	18,918
--------------------------------	--------

Total noncurrent assets	<u>154,799,496</u>
-------------------------	--------------------

Total assets	<u>260,115,450</u>
--------------	--------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	424,376
---------------------------------------	---------

Deferred outflows related to OPEB liability	26,639
---	--------

Total deferred outflows of resources	<u>451,015</u>
--------------------------------------	----------------

See the Notes to Financial Statements

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2022

LIABILITIES

Current liabilities:

Warrants payable	\$ 1,219,724
Accounts payable	112,073
Funds held for others	15,919
Due to other funds	1,232
Due to other governments	95
Compensated absences	6,120
Right-to-use lease contracts	8,350
Total current liabilities	<u>1,363,513</u>

Noncurrent liabilities:

Compensated absences	77,323
Right-to-use lease contracts	10,857
Net pension liability	2,058,767
Net OPEB liability	100,115
Total noncurrent liabilities	<u>2,247,062</u>

Total liabilities	<u>3,610,575</u>
-------------------	------------------

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	644,992
Deferred inflows related to OPEB liability	37,025
Total deferred inflows of resources	<u>682,017</u>

NET POSITION

Net investment in capital assets	1,115,993
Unrestricted	255,157,880
Total net position	<u>\$ 256,273,873</u>

See the Notes to Financial Statements.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

Interest on loans	\$ 5,039,074
Fees	124,061
Other	3,493
Total operating revenues	<u>5,166,628</u>

OPERATING EXPENSES

General and administrative	1,216,473
Contractual services	351,486
Commodities	57,203
Loan closing costs	91,163
Depreciation and amortization	43,805
Total operating expenses	<u>1,760,130</u>

Operating income	<u>3,406,498</u>
------------------	------------------

NONOPERATING REVENUES (EXPENSES)

Interest and other investment income, net	482,796
Interest expense	(741)
Total nonoperating revenues (expenses)	<u>482,055</u>

Income before transfers	<u>3,888,553</u>
-------------------------	------------------

TRANSFERS

Transfers in	430
Transfers out	(430)
Net transfers	<u>-</u>

CHANGE IN NET POSITION	<u>3,888,553</u>
------------------------	------------------

NET POSITION, BEGINNING - as previously reported	252,370,736
--	-------------

Prior period adjustment (see note 13)	<u>14,584</u>
---------------------------------------	---------------

Net position, beginning - as restated	<u>252,385,320</u>
---------------------------------------	--------------------

NET POSITION, ENDING	<u>\$ 256,273,873</u>
----------------------	-----------------------

See the Notes to Financial Statements.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from (to) borrowers - miscellaneous	\$ 127,091
Cash payments to suppliers for goods and services	(520,865)
Cash payments to employees for services	(1,231,144)
Other operating cash receipts (disbursements), net	4,190
Principal and interest received on loans	27,519,560
Issuance of loans	<u>(23,365,940)</u>
Net cash provided by operating activities	<u>2,532,892</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in	430
Transfers out	<u>(430)</u>
Net cash provided by noncapital financing activities	<u>-</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Principal paid on right-to-use asset lease contract	(7,327)
Interest paid on right-to-use asset lease contract	<u>(741)</u>
Net cash used in capital and related financing activities	<u>(8,068)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and other investment income - nonoperating	<u>465,322</u>
---	----------------

NET INCREASE IN CASH 2,990,146

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 95,954,039

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 98,944,185

CLASSIFIED ON THE BALANCE SHEET AS FOLLOWS:

Equity in internal investment pool	\$ 98,926,393
Cash in banks	<u>17,792</u>

Cash and cash equivalents \$ 98,944,185

See the Notes to Financial Statements.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	<u>\$ 3,406,498</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	43,805
(Increase) decrease in:	
Advances to cafeteria plan	3,726
Interest receivable on loans	(12,365)
Loans receivable	(2,082,151)
Prepaid expenses	4,383
Increase (decrease) in:	
Warrants payable	1,208,475
Accounts payable	(6,856)
Funds held for others	5,013
Due to other funds	(15,331)
Due to other governments	45
Compensated absences	(17,381)
Net pension liability and related deferred inflows and outflows of resources	2,407
Net OPEB liability and related deferred inflows and outflows of resources	<u>(7,376)</u>
Total adjustments	<u>(873,606)</u>
Net cash provided by operating activates	<u>\$ 2,532,892</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Right-to-use lease assets from the implementation of GASB 87	<u>\$ 26,534</u>
Right-to-use asset lease contract from the implementation of GASB 87	<u>\$ (26,534)</u>

See the Notes to Financial Statements.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

