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Hinds Community College District

Independent Auditor's Reports and Financial Statements

June 30, 2022



Hinds Community College District

June 30, 2022

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Hinds Community College District
June 30, 2022

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Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Hinds Community College District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

We did not audit the financial statements of Hinds Community College Foundation (the Foundation), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the District, 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 opinion. The financial statements of the Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, during fiscal year 2022, the District adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are 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 GAAP, 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 the District's ability to continue as a going concern for 12 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 opinion. 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 GAAS 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 GAAS 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 the District'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 the District'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.

Prior-Year Comparative Information

The financial statements include prior-year comparative information of the Foundation only. Such information does not include all of the information required or sufficient detail to constitute a presentation of the District in accordance with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which such information was derived.

Required Supplementary Information

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

Supplementary Information

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

The Schedule of Expenditures of Federal Awards and Schedule of Functional Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS by us and other auditors. In our opinion based on our audit and the report of other auditors, the accompanying supplementary information mentioned above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

FORVIS, LLP

Jackson, Mississippi
August 29, 2023

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

The following discussion and analysis of Hinds Community College District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with these financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2021. The financial statements, notes and this discussion are the responsibility of management.

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

Overview of the Financial Statements

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

Statement of Net Position

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The District's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the District's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the District's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. A summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2022 and 2021 is as follows:

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

	2022		2021*	
	Amount	Percentage	Amount	Percentage
Assets				
Current assets	\$ 44,356,963	18%	\$ 40,140,156	17%
Noncurrent assets				
Endowment investments	48,869	0%	48,742	0%
Promissory note	9,649,800	4%	9,649,800	4%
Capital assets, net of accumulated depreciation	188,016,197	77%	188,032,016	79%
Lease assets, net of accumulated amortization	2,001,116	1%	-	0%
Total Assets	244,072,945	100%	237,870,714	100%
Deferred Outflows of Resources	25,251,552	100%	24,951,649	100%
Liabilities				
Current liabilities	23,081,463	12%	20,328,119	8%
Noncurrent liabilities, other	47,637,198	24%	49,514,607	21%
Net OPEB liability	5,889,487	3%	7,520,879	3%
Net pension liability	120,120,464	61%	164,243,285	68%
Total Liabilities	196,728,612	100%	241,606,890	100%
Deferred Inflows of Resources	42,719,882	100%	1,626,656	100%
Net Position				
Net investment in capital assets	143,775,499	481%	140,595,666	718%
Restricted				
Expendable				
Capital projects	-	0%	3,503,128	18%
Other restricted projects	565,330	2%	549,375	3%
Unrestricted	(114,464,826)	-383%	(125,059,352)	-639%
Total net position	\$ 29,876,003	100%	\$ 19,588,817	100%

*2021 has not been restated for the adoption of GASB 87.

The District has experienced a decrease in number of full-time academic student enrollment over the last few years, which resulted in less tuition revenues paid by each headcount. The District administration is working to adjust administration, staff and instructors to match our enrollment. Current assets increased approximately \$4.4 million.

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the District's bank accounts, certificates of deposits and other eligible investments as allowed by the State of Mississippi. The total amount of cash and cash

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

equivalents reported as current assets on the District's financial statements was \$15,040,828 at June 30, 2022 and \$14,846,561 at June 30, 2021. This represents a \$194,267 increase.

Short-term Investments

The total amount of short-term investments reported as current assets on the District's financial statements was \$11,679,585 in 2022 and \$6,716,764 in 2021. This represents a \$4,962,821 increase in investments.

Accounts Receivable

Accounts receivable relate to several transactions, including local appropriations, county appropriations, accrued interest student tuition and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts, which totaled \$1,227,729 in fiscal year 2022 and \$1,101,634 in fiscal year 2021. The District's receivables totaled \$17,170,693 at June 30, 2022 and \$18,362,981 at June 30, 2021. This represents a \$1,192,288 decrease in accounts receivable.

Inventories

The District maintains inventories of resale merchandise, as well as items for internal consumption. During 2021, the District outsourced its bookstore operations to a third party. Inventories totaled \$128,297 at June 30, 2022. That is a decrease of \$85,553 from the amount \$213,850 at June 30, 2021. The decrease in inventory relates to the continued outsourcing of bookstore operations.

Noncurrent Assets

Endowment Investments

The District reflects the Holtzclaw Trust as \$48,869 at June 30, 2022. The amount increased slightly from \$48,742 in fiscal year 2021, with the interest and dividends earned on the investments. The Trust is separate from the investments included in the District's discretely presented component unit, Hinds Community College Foundation.

Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCROF Investor 120, LLC (the borrower) in connection with the financing of a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program with the Foundation. The balance of the note at June 30, 2022 was \$9,649,800.

Capital Assets, Net

Capital assets consist of land, buildings and improvements, construction in progress, livestock, equipment, vehicles, and historical library holdings at June 30, 2022 and 2021. The total capital assets, net of accumulated depreciation at 2022 was \$188,016,197. The amount reported, net of accumulated depreciation at 2021 was \$188,032,016. This represents a \$15,819 decrease in capital assets. The District continues to add facilities and expand its operations. In a competitive environment, the District wants to

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

continue to repair or improve buildings and replace equipment in an attempt to provide our students and employees with the latest technology and the best learning environment.

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 7,609,053	\$ 7,609,053	0%
Construction in progress	5,919,924	2,409,767	146%
Livestock	70,500	71,100	-1%
Buildings	101,403,428	104,003,186	-2%
Improvements	65,431,313	66,785,351	-2%
Library books	750,103	966,248	-22%
Furniture and equipment	<u>6,831,876</u>	<u>6,187,311</u>	10%
	<u><u>\$ 188,016,197</u></u>	<u><u>\$ 188,032,016</u></u>	0%

Lease Assets, Net of Accumulated Amortization

The District implemented GASB Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases. At implementation on July 1, 2021, the District, as lessee, recognized a lease liability of \$2,829,230, along with corresponding right-to-use leased equipment of \$2,829,230. The right-to-use leased equipment was reduced to \$2,001,116 at June 30, 2022 through amortization.

Deferred Outflows of Resources

Deferred Outflows Related to Pensions

The District recognized deferred outflows of resources related to the net pension liability in the amount of \$20,585,528 and \$19,787,506 at June 30, 2022 and 2021, respectively.

Deferred Outflows Related to OPEB

The District recognized deferred outflows of resources related to the net OPEB liability in the amount of \$1,404,449 and \$1,481,949 at June 30, 2022 and 2021, respectively.

Deferred Outflows Related to Costs of Refunding Debt

The District recognized deferred outflows of resources related to costs of refunding debt in the amount of \$3,261,575 at June 30, 2022 and \$3,682,194 at June 30, 2021.