FIDUCIARY ACTIVITIES - CUSTODIAL FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

ASSETS

Current assets:

Equity in internal investment pool	\$ 1,458,072
Cash in banks	<u>103,201</u>

Total assets	<u>1,561,273</u>
--------------	------------------

LIABILITIES

Current liabilities:

Warrants payable	<u>124,149</u>
------------------	----------------

FIDUCIARY NET POSITION

Restricted - held for borrowers' escrow	<u><u>\$ 1,437,124</u></u>
---	----------------------------

See the Notes to Financial Statements.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

FIDUCIARY ACTIVITIES - CUSTODIAL FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

ADDITIONS

Borrowers' escrow deposits	\$ 4,293,438
----------------------------	--------------

DEDUCTIONS

Escrow payments for insurance and taxes	<u>4,189,452</u>
---	------------------

Change in fiduciary net position	<u>103,986</u>
----------------------------------	----------------

NET POSITION AT BEGINNING OF YEAR	<u>1,333,138</u>
-----------------------------------	------------------

NET POSITION AT END OF YEAR	<u>\$ 1,437,124</u>
-----------------------------	---------------------

See the Notes to Financial Statements.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

State of Mississippi Veterans' Home Purchase Board (VHPB) was established in 1936 by an act of the Mississippi State Legislature. VHPB was established to provide a benefit in the form of mortgage loans to Mississippi veterans in appreciation for their service to our country.

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

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

Basis of Presentation

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

Fund Accounting

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

The funds reported for VHPB are as follows:

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

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

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

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

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

Equity in Internal Investment Pool

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

Cash and Cash Equivalents

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

Loans Receivable

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

The terms of financing include a maximum amount and fixed interest rates for the term of the loan. The maximum loan amount is \$647,200 plus a funding fee at June 30, 2022. The maximum loan term is thirty years.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Loans Receivable - Continued

Inasmuch as 91.99% of the loans receivable balance is guaranteed by the United States Veterans' Administration, no provision for uncollectable accounts has been made. Substantially all non-guaranteed loans are current, and management anticipates that the loans will be repaid according to loan terms.

Capital Assets, Net

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

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

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

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

Accrued Compensated Leave

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

Deferred Outflows and Inflows of Resources

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows and Inflows of Resources - Continued

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

See notes 11 and 12 for further details.

Pensions

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

Postemployment Benefits Other than Pensions

For purposes of measuring the net postemployment benefits other than pensions (OPEB) liability and deferred outflows/inflows of resources relating to OPEB, and OPEB expense, information about the fiduciary net position of the Mississippi State and School Employees' Life and Health Insurance Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value as determined by the State.

Net Position

Enterprise fund

Net invested in capital assets – represents the costs of capital assets less accumulated depreciation. VHPB did not have any debt or deferred inflows/outflows of resources related to capital assets as of June 30, 2022.

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position - Continued

Custodial fund

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

Budget Information

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

Use of Estimates in the Preparation of Financial Statements

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

New Accounting Pronouncements

Effective for fiscal year 2022, VHPB implemented the following new standard issued by GASB:

- GASB Statement No. 87, *Leases*, effective for financial reporting periods beginning after June 15, 2021. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. VHPB adopted the requirements of this guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements - Continued

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

- GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, effective for financial reporting periods beginning after June 15, 2022.
- GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, effective for financial reporting periods beginning after June 15, 2023.
- GASB Statement No. 101, *Compensated Absences*, effective for financial reporting periods beginning after June 15, 2023.

Advertising

Advertising costs are expensed as incurred. VHPB did not incur any advertising costs during the year ended June 30, 2022.

NOTE 2 – EQUITY IN INTERNAL INVESTMENT POOL

Monies deposited with the State Treasurer's Office internal investment pool are considered to be cash and cash equivalents. The State Treasurer is responsible for maintaining the cash balances in accordance with State laws, and excess cash is invested in the State's cash and short-term investment pool. Details of investments of the internal investment pool for State agencies can be obtained from the State Treasurer. As of June 30, 2022, the market value of the State's total pooled investments for State agencies was approximately \$9.9 billion, and the average remaining life of the securities invested was 977 days.

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

NOTE 3 – CASH IN BANKS

Cash in banks consists of demand deposit accounts in local banks. The carrying amount of VHPB's cash deposits as of June 30, 2022, was \$17,792 and the corresponding bank

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 – CASH IN BANKS – CONTINUED

balances were \$34,115. The entire bank balance was covered by federal depository insurance or collateralized in accordance with state law.

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Mississippi Code Ann. 1972. Under this program, VHPB's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

NOTE 4 – DUE FROM OTHER FUNDS

A summary of amounts due from other funds follows:

Due from the State Treasurer's Office internal investment pool	<u>\$ 32,058</u>
---	------------------

NOTE 5 – LOANS RECEIVABLE

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

Interest rates on loans vary from 2.50% to 6.50% and loans are generally repaid over 30 years.

A summary of loans receivable follows:

Guaranteed by the United States Veterans' Administration	\$ 146,759,331
Non-guaranteed loans	<u>12,783,262</u>
Total loans receivable	159,542,593
Less loans receivable, current portion	<u>5,878,297</u>
Loans receivable, net of current portion	<u>\$ 153,664,296</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 – LOANS RECEIVABLE – CONTINUED

Loans mature at various intervals through June 30, 2052. The scheduled principal payments receivable on loans maturing in subsequent years are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 5,878,297
2024	6,052,903
2025	6,229,935
2026	6,401,249
2027	6,500,804
Thereafter	<u>128,479,405</u>
Total maturities	<u>\$ 159,542,593</u>

As of June 30, 2022, VHPB had 16 loans with outstanding balances totaling \$1,341,718 in delinquent status. Management of VHPB believes that sufficient remedies are available under the loan agreements to prevent any material losses on these loans.

VHPB may extend loans to board members, directors, and employees of VHPB, provided they are veterans eligible to participate in the program and meet all VA and VHPB loan underwriting criteria. Such loans are made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable loans with other customers, and do not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. At June 30, 2022, there were no loans outstanding in this group.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2022, follows:

	Beginning Balance 6/30/2021	Increase	Decrease	Ending Balance 6/30/2022
Capital assets, not being depreciated:				
Land	\$ 226,000	\$ -	\$ -	\$ 226,000
Capital assets, being depreciated:				
Buildings and improvements	1,583,400	-	-	1,583,400
Furniture and equipment	138,807	-	(27,399)	166,206
Vehicles	28,121	-	-	28,121
Total capital assets being depreciated	<u>1,750,328</u>	<u>-</u>	<u>(27,399)</u>	<u>1,777,727</u>
Less accumulated depreciation for:				
Buildings and improvements	(672,945)	(31,668)	-	(704,613)
Furniture and equipment	(125,603)	(4,521)	27,399	(157,523)
Vehicles	(25,309)	-	-	(25,309)
Total accumulated depreciation	<u>(823,857)</u>	<u>(36,189)</u>	<u>27,399</u>	<u>(887,445)</u>
Capital assets being depreciated, net	<u>926,471</u>	<u>(36,189)</u>	<u>-</u>	<u>890,282</u>
Intangible right-to-use assets:				
Leased equipment	-	26,534	-	26,534
Less accumulated amortization	-	(7,616)	-	(7,616)
Intangible right-to-use assets, net	<u>-</u>	<u>18,918</u>	<u>-</u>	<u>18,918</u>
Capital assets, net	<u>\$ 1,152,471</u>	<u>\$ (17,271)</u>	<u>\$ -</u>	<u>\$1,135,200</u>

NOTE 7 – DUE TO OTHER GOVERNMENTS

A summary of amounts due to other governments follows:

City of Pearl, Mississippi	<u>\$ 95</u>
----------------------------	--------------

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – RIGHT-TO-USE LEASE CONTRACTS

VHPB leases office equipment for various terms under long-term, non-cancelable (without mutual agreement) right-to-use lease contracts. These leases expire at various dates through fiscal year 2027.

Total future minimum lease payments under right-to-use lease contracts are as follows:

	Principal	Interest	Total
2023	\$ 8,350	\$ 587	\$ 8,937
2024	4,200	320	4,520
2025	2,843	204	3,047
2026	2,953	94	3,047
2027	861	8	869
Total minimum lease payments	<u>\$ 19,207</u>	<u>\$ 1,213</u>	<u>\$ 19,551</u>

NOTE 9 – NONCURRENT LIABILITIES

A summary of changes in the noncurrent liabilities during the year ended June 30, 2022 follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 100,825	\$ 38,163	\$ (55,545)	\$ 83,443	\$ 6,120
Right-to-use lease contract	-	26,534	(7,327)	19,207	8,350
Net pension liability	2,696,880	447,224	(1,085,337)	2,058,767	-
Net OPEB liability	114,457	8,267	(22,609)	100,115	-
Noncurrent liabilities	<u>\$ 2,912,162</u>	<u>\$ 520,188</u>	<u>\$ (1,170,818)</u>	<u>\$ 2,261,532</u>	<u>\$ 14,470</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – DEFERRED COMPENSATION PLAN