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Liabilities

Current Liabilities

Book Overdraft

Cash overdraft represents the checks, advices, and other charges outstanding at the end of fiscal year 2022, in excess of the bank balance. The amount decreased to \$9,260,304 at June 30, 2022 from \$9,561,284 at June 30, 2021.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2022 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$7,135,925 at June 30, 2022, an increase of \$1,035,683 over the balance of \$6,100,242 at June 30, 2021.

Unearned Revenues

Unearned revenues represent revenues that were received by the District during the fiscal year, but not earned at the end of the fiscal year. For example, the District allows students to pre-register in the second summer session which starts after June 30. In addition, the eight-week summer session has not been earned in full. The unearned revenue totaled \$2,166,730 at June 30, 2022 and \$487,870 at June 30, 2021. The primary increase is due to the District's use of COVID-19 related relief funds in 2021 for summer tuition.

Other Current Liabilities

Other current liabilities represent assets belonging to individuals or organizations for which the District acts as custodian. Examples includes various student clubs and organizations and agency scholarships. The total amount held for others at June 30, 2022 was \$249,286 and \$372,810 at June 30, 2021. This was a decrease of \$123,524.

Compensated Absences - Current Portion

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The current portion of the accrued compensated absences was calculated to be \$267,176 at June 30, 2022, which was an increase of \$40,263 from 2021.

Long-term Liabilities – Current Portion

Long-term liabilities – current portion represents balances that the District would expect to pay on notes and bonds, a portion of long-term debt within the next fiscal year. The amount of the current portion of long-term debt liabilities at June 30, 2022 was \$2,913,000 and \$3,579,000 at June 30, 2021, due to continued principal payments.

Short-term Lease Liability

Upon the implementation of GASB Statement No. 87, *Leases*, the District recorded a short-term lease liability which was reduced to \$898,029 at June 30, 2022.

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Noncurrent Liabilities

Compensated Absences

This liability consists of accrued compensated absences that represent the amount payable to employees for earned but unpaid absences, such as vacation. The noncurrent portion of the accrued compensated absences was calculated to be \$1,944,838 at June 30, 2022. This was a decrease of \$30,225 from the amount at June 30, 2021 of \$1,975,063.

Long-term Liabilities, Noncurrent Portion and Premium/Discount

This represents the portion of notes and bonds payable that are due after June 30, 2022. The amount of the noncurrent portion, net of premium/discount at June 30, 2022 was \$44,483,359, as compared to \$47,539,544 at June 30, 2021. The noncurrent portion of long-term debt decreased by \$3,056,185, due primarily to the payment of principal during the year. The total amount of the bond discount, net of amortization was \$63,572 at June 30, 2022. This was a decrease from the balance of \$69,525 reported at June 30, 2021. Bond premium, net of amortization was \$880,931 at June 30, 2022. This was a decrease from the balance of \$1,017,454 reported at June 30, 2021.

Long-term Lease Liability

Upon the adoption of GASB Statement No. 87, *Leases*, the District recorded a long-term lease liability which was reduced to \$1,209,001 at June 30, 2022.

Net Pension Liability

The net pension liability at June 30, 2022 is \$120,120,464 compared to \$164,243,285 at June 30, 2021, which represents the District's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for those years. See Note 7 to the financial statements for further information regarding the District's policies for recognizing liabilities, expenses, and deferred outflows and inflows of resources related to pensions.

Net OPEB Liability

The District recognized a net OPEB liability at June 30, 2022 in the amount of \$6,080,500, of which \$191,013 is reported in current liabilities. The amount of the net OPEB liability as of June 30, 2021 was \$7,520,879.

Deferred Inflows of Resources

Deferred Inflows of Resources Related to Pensions

The District reflects deferred inflows of resources related to the net pension liability in the amount of \$40,463,685 and \$0 at June 30, 2022 and 2021, respectively. These amounts are related to differences in projected and actual earnings, expected and actual experience and changes in assumption used in the pension calculation.

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Deferred Inflows of Resources Related to OPEB

The District recognized deferred inflows of resources related to OPEB in the amount of \$2,256,197 at June 30, 2022, which is an increase from \$1,626,656 reported at June 30, 2021.

Net Position

Net Investment in Capital Assets

In fiscal year 2022, net investment in capital assets portion of the District's net position increased by \$3,179,833 to \$143,775,499 at June 30, 2022.

Restricted Net Position

Restricted net position at June 30, 2022:

Capital projects	\$ -
Other restricted projects	565,330
	<hr/>
	\$ 565,330
	<hr/>

Restricted capital project funds consist of local appropriations restricted for capital purposes or debt retirement funds and proceeds from debt offerings for specific projects. There was no net position restricted for capital projects at June 30, 2022. Other project funds consist of endowment funds or other grant funds with restrictions from the grantor on spending. Currently, the District will transfer amounts from the capital projects fund to the debt service fund to pay all principal, interest, and fees associated with bonds and notes payable.

Unrestricted Net Position

The following is a breakdown of the unrestricted net position at June 30, 2022:

Unrestricted General Fund (deficit)	\$ (114,464,826)
	<hr/>

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

Hinds Community College District
Management's Discussion and Analysis
June 30, 2022

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

Total unrestricted net position (deficit)	\$ (114,464,826)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	<u>146,930,869</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u><u>\$ 32,466,043</u></u>

Hinds Community College District
Management's Discussion and Analysis
June 30, 2022

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

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021
Operating Revenues		
Tuition and fees (net of scholarship allowance)	\$ 5,561,575	\$ 10,329,212
Grants and contracts	84,463,083	56,740,762
Auxiliary enterprises	13,417,316	13,903,252
Other operating revenues	1,233,205	1,409,712
Total operating revenues	<u>104,675,179</u>	<u>82,382,938</u>
Operating Expenses	<u>181,043,407</u>	<u>166,660,702</u>
Operating Loss	<u>(76,368,228)</u>	<u>(84,277,764)</u>
Nonoperating Revenues (Expenses)		
State appropriations	35,567,106	36,335,802
County appropriations	13,149,436	12,810,646
Federal grants and contracts	22,733,766	24,161,502
Investment income	64,684	134,326
Interest expense and other related debt expenses	(1,938,352)	(2,194,745)
Total nonoperating revenues, net	<u>69,576,640</u>	<u>71,247,531</u>
Loss Before Other Revenues, Expenses, Gains or Losses	<u>(6,791,588)</u>	<u>(13,030,233)</u>
Federal capital grants	4,100,564	715,351
State and county capital appropriations	12,619,744	8,393,081
Other nonoperating revenues, net	358,466	303,318
Total other revenues	<u>17,078,774</u>	<u>9,411,750</u>
Changes in Net Position	10,287,186	(3,618,483)
Net Position, Beginning of Year	<u>19,588,817</u>	<u>23,207,300</u>
Net Position, End of Year	<u><u>\$ 29,876,003</u></u>	<u><u>\$ 19,588,817</u></u>

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues increased by \$22,292,241 and operating expenses increased by \$14,382,705. The operating loss for the fiscal year decreased by \$7,909,536 to (\$76,368,228). The operating loss for fiscal year 2021 was (\$84,277,764). The District will continue to show a significant operating loss since two of the largest funding sources, state and local appropriations, are not included in operating revenues per GASB 35. The District strives to provide students with the opportunity to obtain a quality education, but this demonstrates that future enrollments at the District depend on funding the State of Mississippi and the counties in our district which include Claiborne, Copiah, Hinds, Rankin and Warren.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$5,561,575. The amount decreased by \$4,767,637 from the amount in fiscal year 2021, which was \$10,329,212. Our gross tuition and fees collected increased by \$555,417. The amount went from \$37,447,177 in fiscal year 2021 to \$38,002,594 in fiscal year 2022. The tuition discount for scholarship allowances, as estimated according to the National Association of College and University Business Officers' Advisory Report 2000-2005, for the fiscal year 2022 was \$32,441,019, compared to fiscal year 2021 amount of \$27,117,965. These numbers attempt to estimate the amount of financial aid refunds that the District disburses to students.

Grants and Contracts

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

The following table details the District's grant and contract awards for the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Federal	\$ 108,022,351	\$ 78,372,543
State	3,074,920	3,123,785
Nongovernmental	200,142	121,287
	<u>\$ 111,297,413</u>	<u>\$ 81,617,615</u>

The District had a \$29,649,808 increase in federal source grants in fiscal year 2022. State grants decreased by \$48,865 in fiscal year 2022.

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Sales and Services from Educational Activities

Sales and services from educational activities include revenue from our child-care programs, sales of product and services from our vocational programs, and athletic events. The amount for fiscal year 2022 was \$ 377,282 and was \$245,981 for fiscal year 2021. The revenues increased \$131,301 in fiscal year 2022.

Auxiliary Sales and Services

Auxiliary sales and services consist of various auxiliary enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public. These enterprises entities charge a fee directly related to the cost of those goods or services and are intended to be self-supporting. The activities include the District's bookstore at each location, student housing, faculty housing, the Eagle Ridge Conference Center, Wellness Facilities on the Raymond and Utica Campuses, John Bell Williams Airport in Raymond, Brewed Awakenings Coffee Shop on the Rankin Campus, the Eagle Ridge golf course in Raymond, and the Meat Market in Raymond. Auxiliary enterprises revenues decreased by \$485,936 from \$13,903,252 in fiscal year 2021 to \$13,417,316 in fiscal year 2022.

Operating Expenses

The following table details the District's operating expenses by natural and functional classification for the fiscal years ended June 30, 2022 and 2021.

Operating Expenses by Function with Prior Year Figures and Changes

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Instruction	\$ 49,057,637	\$ 43,362,432	\$ 5,695,205
Academic support	2,227,683	1,352,815	874,868
Student services	9,486,556	9,124,457	362,099
Institutional support	32,422,104	31,077,226	1,344,878
Operations and maintenance of plant	8,639,129	11,673,351	(3,034,222)
Student financial aid	51,768,147	30,080,894	21,687,253
Auxiliary enterprises	13,431,325	14,865,209	(1,433,884)
Bad debt	102,022	692,914	(590,892)
Pension	4,998,070	16,081,802	(11,083,732)
OPEB	(733,338)	233,330	(966,668)
Depreciation and amortization	9,644,072	8,116,272	1,527,800
	<u>\$ 181,043,407</u>	<u>\$ 166,660,702</u>	<u>\$ 14,382,705</u>

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Operating Expenses by Natural Classification

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Salaries and wages	\$ 57,065,055	\$ 55,679,671	\$ 1,385,384
Fringe benefits	14,512,941	25,932,830	(11,419,889)
Travel	1,335,986	392,455	943,531
Contractual services	24,780,925	24,748,692	32,233
Utilities	3,999,651	3,562,805	436,846
Scholarships and fellowships	51,768,147	30,080,894	21,687,253
Commodities	12,280,339	13,728,722	(1,448,383)
Depreciation and amortization	9,644,072	8,116,272	1,527,800
Other	5,656,291	4,418,361	1,237,930
	<u>\$ 181,043,407</u>	<u>\$ 166,660,702</u>	<u>\$ 14,382,705</u>

Nonoperating Revenues (Expenses)

State Appropriations

The District's largest source of nonoperating revenue is the appropriations from the State of Mississippi Legislature. The funds pass through the Mississippi Community College Board (MCCB) which calculates the District's share based on a funding formula. The District received \$35,567,106 for the fiscal year ended June 30, 2022 and \$36,335,802 for the fiscal year ended June 30, 2021, resulting in a decrease of \$768,696.

County Appropriations

The District receives strong financial support from all counties in the District where the District resides. The District uses the funding for salaries and benefits and for operational purposes. The District receives the appropriation in monthly payments, beginning in July of each year. The District received \$13,149,436 for the fiscal year 2022 from the counties. The amount has increased \$338,790 from the fiscal year 2021 amount of \$12,810,646.

Federal Pell Grants

The District received \$22,733,766 in Pell grants for fiscal year 2022, which is a decrease of \$1,427,736 from last year's amount of \$24,161,502. The amount of Pell grants the District receives is based on how many Pell eligible students come to the District. During our 2021-2022 award year, there were 5,156 students with Pell funds disbursed. During our 2020-2021 award year, there were 5,615 students with Pell funds disbursed.

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

Net Investment Income

Net investment income includes the interest income from the cash in the bank accounts, various investments in certificates of deposit, federal bond funds, and money market accounts. The investment income for fiscal year 2022 was \$64,684. This was a decrease of \$69,642 from fiscal year 2021 amount of \$134,326. This decrease is due to a decrease in investment accounts.

Other Revenues

Federal Capital Grants

The federal capital grants increased in fiscal year 2022 by \$3,385,213 to \$4,100,564.

State and County Capital Appropriations Restricted for Capital Purposes

State and county capital appropriations increased by \$4,226,663 to \$12,619,744 in fiscal year 2022. Upon passage of a legislative bond bill in the Mississippi State Legislature, the State of Mississippi sells capital improvement bonds, and those funds are allocated by the MCCB to each college based on an enrollment formula. The appropriations must be spent on renovations and repairs or construction of new facilities. The amount and the millage rates are set by the local county Board of Supervisors.

Other Nonoperating Revenues and Expenses

Other nonoperating revenues and expenses, net increased \$55,148 to \$358,466 in fiscal year 2022.

Statement of Cash Flows

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

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

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents provided by (used in)			
Operating activities	\$ (71,824,718)	\$ (60,750,389)	\$ (11,074,329)
Noncapital financing activities	74,959,198	66,798,675	8,160,523
Capital and related financing activities	1,958,051	(778,259)	2,736,310
Investing activities	<u>(4,898,264)</u>	<u>3,818,344</u>	<u>(8,716,608)</u>
Net increase (decrease) in cash and cash equivalents	194,267	9,088,371	(8,894,104)
Cash and cash equivalents - beginning of year	<u>14,846,561</u>	<u>5,758,190</u>	<u>9,088,371</u>
Cash and cash equivalents - end of year	<u><u>\$ 15,040,828</u></u>	<u><u>\$ 14,846,561</u></u>	<u><u>\$ 194,267</u></u>

The major sources of funds included in operating activities include cash received from customers, \$5,282,299; grants and contracts, \$84,463,083; and sales and services of auxiliary enterprises, \$13,794,598. The major uses of funds were payments made to employees, (\$77,059,434); to vendors (\$47,393,040); and other organizations (\$51,768,147).