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

NOTE 11 – PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – PENSION PLAN - CONTINUED

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the employers are required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustee's authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. VHPB's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$159,898, 161,148 and \$161,404, respectively, which equaled 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, 2022, VHPB reported a liability of \$2,058,767 for its proportionate share of the plan's net pension liability. The net pension liability for fiscal year 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. VHPB's proportion of the net pension liability was based on the ratio of VHPB's actual contributions to the pension plan relative to the total actual contributions of all participating entities for the plan fiscal year. VHPB's proportionate share used to calculate the June 30, 2022 net pension liability was .013929 percent, which was based on a measurement date of June 30, 2021. This was a decrease of .000002 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – PENSION PLAN - CONTINUED

For the year ended June 30, 2022, VHPB recognized pension expense of \$162,621. At June 30, 2022, VHPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 157,992	\$ -
Changes in proportion and differences between VHPB contributions and proportionate share of contributions	73,247	23,685
VHPB contributions subsequent to the measurement date	160,214	-
Differences between expected and actual experience	32,923	-
Net difference between projected and actual earnings on plan investments	-	621,307
Totals	<u>\$ 424,376</u>	<u>\$ 644,992</u>

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

The \$160,214 reported as deferred outflows of resources related to pensions resulting from VHPB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2023	\$ (54,362)
2024	(44,699)
2025	(97,007)
2026	(184,762)
Total	<u>\$ (380,830)</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – PENSION PLAN - CONTINUED

Actuarial Assumptions

The total pension liability as of the June 30, 2021 measurement date, was determined by an actuarial valuation prepared as of June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 - 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – PENSION PLAN - CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.60%
International Equity	22.00	4.50%
Global Equity	12.00	4.80%
Fixed Income	20.00	(0.25)%
Real Estate	10.00	3.75%
Private Equity	8.00	6.00%
Cash Equivalents	<u>1.00</u>	(1.00)%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of 9.00 percent and that employer contributions will be made at the current contribution rate of 17.40 percent. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents VHPB's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what VHPB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
VHPB's proportionate share of the net pension liability	<u>\$ 2,915,697</u>	<u>\$ 2,058,767</u>	<u>\$ 1,352,589</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – PENSION PLAN - CONTINUED

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 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information about the Other Postemployment Benefits (OPEB) Plan

Plan Description

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

Benefits Provided

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, state agencies, universities, 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.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN – CONTINUED

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

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees, while employees' premiums are funded primarily by their employer. Contributions to the OPEB Plan from VHPB were \$2,919 for the year ended June 30, 2022.

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

VHPB reported a liability of \$110,115 at June 30, 2022 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of June 30, 2021, 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 VHPB's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, VHPB's proportion was .01555345 percent. This was an increase of .00084568 percent from the proportionate share as of the measurement date of June 30, 2020.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN – CONTINUED

For the year ended June 30, 2022, VHPB recognized OPEB decrease of \$4,458. At June 30, 2022, VHPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 16,214	\$ 3,386
Changes in proportion and differences between VHPB contributions and proportionate share of contributions	7,392	2,334
VHPB contributions subsequent to the measurement date	2,919	-
Differences between expected and actual experience	109	31,305
Net difference between projected and actual earnings on plan investments	5	-
Totals	<u>\$ 26,639</u>	<u>\$ 37,025</u>

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

The \$2,919 reported in fiscal year 2022 as deferred outflows of resources related to OPEB resulting from VHPB contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (3,324)
2024	(3,102)
2025	(2,485)
2026	(3,053)
2027	(1,341)
Total	<u>\$ (13,305)</u>

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN – CONTINUED

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40 percent
Salary increases, including wage inflation	2.65 percent - 17.90 percent
Municipal Bond Index Rate:	
Measurement date	2.13 percent
Prior measurement date	2.19 percent
Year fiduciary net position is to be depleted:	
Measurement date	2021
Prior measurement date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation:	
Measurement date	2.13 percent
Prior measurement date	2.19 percent
Health care cost trends:	
Medicare supplement claims pre-Medicare	6.50% for 2022 decreasing to an 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN – CONTINUED

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

The long-term investment rate of return on OPEB Plan investments is 4.50%.

Discount Rate

The discount rates used to measure the total OPEB liability at June 30, 2021 was 2.13%. Since the prior measurement date, the discount rate has changed from 2.19% to 2.13%.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

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

The following presents VHPB's proportionate share of the net OPEB liability, as well as what VHPB's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rates:

	Discount Rates		
	1% Decrease (1.13%)	Current (2.13%)	1% Increase (3.13%)
VHPB's proportionate share of the net OPEB liability	<u>\$ 110,813</u>	<u>\$ 100,115</u>	<u>\$ 90,993</u>

Sensitivity of VHPB's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents VHPB's proportionate share of the net OPEB liability, as well as what VHPB'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:

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS PLAN – CONTINUED

<u>Description</u>	<u>Health Care Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
VHPB's proportionate share of the net OPEB liability	<u>\$ 92,732</u>	<u>\$ 100,115</u>	<u>\$ 108,469</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report available on the Mississippi Department of Finance and Administrations' website (<http://knowyourbenefits.dfa.ms.gov/>).

NOTE 13 – PRIOR PERIOD ADJUSTMENT

VHPB recorded a prior period adjustment for interest accrued in fiscal year 2021 by the State that was earned on the equity in internal investment pool fund. This accrual was not recognized in VHPB's fiscal year 2021 audit trial balance. The effect of this prior period adjustment is an increase of \$14,584 to the enterprise fund's net position and interest receivable at the beginning of fiscal year 2022.

NOTE 14 – RISK MANAGEMENT

VHPB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees while performing VHPB business; and acts of God. Losses are generally covered by commercial insurance, with the exception of the self-insured risks discussed below. There have been no significant reductions in coverage and settlement amounts did not exceed insurance coverage for the year ended June 30, 2022.

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 14 – RISK MANAGEMENT – CONTINUED

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

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

NOTE 15 – SUBSEQUENT EVENTS

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI -
SCHEDULE OF VHPB'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VHPB's proportion of the net pension liability	0.013929%	0.013931%	0.013013%	0.013709%	0.012543%	0.012037%	0.011659%	0.011351%	0.009679%
VHPB's proportionate share of the net pension liability	\$ 2,058,767	\$ 2,696,880	\$ 2,289,243	\$ 2,280,214	\$ 2,085,072	\$ 2,150,109	\$ 1,802,251	\$ 1,377,804	\$ 1,341,116
VHPB's covered payroll	\$ 926,144	\$ 927,606	\$ 847,525	\$ 875,447	\$ 804,609	\$ 770,032	\$ 728,407	\$ 693,611	\$ 580,778
VHPB's proportionate share of the net pension liability as a percentage of its covered payroll	222.29%	290.74%	270.11%	260.46%	259.14%	279.22%	247.42%	198.64%	230.92%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%	61.02%

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

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

See the Notes to Required Supplementary Information.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI -
SCHEDULE OF VHPB'S CONTRIBUTIONS
LAST TEN FISCAL YEARS¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 159,898	\$ 161,148	\$ 161,404	\$ 133,485	\$ 137,883	\$ 126,726	\$ 121,280	\$ 114,724	\$ 109,244
Contributions in relation to the statutorily required contribution	<u>159,898</u>	<u>161,148</u>	<u>161,404</u>	<u>133,485</u>	<u>137,883</u>	<u>126,726</u>	<u>121,280</u>	<u>114,724</u>	<u>109,244</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
VHPB's covered payroll	<u>\$ 918,954</u>	<u>\$ 926,144</u>	<u>\$ 927,606</u>	<u>\$ 847,525</u>	<u>\$ 875,447</u>	<u>\$ 804,609</u>	<u>\$ 770,032</u>	<u>\$ 728,407</u>	<u>\$ 693,611</u>
Contributions as a percentage of covered payroll	<u>17.40%</u>	<u>17.40%</u>	<u>17.40%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

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

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

REQUIRED SUPPLEMENTARY INFORMATION
MISSISSIPPI STATE AND LOCAL EMPLOYEES' LIFE AND HEALTH INSURANCE OPEB PLAN -
SCHEDULE OF VHPB'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
VHPB's proportion of the net OPEB liability	0.01555345%	0.01470777%	0.01488380%	0.01519095%	0.01487202%
VHPB's proportionate share of the net OPEB liability	\$ 100,115	\$ 114,457	\$ 126,295	\$ 117,510	\$ 116,687
VHPB's covered payroll	\$ 926,144	\$ 927,606	\$ 847,525	\$ 875,447	\$ 804,609
VHPB's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.81%	12.34%	14.90%	13.42%	14.50%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

See the Notes to Required Supplementary Information.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