Factors Impacting Future Periods

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

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

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

Hinds Community College District

Management's Discussion and Analysis

June 30, 2022

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

Contact Information

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

Hinds Community College District

Statement of Net Position

June 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 15,040,828
Short-term investments	11,679,585
Accounts receivable, net of allowance for doubtful accounts	17,170,693
Inventories	128,297
Other current assets	337,560
Total Current Assets	<u>44,356,963</u>

Noncurrent Assets

Endowment investments	48,869
Promissory note receivable	9,649,800
Capital assets, net of accumulated depreciation	188,016,197
Lease assets, net of accumulated amortization	2,001,116
Total Noncurrent Assets	<u>199,715,982</u>
Total Assets	<u>244,072,945</u>

Deferred Outflows of Resources

Deferred outflows related to pensions	20,585,528
Deferred outflows related to OPEB	1,404,449
Deferred outflows related to loss on refunding bonds	3,261,575
Total Deferred Outflows of Resources	<u>25,251,552</u>

Total Assets and Deferred Outflows of Resources \$ 269,324,497

Current Liabilities

Book overdraft	\$ 9,260,304
Accounts payable and accrued expenses	7,135,925
Unearned revenues	2,166,730
Other current liabilities	249,286
Compensated absences, current portion	267,176
Short-term lease liability	898,029
Long-term liabilities, current portion	2,913,000
OPEB liability, current portion	191,013
Total Current Liabilities	<u>23,081,463</u>

Noncurrent Liabilities

Compensated absences, net of current portion	1,944,838
Long-term debt, net of current portion and premium/discount	44,483,359
Long-term lease liability	1,209,001
Net pension liability	120,120,464
Net OPEB liability, net of current portion	5,889,487
Total Noncurrent Liabilities	<u>173,647,149</u>
Total Liabilities	<u>196,728,612</u>

Deferred Inflows of Resources

Deferred inflows related to pensions	40,463,685
Deferred inflows related to OPEB	2,256,197
Total Deferred Inflows of Resources	<u>42,719,882</u>
Total Liabilities and Deferred Inflows of Resources	<u>239,448,494</u>

Net Position

Net investment in capital assets	143,775,499
Restricted	
Expendable	
Other restricted projects	565,330
Unrestricted	(114,464,826)
Total Net Position	<u>29,876,003</u>

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 269,324,497

Hinds Community College Foundation
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents		
Designated for long-term use	\$ 4,006,890	\$ 2,793,209
Receivables		
Unconditional promises to give, short-term	<u>-</u>	<u>20,000</u>
Total current assets	<u>4,006,890</u>	<u>2,813,209</u>
Investments in Marketable Securities	<u>18,844,688</u>	<u>17,114,628</u>
Property, Equipment and Other Assets		
Real estate, at donated value	210,762	210,762
Property held for sale, net of valuation allowance	17,000	17,000
Building and equipment, net of accumulated depreciation	10,776,408	11,285,197
Loan costs, net of accumulated amortization	<u>940,233</u>	<u>974,527</u>
Net property, equipment and other assets	<u>11,944,403</u>	<u>12,487,486</u>
Total assets	<u><u>\$ 34,795,981</u></u>	<u><u>\$ 32,415,323</u></u>
Liabilities and Net Assets		
Long-term Liabilities		
Notes payable	<u>\$ 13,880,000</u>	<u>\$ 13,880,000</u>
Total liabilities	<u>13,880,000</u>	<u>13,880,000</u>
Net Assets		
Without donor restrictions	1,033,566	907,878
With donor restrictions	<u>19,882,415</u>	<u>17,627,445</u>
Total net assets	<u>20,915,981</u>	<u>18,535,323</u>
Total liabilities and net assets	<u><u>\$ 34,795,981</u></u>	<u><u>\$ 32,415,323</u></u>

Hinds Community College District

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2022

Operating Revenues	
Tuition and fees, net of scholarship allowance of (\$32,441,019)	\$ 5,561,575
Federal grants and contracts	81,188,021
State grants and contracts	3,074,920
Nongovernmental grants and contracts	200,142
Sales and services of educational departments	377,282
Auxiliary enterprises	
Student housing	2,716,230
Food services	2,592,993
Bookstore	5,892,765
Other auxiliary revenues	2,215,328
Other operating revenues	<u>855,923</u>
Total operating revenues	<u>104,675,179</u>
Operating Expenses	
Salaries and wages	57,065,055
Fringe benefits	14,512,941
Travel	1,335,986
Contractual services	24,780,925
Utilities	3,999,651
Scholarships and fellowships	51,768,147
Commodities	12,280,339
Depreciation and amortization	9,644,072
Other operating expense	<u>5,656,291</u>
Total operating expenses	<u>181,043,407</u>
Operating Loss	<u>(76,368,228)</u>
Nonoperating Revenues (Expense)	
State appropriations	35,567,106
County appropriations	13,149,436
Federal grants and contracts	22,733,766
Investment income	64,684
Interest expense and other related debt expenses	<u>(1,938,352)</u>
Total nonoperating revenues (expense)	<u>69,576,640</u>
Loss Before Other Revenues, Expenses, Gains or Losses	<u>(6,791,588)</u>
Other Revenues	
Federal capital grants	4,100,564
Other nonoperating revenues, net	358,466
State and county capital appropriations	<u>12,619,744</u>
Total other revenues	<u>17,078,774</u>
Change in Net Position	10,287,186
Net Position, Beginning of Year	<u>19,588,817</u>
Net Position, End of Year	<u><u>\$ 29,876,003</u></u>

Hinds Community College Foundation
Statements of Activities
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Support		
Gift pledges	\$ 47,146	\$ 50,414
Interest and investment income	62,494	37,254
Special events	75,827	69,817
Realized gain (loss) on investments	89,652	(24,223)
Other income	24,551	94
Total without donor restrictions support	<u>299,670</u>	<u>133,356</u>
Net assets released from restrictions	<u>3,808,569</u>	<u>3,319,648</u>
 Total without donor restrictions support and reclassifications	 4,108,239	 3,453,004
Expenses		
Program services		
Scholarships	2,822,633	2,163,522
Faculty and staff development	34,134	34,301
College departments and organizations	48,968	171,489
Alumni groups	11,898	17,750
Grants	17,293	37,839
Depreciation expense	661,726	649,257
Amortization expense	34,294	34,294
Other	197,788	208,185
Total program services	<u>3,828,734</u>	<u>3,316,637</u>
Supporting services		
General administration	170,664	199,461
Fundraising	89,053	38,326
Total supporting services	<u>259,717</u>	<u>237,787</u>
 Total expenses	 4,088,451	 3,554,424
 Unrealized Gain on Investments	 <u>105,900</u>	 <u>142,964</u>
 Increase in Net Assets without Donor Restrictions	 <u>125,688</u>	 <u>41,544</u>