REQUIRED SUPPLEMENTARY INFORMATION
MISSISSIPPI STATE AND LOCAL EMPLOYEES' LIFE AND HEALTH INSURANCE OPEB PLAN -
SCHEDULE OF VHPB'S CONTRIBUTIONS
LAST TEN FISCAL YEARS¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined employer contribution	\$ 9,159	\$ 7,322	\$ 6,909	\$ 7,150	\$ 6,495
Contributions in relation to the actuarially determined contribution	<u>4,024</u>	<u>4,565</u>	<u>5,062</u>	<u>5,081</u>	<u>4,591</u>
Annual contribution deficiency	<u>\$ 5,135</u>	<u>\$ 2,757</u>	<u>\$ 1,847</u>	<u>\$ 2,069</u>	<u>\$ 1,904</u>
VHPB's covered payroll	<u>\$ 926,144</u>	<u>\$927,606</u>	<u>\$847,525</u>	<u>\$875,447</u>	<u>\$804,609</u>
Contributions as a percentage of covered payroll	<u>0.43%</u>	<u>0.49%</u>	<u>0.60%</u>	<u>0.58%</u>	<u>0.57%</u>

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

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

See the Notes to Required Supplementary Information.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

PENSION SCHEDULES

NOTE 1 – CHANGES OF ASSUMPTIONS

The following changes in assumptions were made for the plan year ended June 30, 2022:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

PENSION SCHEDULES - CONTINUED

- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

NOTE 2 – CHANGES IN BENEFIT PROVISIONS

There were no changes to benefit provisions in the plan year ended June 30, 2021.

NOTE 3 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of VHPB's contributions are calculated as of June 30, two years prior to the end of the plan fiscal year in which the contributions are reported (June 30, 2019 valuation for the June 30, 2021 plan 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, closed
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

OPEB SCHEDULES

NOTE 1 – CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

The following changes in actuarial assumptions and methods were made for the plan year ended June 30, 2021:

- The SEIR was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.
- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

OPEB SCHEDULES – CONTINUED

NOTE 2 – CHANGE TO BENEFIT TERMS

The following changes to benefit terms were made during the plan year ended June 30, 2021:

- The schedule of monthly retiree contributions was increased as of January 1, 2022.
- The in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

NOTE 3 – METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of VHPB's contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the plan year ended June 30, 2021:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market value of assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates – Medicare Supplement Claims – Pre-Medicare	7.00%
Ultimate health care cost trend rates – Medicare Supplement Claims – Pre-Medicare	4.75%
Year of ultimate trend rates – Medicare Supplement Claims – Pre-Medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	2.19%

1020 Highland Colony Parkway
Suite 500
Ridgeland, MS 39157
601.898.8875
Fax: 601.898.2983

541 B Highway 80 West
Clinton, MS 39056
601.924.6842
Fax: 601.924.6679

200 South Main Street
Yazoo City, MS 39194
662.746.4581
Fax: 662.746.5384

www.mclcpa.net

*American Institute of
Certified Public Accountants*

*Mississippi Society of
Certified Public Accountants*

J. Raleigh Cutrer, CPA/PFS/ABV
Charles R. Lindsay, CPA
Matthew E. Freeland, CPA
Ken L. Guthrie, CPA
Joe Tommasini, CPA
Matthew A. Turnage, CPA
Kimberly L. Hardy, CPA/CFF
William (Bill) McCoy, CPA
Michelle R. Stonestreet, CPA
Chris B. Savell, CPA
Judy W. Shannon, CPA

Member of

CPAmerica

Member  Crowe Global



**MATTHEWS
CUTRER and
LINDSAY, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of State of Mississippi Veterans' Home Purchase Board (VHPB), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VHPB's basic financial statements and have issued our report thereon dated October 20, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001 through 2022-004 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

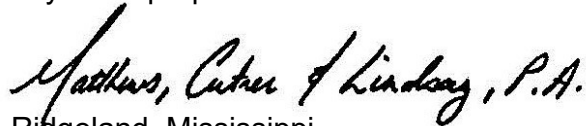
As part of obtaining reasonable assurance about whether VHPB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

VHPB's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on VHPB's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. VHPB's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Ridgeland, Mississippi
October 20, 2022

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2022

SIGNIFICANT DEFICIENCIES

2022-001 Unapplied Credits

Condition: The loan servicing procedures do not allow for ACH loan payments received with discrepancies to be timely investigated, cleared, and applied to the loan.

Criteria: Internal controls should allow for unapplied credits to be reviewed on a regular basis and properly applied to the loan balance in a timely manner after receipt of payment.

Cause: There are no internal control procedure in place to require reviews of unapplied credits on a regular basis.

Effect: Because the unapplied credits were not reviewed on a regular basis, this allowed for ACH loan payments that were redirected to unapplied credits to not be applied to the loan balance for up to six months.

Recommendation: Policies and procedures should be implemented to ensure unapplied credits are reviewed on a regular basis and properly applied to the loan balance in a timely manner after receipt of payment.

Views of Responsible Officials and Planned Corrective Actions: We have a new staff auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor, she will review all loan payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconcilements and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action. Specifically, the Loan Servicing department will use the ILS reports to identify any payments that are posted to a customers unapplied balance and ensure they are then posted correctly.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

JUNE 30, 2022

2022-002 Interest Reported on IRS Form 1098

Condition: The loan servicing procedures do not allow for reconciliation of the mortgage interest payments received during the year with the amount of interest reported on IRS Form 1098.

Criteria: Internal controls should allow for the mortgage interest received to be reconciled to the amount reported on IRS Form 1098 to ensure the amounts reported on the IRS Form 1098 properly reflect the mortgage interest received during the reporting period.

Cause: There are no internal control procedures in place to require the review or reconciliation of the amounts reported on IRS Form 1098 for mortgage interest received during the reporting period.

Effect: This allowed for instances in which the interest reported on IRS Form 1098 did not agree with the interest received during the reporting per the loan servicing reports. The IRS Form 1098 reported the interest based on the due date of the payment rather than the actual date received. These discrepancies were noted on two accounts in the sample selected that made their loan payments 10 to 12 months in advance.

Recommendation: Policies and procedures should be implemented for the review and reconciliation of amounts reported on Form 1098 for mortgage interest received to ensure it is accurately calculated for the proper reporting period. We recommend VHPB contact the loan servicing software support team to determine why the interest reported on Form 1098 is not the amount received during the reporting period (calendar year) and take steps necessary to correct this.

Views of Responsible Officials and Planned Corrective Actions: We have a new staff auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor, she will review all loan payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconciliations and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action. Specifically, the Loan Servicing department will work with ILS software support to determine why the interest reported on Form 1098 is not in agreement with the amount received and take steps to correct this.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

JUNE 30, 2022

2022-003 Escrow Analyses

Condition: Annual escrow analyses are not performed on all loan accounts as required by VHPB's Tax and Insurance Escrow Policy.

Criteria: VHPB internal controls require an annual escrow analysis on each account in order to make any necessary adjustments to the borrower's escrow payment to cover the upcoming taxes and insurance costs plus any shortages or for reimbursement of any surplus balances.

Cause: Reviews of escrow analyses were not performed to ensure internal controls were followed.

Effect: This allowed for instances in which the escrow analysis was not performed resulting in shortages or surpluses in escrow account balances because the required escrow deposit was not adjusted based on actual insurance and tax costs.

Recommendation: Policies and procedures should be implemented to ensure that an annual escrow analysis is performed for every loan account in accordance with the Tax and Insurance Escrow Policy. This analysis is a critical part of the internal controls over servicing escrow funds.

Views of Responsible Officials and Planned Corrective Actions: We have a staff new auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor, she will review all loan payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconcilements and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action. Specifically, the Loan Servicing department will work to ensure that an escrow analysis is performed for every account in accordance with VHPB's Tax and Insurance Escrow Policy.

STATE OF MISSISSIPPI VETERANS' HOME PURCHASE BOARD

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

JUNE 30, 2022

2022-004 Escrow Reconciliations

Condition: Escrow reconciliations are not performed and documented daily as required by VHPB's Reconciliation Policy.

Criteria: VHPB internal controls require the escrow department perform and document a daily reconciliation of the escrow subsidiary ledger (ILS) activity with the general ledger (MAGIC System) activity.

Cause: Reviews of the daily escrow reconciliations were not performed to ensure internal controls were followed.

Effect: This allowed for instances in which the daily escrow reconciliations were not performed. Without a daily reconciliation, any errors or omissions of tax and insurance payments could go unnoticed or not be corrected in a timely manner.

Recommendation: Policies and procedures should be implemented to ensure the Servicing Department performs a daily reconciliation of the escrow subsidiary ledger (ILS) with the general ledger (MAGIC System) activity as required by the Servicing Department Policies. It is crucial that the reconciliations are performed daily in order to identify and correct any errors or discrepancies in a timely manner. Uncorrected errors or discrepancies in the escrow fund can result in late payment of taxes or insurance and lead to incorrect data used in the annual loan analysis process for determining adjustments to required escrow deposits.