Hinds Community College Foundation
Statements of Activities (Continued)
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets With Donor Restrictions		
Support		
Gift pledges	\$ 3,271,406	\$ 3,018,630
Interest and investment income	760,383	304,155
Special events	6,600	1,000
Realized gain on investments	1,258,577	117,975
Centennial income	58,742	217,807
Lease income	718,225	618,225
Total with donor restrictions support	<u>6,073,933</u>	<u>4,277,792</u>
Net assets released from restrictions	<u>(3,808,569)</u>	<u>(3,319,648)</u>
Total with donor restrictions support and reclassifications	2,265,364	958,144
 Unrealized Gain (Loss) on Investments	 <u>(10,394)</u>	 <u>1,053,434</u>
 Increase in Net Assets with Donor Restrictions	 <u>2,254,970</u>	 <u>2,011,578</u>
 Increase in Net Assets	 <u><u>\$ 2,380,658</u></u>	 <u><u>\$ 2,053,122</u></u>

Hinds Community College Foundation
Statements of Changes in Net Assets
Years Ended December 31, 2021 and 2020

	Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Balance, December 31, 2019	\$ 866,334	\$ 15,615,867	\$ 16,482,201
Reclassifications	-	-	-
Intra-fund transfers	-	-	-
Increase in net assets	<u>41,544</u>	<u>2,011,578</u>	<u>2,053,122</u>
Balance, December, 31, 2020	907,878	17,627,445	18,535,323
Reclassifications	-	-	-
Intra-fund transfers	-	-	-
Increase in net assets	<u>125,688</u>	<u>2,254,970</u>	<u>2,380,658</u>
Balance December 31, 2021	<u><u>\$ 1,033,566</u></u>	<u><u>\$ 19,882,415</u></u>	<u><u>\$ 20,915,981</u></u>

Hinds Community College District

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities

Cash received from customers	\$ 5,282,299
Grants and contracts	84,463,083
Sales and services of auxiliary enterprises	13,794,598
Payments to employees	(77,059,434)
Payments to suppliers for goods and services	(47,393,040)
Cash payments to other organizations	(51,768,147)
Other receipts	855,923

Net cash used in operating activities	(71,824,718)
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Cash Flows from Noncapital Financing Activities

Tuitions and fees	84,209,166
Institutional payments for scholarships and fellowships	(84,209,166)
Appropriations	46,413,964
Grants received	28,186,768
Other	358,466

Net cash provided by noncapital financing activities	74,959,198
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Cash Flows from Capital and Related Financing Activities

Principal and interest paid on long-term debt	(5,239,918)
Acquisition of capital assets	(8,800,139)
Capital grants received	4,100,564
Capital appropriations	12,619,744
Principal paid on lease obligation	(721,067)
Interest paid on lease obligation	(1,133)

Net cash provided by capital and related financing activities	1,958,051
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Cash Flows from Investing Activities

Sale of investments	(4,962,821)
Interest	64,557

Net cash used in investing activities	(4,898,264)
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Increase in Cash and Cash Equivalents	194,267
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Cash and Cash Equivalents, Beginning of Year	14,846,561
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Cash and Cash Equivalents, End of Year	\$ 15,040,828
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Hinds Community College District

Statement of Cash Flows (Continued)

Year Ended June 30, 2022

Reconciliation of Operating Loss to Net Cash

Used in Operating Activities

Operating loss	<u>\$ (76,368,228)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	9,644,072
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Accounts receivable, net	(1,958,136)
Inventories and other assets	(252,007)
Accounts payable and accrued expenses	1,035,683
Book overdraft	(300,980)
Unearned revenues	1,678,860
Other current liabilities	(123,524)
Net change in pension related accounts	(4,457,158)
Net change in OPEB related accounts	(733,338)
Compensated absences	10,038
	<u>4,543,510</u>
Net cash used in operating activities	<u><u>\$ (71,824,718)</u></u>

Hinds Community College Foundation
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,380,658	\$ 2,053,122
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	661,726	649,257
Amortization expense	34,294	34,294
Unrealized gain on investments	(95,506)	(1,196,398)
Realized gain on investments	(1,348,229)	(93,752)
Decrease in		
Unconditional promises to give, short-term	20,000	42,200
Unconditional promises to give, long-term	-	5,000
	<u>1,652,943</u>	<u>1,493,723</u>
Net cash provided by operating activities		
	<u>1,652,943</u>	<u>1,493,723</u>
Cash Flows from Investing Activities		
Capitalized construction and loan costs	(152,937)	(330,581)
Purchase of equipment	-	(9,166)
Purchase of investments	(8,735,900)	(5,239,547)
Proceeds from sale of investments	8,449,575	4,331,134
	<u>(439,262)</u>	<u>(1,248,160)</u>
Net cash used in investing activities		
	<u>(439,262)</u>	<u>(1,248,160)</u>
Net Increase in Cash and Cash Equivalents	1,213,681	245,563
Cash and Cash Equivalents, Beginning of Year	<u>2,793,209</u>	<u>2,547,646</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,006,890</u></u>	<u><u>\$ 2,793,209</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 181,508	\$ 181,508

Hinds Community College District
Notes to the Financial Statements
For the Year Ended June 30, 2022

Hinds Community College District

Notes to Financial Statements

June 30, 2022

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

Nature of Operations and Reporting Entity

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

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

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

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

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

Basis of Accounting and Presentation

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

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

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Short-term Investments

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

Restricted Cash and Cash Equivalents

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

Other Long-term Investments

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

Investments

The District has investments in certificates of deposit and U.S. Treasury Securities which are short-term in nature and for which the fair value approximates cost. The fair value of all the District's investments in marketable securities are based upon quoted prices for these securities in active markets (Level 1 measurements). Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Fair Value Measurements

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

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

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

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

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

Capital Assets (Including Intangible Assets)

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

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

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred.

The following is used to compute depreciation:

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

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Lease Assets

Lease assets are initially recorded at the initial measurement period of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentive received from the lessor at or before commencement of the lease, plus initial direct costs that are ancillary to place the asset into service using a threshold of \$30,000. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

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

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

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

Compensated Absences

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

Pensions

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

Hinds Community College District

Notes to Financial Statements

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recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

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

Net Position

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

The District reported a deficit for unrestricted net position of (\$114,464,826). This deficit can be attributed to the full recognition of net pension and net OPEB liabilities.

Classification of Revenues

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

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

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

Hinds Community College District

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State Appropriations

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

Scholarship Discounts and Allowances

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

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

Change in Accounting Standard

GASB 87, *Leases*, was implemented during the year ended June 30, 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. The District recorded the cumulative effect of adopting GASB 87, which resulted in recognizing activity associated with lessee agreements. The adoption resulted in no impact to beginning net position as of July 1, 2021.

Note 2: Deposits and Investments

Cash, Cash Equivalents and Investments

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

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Deposits

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

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

The carrying amount of deposits with financial institutions reported in the statement of net position as unrestricted cash and cash equivalents was \$15,040,828 for the District.

Investments

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

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2022, there is no custodial credit risk associated with any investments.

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Concentration of Credit Risk - Disclosure of investments by amounts and issuer for any issuer that represents 5% or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds and external investments pools, and other pooled investments. As of June 30, 2022, the District did not have any investments to which this would apply.

<u>Investment Type</u>	<u>Fair Value</u>
Short-term investments	\$ 11,679,585
Marketable securities	<u>48,869</u>
	<u><u>\$ 11,728,454</u></u>

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

The District has the following recurring fair value measurements as of June 30, 2022:

- Short-term investments of \$11,679,585 are valued using quoted market prices (Level 1 inputs) and include \$9,962,170 of U.S. Treasury Notes and \$1,717,415 of certificates of deposit.
- Marketable securities of \$48,869 are valued using quoted market prices (Level 1 inputs)

Note 3: Accounts Receivable

The District's accounts receivable at June 30, 2022 consisted of the following:

Student tuition	\$ 5,856,356
Federal, state, and private grants and contracts	389,608
State appropriations	5,560,688
Other	<u>6,591,770</u>
	18,398,422
Less allowance for doubtful accounts	<u>(1,227,729)</u>
	<u><u>\$ 17,170,693</u></u>

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Note 4: Promissory Note Receivable

The District entered into a Fund Promissory Note agreement (Leveraged Loan) with COCRF Investor 120, LLC (the borrower). The note commenced on December 18, 2017. The note is secured by a security agreement with the borrower. Interest is due to the District quarterly on March 15, June 15, September 15 and December 15 of each year. Interest will be earned at an annual rate of 1%. The balance of the promissory note at June 30, 2022 was \$9,649,800. Payments will be made for interest only through December 15, 2024; commencing on March 15, 2025 payments of principal and interest will be made. The note matures on December 17, 2047. See *Note 16*.

Note 5: Capital Assets and Lease Assets

A summary of changes in capital assets for the year ended June 30, 2022 is presented as follows:

	2022				
	Beginning Balance	Additions	Disposals	Construction Completed	Ending Balance
Nondepreciable capital assets					
Land	\$ 7,609,053	\$ -	\$ -	\$ -	\$ 7,609,053
Construction in progress	2,409,767	6,080,342	-	(2,570,185)	5,919,924
Livestock	71,100	-	(600)	-	70,500
	<u>10,089,920</u>	<u>6,080,342</u>	<u>(600)</u>	<u>(2,570,185)</u>	<u>13,599,477</u>
Depreciable capital assets					
Buildings	176,174,574	433,121	(56,613)	-	176,551,082
Improvements - buildings and other	102,745,548	-	(125,108)	2,570,185	105,190,625
Library materials	2,942,603	75,356	(408,325)	-	2,609,634
Furniture and equipment	21,911,899	2,345,136	(813,412)	-	23,443,623
	<u>303,774,624</u>	<u>2,853,613</u>	<u>(1,403,458)</u>	<u>2,570,185</u>	<u>307,794,964</u>
Less accumulated depreciation					
Buildings	72,171,388	3,021,556	(45,290)	-	75,147,654
Improvements - buildings and other	35,960,197	3,864,918	(65,803)	-	39,759,312
Library materials	1,976,355	250,669	(367,493)	-	1,859,531
Furniture and equipment	15,724,588	1,678,815	(791,656)	-	16,611,747
	<u>125,832,528</u>	<u>8,815,958</u>	<u>(1,270,242)</u>	<u>-</u>	<u>133,378,244</u>
Total depreciable capital assets, net	<u>177,942,096</u>	<u>(5,962,345)</u>	<u>(133,216)</u>	<u>2,570,185</u>	<u>174,416,720</u>
Capital assets, net	<u>\$ 188,032,016</u>	<u>\$ 117,997</u>	<u>\$ (133,816)</u>	<u>\$ -</u>	<u>\$ 188,016,197</u>

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

Hinds Community College District

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The details of construction in progress are as follows:

Governmental Activities	Spent to June 30, 2022	Remaining Commitments
Williams Dorm Replacement	\$ 615,859	\$ -
FAA Construct Access Taxiway	17,100	1,000
HAHS Improvements	480,381	67,000
Airport Sewage & Drainage	295,442	430,000
Cain Hall Water Leak	27,090	4,000
Fountain Hall Storage Area Reno MCCB	164,001	10,000
Maggie Dunson Upgrades MCCB	142,482	8,000
Maritime Building Purchase & Renovation	143,986	6,500,000
NAHC Annex Elevator Replacement MCCB	197,896	10,000
Rankin Wellness Center	9,420	-
UT Quarantine Units	88,019	8,000
Walter Washington Roof Replacement MCCB	12,853	223,000
HEERF Bivens Hall Project	39,202	25,000
Holtzclaw Museum Renovation	3,657	4,000
New Tennis Court	211,049	10,000
PBI JATC Student Hub	26,845	6,000
Pedestrian Sidewalk-Raymond-MDOT	747,510	1,100,000
Rankin Health Sciences Complex	26,442	50,000,000
Raymond Lake Dam Emergency Plan	46,004	700,000
Soccer Tennis Facility	115,252	-
BB.205-082: Career-Technical Improvements	2,072,863	-
BB.205-088: RPM-Property Acquisition (Vicksburg)	436,571	-
	\$ 5,919,924	\$ 59,106,000

Construction projects included above are funded through federal sources \$99,000, state sources \$28,973,000, local sources \$26,000,000, and institutional sources \$4,034,000.

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Notes to Financial Statements

June 30, 2022

A summary of changes in lease assets for the year ended June 30, 2022 is presented as follows:

	2022			
	Beginning Balance as Restated	Additions	Disposals	Ending Balance
Lease assets				
Equipment	\$ 1,563,738	\$ -	\$ -	\$ 1,563,738
Building	1,265,492	-	-	1,265,492
	<u>2,829,230</u>	<u>-</u>	<u>-</u>	<u>2,829,230</u>
Less accumulated amortization				
Equipment	-	457,725	-	457,725
Building	-	370,389	-	370,389
	<u>-</u>	<u>828,114</u>	<u>-</u>	<u>828,114</u>
Lease assets, net	<u>\$ 2,829,230</u>	<u>\$ (828,114)</u>	<u>\$ -</u>	<u>\$ 2,001,116</u>

Note 6: Long-term Liabilities

Long-term liabilities of the District consist of notes payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2022.