Views of Responsible Officials and Planned Corrective Actions: We have a new staff auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor, she will review all loan payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconcilements and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action. Specifically, the Loan Servicing department will perform daily reconciliations of the ILS activity with MAGIC activity to ensure agreement. There will also be a daily supervisory review to ensure this is completed. These reconciliations will be kept in an orderly manner to be retrieved when needed.



www.mcl.cpa



VETERANS' HOME PURCHASE BOARD OF THE STATE OF MISSISSIPPI

FINANCIAL AUDIT FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

October 26, 2022

Dear State Auditor:

An independent financial audit of the Veterans' Home Purchase Board was conducted for the period of 1 July 2021 through 30 June 2022 by Matthews Cutrer and Lindsay, P.A. This audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of the business-type activities and the fiduciary activities of the Veterans' Home Purchase Board of Mississippi and the related notes to the financial statements, which collectively comprise VHPB's basic financial statements were all a part of this audit. Below is a list of their findings and the VHPB's responses and corrective actions taken.

AUDIT FINDINGS:

2022-01 The Veterans' Home Purchase Board should implement policies and procedures to ensure unapplied balances are reviewed on a regular basis and properly applied to the loan balance in a timely manner after receipt of payment.

Response: We concur with this finding and recommendation. We have a new auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor she will review all payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconcilements and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action.

Corrective Action Plan:

A. The Loan Servicing department will use the ILS reports to identify any payments that are

posted to a customers unapplied balance and ensure they are properly applied to the loan balance in a timely manner.

- B. Name(s) of the contact person(s) responsible for corrective action. John Humphries, Loan Servicing Supervisor and Phillip Burnett Operations Manager.
- C. Anticipated completion date for corrective action. 10/26/2022

2022-02 The Veterans' Home Purchase Board should contact the software support team to determine why the interest reported on Form 1098 is not the amount received during the calendar year and take steps necessary to correct this. This is necessary to prevent inaccurate reporting of data to the IRS in the future.

Response: We concur with this finding and recommendation. We have a new auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor she will review all payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconcilements and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action.

Corrective Action Plan:

- A. The Loan Servicing department will work with ILS software support to determine why the interest reported on Form 1098 is not in agreement with the amount received and take steps to correct this.
- B. Name(s) of the contact person(s) responsible for corrective action. John Humphries, Loan Servicing Supervisor and Phillip Burnett, Operations Manager
- C. Anticipated completion date for corrective action. 10/26/2022

2022-03 The Veterans' Home Purchase Board should implement policies and procedures to ensure that an annual escrow analysis is performed for every account in accordance with VHPB's Tax and Insurance Escrow Policy. This analysis is a critical part of the internal controls over servicing escrow funds.

Response: We concur with this finding and recommendation. We have a new auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor she will review all payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconcilements and payment tracking more easily. Any deficiencies noted will be reported

back to the operations manager, loan servicing supervisor and the Executive Director for corrective action.

Corrective Action Plan:

- A. The Loan Servicing department will work to ensure that an escrow analysis is performed for every account in accordance with VHPB's Tax and Insurance Escrow Policy.
- B. Name(s) of the contact person(s) responsible for corrective action. John Humphries, Loan Servicing Supervisor and Phillip Burnett, Operations Manager
- C. Anticipated completion date for corrective action. 10/26/2022

2022-04 The Veterans' Home Purchase Board should implement policies and procedures to ensure that the Servicing Department performs daily reconciliation of the escrow subsidiary ledger (ILS) activity with the general ledger escrow (MAGIC System) activity as required by the Servicing Department Policies. It is crucial that the reconciliations are performed daily in order to identify and correct any errors or discrepancies in a timely manner. Uncorrected errors/discrepancies in the escrow funds can result in late payment of taxes and insurance and lead to incorrect data used in the Loan Analysis process for determining adjustments to escrow payments.

Response: We concur with this finding and recommendation. We have a new auditor in place that has been working with several projects for the loan processing department. Following this audit, she will begin to work with the loan servicing department to help refine their process. As an auditor she will review all payments, tax payments, and insurance payments to make sure credits are applied timely and correctly. To help her, we are putting a work flow management system in place with our data management system to facilitate reporting reconciliations and payment tracking more easily. Any deficiencies noted will be reported back to the operations manager, loan servicing supervisor and the Executive Director for corrective action.

Corrective Action Plan:

- A. The Loan Servicing department will perform daily reconciliations of the ILS activity with MAGIC activity to ensure agreement. There will also be a daily supervisory review to ensure this is completed. These reconciliations will be kept in an orderly manner to be retrieved when needed.
- B. Name(s) of the contact person(s) responsible for corrective action. John Humphries, Loan Servicing Supervisor and Phillip Burnett, Operations Manager
- C. Anticipated completion date for corrective action. 10/26/2022



Executive Director
Veterans' Home Purchase Board