Information regarding original issue amounts, interest rates and maturity dates for bonds and notes included in the long-term liabilities balance at June 30, 2022, is listed in the following schedule:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance 6/30/21	Additions	Deletions	Ending Balance 6/30/22	Due Within One Year
2015 Utica Student Union Note	\$ 5,000,000	.50-1.8%	2/1/2022	\$ 795,000	\$ -	\$ 795,000	\$ -	\$ -
2016 MS Development Bank, Refunding Bond Rankin	26,060,000	2.00-4.00%	10/1/2033	24,205,000	-	1,165,000	23,040,000	1,235,000
2017 Educational Facilities Refunding	3,095,000	2.25%	4/1/2023	1,085,000	-	535,000	550,000	550,000
2017 HCCD General Taxable Obligation Note	8,000,000	3.99%	8/1/2032	6,773,000	-	444,000	6,329,000	463,000
2017 MS Dev Bank - Special Obl Refunding Bonds	17,770,000	3.22%	4/1/2041	17,300,000	-	640,000	16,660,000	665,000
				<u>\$50,158,000</u>	<u>\$ -</u>	<u>\$3,579,000</u>	<u>\$ 46,579,000</u>	<u>\$ 2,913,000</u>
Bond Discount/Premium								
Bond discount, net				\$ (69,525)	\$ -	\$ (5,953)	\$ (63,572)	
Bond premium, net				1,030,069	-	149,138	880,931	
Total Bond Discount/Premium				<u>\$ 960,544</u>	<u>\$ -</u>	<u>\$ 143,185</u>	<u>\$ 817,359</u>	
Compensated Absences				<u>\$ 2,201,976</u>	<u>\$ 10,038</u>	<u>\$ -</u>	<u>\$ 2,212,014</u>	<u>\$ 267,176</u>

Hinds Community College District

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,913,000	\$ 1,590,734	\$ 4,503,734
2024	2,468,000	1,494,911	3,962,911
2025	2,688,000	1,399,041	4,087,041
2026	2,845,000	1,295,832	4,140,832
2027	2,997,000	1,186,745	4,183,745
2028-2032	17,710,000	4,074,930	21,784,930
2033-2037	10,608,000	1,340,662	11,948,662
2038-2041	4,350,000	359,125	4,709,125
	<u>\$ 46,579,000</u>	<u>\$ 12,741,980</u>	<u>\$ 59,320,980</u>

Note 7: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The District contributes to PERS, a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments (COLAs), and death benefits to plan members and beneficiaries. Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly 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% 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% 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 4

Hinds Community College District

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highest compensated years of creditable service. Benefits vest upon completion of 8 years of membership service (4 years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% 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% compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the institution is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the PERS' Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The District's contributions to PERS for the fiscal years ended June 30, 2022 and 2021 were \$9,421,595 and \$9,402,305, 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, the District reported a liability of \$120,120,464 for its proportionate share of the net pension liability. The net pension liability 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. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The District's proportionate share used to calculate the June 30, 2022 net pension liability was 0.812699%, which was based on a measurement date of June 30, 2021. This was a decrease of 0.035716% 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.

Hinds Community College District

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June 30, 2022

For the year ended June 30, 2022, the District recognized pension expense of \$4,998,070. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,920,725	\$ -
Net difference between projected and actual earnings on pension plan investments	-	36,175,159
Changes of assumptions	9,243,208	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	4,288,526
Contributions subsequent to the measurement date	9,421,595	-
	<u>\$ 20,585,528</u>	<u>\$ 40,463,685</u>

\$9,421,595 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 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	\$ (5,567,767)
2024	(5,815,355)
2025	(7,136,634)
2026	<u>(10,779,996)</u>
	<u>\$ (29,299,752)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30,

Hinds Community College District

Notes to Financial Statements

June 30, 2022

2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement.

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

Mortality rates for service retirees 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 actuarial assumptions used for the purpose of determining the total pension liability in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27%	4.60%
International Equity	22%	4.50%
Global Equity	12%	4.80%
Fixed Income	20%	-0.25%
Real Estate	10%	3.75%
Private Equity	8%	6.00%
Cash Equivalents	1%	-1.00%
	<u>100%</u>	

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June 30, 2022

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of net pension liability	\$ 170,118,738	\$ 120,120,464	\$ 78,917,908

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

Note 8: Other Postemployment Benefits (OPEB) Plan

General Information about the OPEB Plan

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

Benefits Provided

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts, and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health

Hinds Community College District

Notes to Financial Statements

June 30, 2022

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

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees, while employees' premiums are funded primarily by their employer. Contributions to the OPEB Plan from the District were \$191,013 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$6,080,500 proportionate share of the net OPEB liability. The net OPEB liability 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 the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, the District's proportion was 0.94464344%. This was a decrease of 0.0217921% from the proportionate share as of the measurement date of June 30, 2020.

Hinds Community College District

Notes to Financial Statements

June 30, 2022

For the year ended June 30, 2022, the District recognized OPEB expense of (\$733,338). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,613	\$ 1,901,293
Changes of assumptions	984,781	205,649
Net difference between projected and actual earnings on OPEB Plan investments	283	-
Contribution subsequent to the measurement date	191,013	-
Changes in proportion and difference between contributions and proportionate share of contributions	221,759	149,255
	<u>\$ 1,404,449</u>	<u>\$ 2,256,197</u>

\$191,013 reported as deferred outflows of resources related to OPEB resulting from the District's 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:

Year ending June 30

2023	\$ (229,119)
2024	(217,314)
2025	(182,103)
2026	(240,711)
2027	(173,514)
	<u>\$ (1,042,761)</u>

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following key actuarial assumptions and other inputs.

Inflation	2.40%
Salary increases	2.65%-17.90%, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year Fiduciary Net Position is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Healthcare Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Mortality rates for service retirees for the June 30, 2021 measurement date 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. Additionally, the PubG.H-2010 Disabled Table was used for disabled retirees with the following adjustments - 134% of male rates at all ages and 121% of female rates at all ages. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

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

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

Discount Rate. The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13%. Since the prior measurement date, the discount rate has changed from 2.19% to 2.13%. The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of

Hinds Community College District

Notes to Financial Statements

June 30, 2022

June 30, 2021, the trust has \$1,044,424. The fiduciary net position is projected to be depleted immediately; therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The discount rate was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13%) or 1-percentage point higher (3.13%) than the current discount rate:

	<u>1% Decrease</u> <u>(1.13%)</u>	<u>Current</u> <u>Discount</u> <u>(2.13%)</u>	<u>1% Increase</u> <u>(3.13%)</u>
Net OPEB liability	\$ 6,730,244	\$ 6,080,500	\$ 5,526,495

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

	<u>1% Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 5,632,115	\$ 6,080,500	\$ 6,587,924

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

Note 9: Lease Liabilities

In 2021, a 60-month van lease was executed as a result of a cost benefit analysis.

As further discussed in *Note 16*, the District and the Foundation are constructing a new facility at the Vicksburg-Warren campus under the New Market Tax Credit Program (NMTC Program). In connection with this project, the District and the Foundation executed leases considered necessary to complete the transaction. The District leases to the Foundation the land at the Vicksburg-Warren campus where the building is to be constructed. This lease has a term of 50 years from December 18, 2017, and consideration paid to the District under the lease was \$10. Upon expiration of the ground lease agreement described above, the Foundation will surrender to the

Hinds Community College District

Notes to Financial Statements

June 30, 2022

District the land and all improvements constructed on the land. This ground lease is outside of the scope of GASB 87 and is not recorded as a lease asset or lease liability.

Secondary to the ground lease, the District and the Foundation entered into a lease whereby the District will lease the completed building from the Foundation. This lease commenced on June 1, 2019 and has a term of 29 years. This lease will be paid in quarterly installments of \$25,000 ranging to \$125,000 over a period of 28 years and 7 months. In addition to the quarterly payments, the District will pay all operating costs relating to the building, including utilities, taxes, insurance, and any operating maintenance costs. The underlying building lease is also subject to the NMTC Program discussed above and in *Note 16*. The Investment Fund Put/Call Agreement within the NMTC Program establishes the ability for the parties to terminate the program following the end of the tax credit investment period in accordance with the statutes governing NMTC transactions. Upon termination of the NMTC Program, the ownership of the building transfers to the District. As the parties expect to terminate the NMTC Program at the end of the tax credit investment period, the related lease asset and lease liability were calculated through 2025.

Finally, the District and the Foundation entered into an equipment lease, whereby the District will lease from the Foundation certain furniture, fixtures, and equipment to be installed in the completed building. This equipment lease commenced on June 1, 2019 and has a term of 5 years. The lease requires quarterly installments of \$129,556 for the term of the lease. In addition to the quarterly payments, the District will pay all operating and maintenance costs associated with the leased items. At the expiration of the lease, all leased items will revert to the Foundation.

All rental lease payments are different than the amounts presented in the Foundation's report. However, the District believes the figures presented below are accurate.

The following table provides a roll forward of lease liabilities.

Description and Purpose	Beginning Balance as Restated	Additions	Deletions	Ending Balance 6/30/22	Due Within One Year
Lease liabilities	\$ 2,829,230	\$ -	\$ (722,200)	\$ 2,107,030	\$ 898,029

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30	Principal	Interest	Total Payments
2023	\$ 898,029	\$ 22,367	\$ 920,396
2024	932,167	10,725	942,892
2025	266,626	1,226	267,852
2026	10,208	-	10,208
	<u>\$ 2,107,030</u>	<u>\$ 34,318</u>	<u>\$ 2,141,348</u>

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Note 10: Contingencies

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

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

Hinds Community College District
Notes to Financial Statements
June 30, 2022

Note 11: Natural Classifications with Functional Classifications

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 30,458,525	\$ 5,088,298	\$ 294,334	\$ 2,234,526	\$ 45,667	\$ -	\$ 5,631,720	\$ -	\$ 5,304,567	\$ 49,057,637
Academic support	1,499,316	236,612	7,967	363,779	56	-	62,504	-	57,449	2,227,683
Student services	6,621,214	1,241,159	600,110	225,779	14,443	-	742,248	-	41,603	9,486,556
Institutional support	11,772,781	2,096,651	402,445	17,418,254	279,968	-	301,355	-	150,650	32,422,104
Operation of plant	4,394,215	1,080,014	7,764	642,128	2,338,333	-	176,675	-	-	8,639,129
Student aid	-	-	-	-	-	51,768,147	-	-	-	51,768,147
Auxiliary enterprises	2,319,004	505,475	23,366	3,896,459	1,321,184	-	5,365,837	-	-	13,431,325
Bad debt expense	-	-	-	-	-	-	-	-	102,022	102,022
Pension expense	-	4,998,070	-	-	-	-	-	-	-	4,998,070
OPEB expense	-	(733,338)	-	-	-	-	-	-	-	(733,338)
Depreciation and amortization	-	-	-	-	-	-	-	9,644,072	-	9,644,072
Total operating expenses	<u>\$ 57,065,055</u>	<u>\$ 14,512,941</u>	<u>\$ 1,335,986</u>	<u>\$ 24,780,925</u>	<u>\$ 3,999,651</u>	<u>\$ 51,768,147</u>	<u>\$ 12,280,339</u>	<u>\$ 9,644,072</u>	<u>\$ 5,656,291</u>	<u>\$ 181,043,407</u>

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Note 12: Related Party Transactions

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

The Foundation owes the District for payroll related expenses of the Donor Relations/Specialist Projects Coordinator as of June 30, 2022.

Other transactions between the Foundation and the District for the year ended June 30, 2022 are as follows:

Scholarships to the District	\$ 459,047
Reimburse to the District	
For salaries and miscellaneous	<u>62,235</u>
	<u>\$ 521,282</u>

Note 13: Risk Management

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

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

Note 14: Current Economic Conditions

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

Hinds Community College District

Notes to Financial Statements

June 30, 2022

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

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

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

Note 15: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$114,464,826) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$9,421,595 resulting from the college contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$11,163,933 balance of deferred outflow of resources related to pensions at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$114,464,826) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$191,013 resulting from the District contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$1,213,436 balance of deferred outflows of resources related to OPEB at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The net investment in capital assets amount of \$143,775,499 includes the effect of deferring the recognition of expenses resulting from costs of refunding debt. The \$3,261,575 balance of deferred outflow of resources related to costs of refunding debt at June 30, 2022 will be recognized as expense and will decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$114,464,826) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$40,463,685 of deferred inflow of resources related to pensions at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$114,464,826) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$2,256,197 balance of

Hinds Community College District

Notes to Financial Statements

June 30, 2022

deferred inflow of resources related to OPEB at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 16: New Market Tax Credit Program

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

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

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

Note 17: Hinds County Schools Vocational Technical Center

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

Hinds Community College District

Notes to Financial Statements

June 30, 2022

Note 18: Subsequent Events

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

In December 2022, PERS increased the employer contribution rate from 17.40% to 22.40%. In February 2023, PERS changed the effective date of the increase from July 1, 2023 to July 1, 2024.

Note 19: Future Change in Accounting Principle

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This Statement addresses the accounting for the costs related to cloud computing agreements. The Statement defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The Statement's language and concepts closely mirror the lease guidance provided in GASB Statement No. 87, *Leases*. This Statement requires governments report a subscription asset and subscription liability for an SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the earliest fiscal year restated. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.

Hinds Community College Foundation
Component Unit
Notes to the Financial Statements
Year Ended December 31, 2021

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Promises to Give

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

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

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

Contributed Services

During the years ended December 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

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

Investments, Property and Other Real Estate

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

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

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

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

Investment income has been reduced by investment fees of \$77,827 and \$62,195 for the years ended December 31, 2021 and 2020, respectively.

Functional Classification

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

Cash and Cash Equivalents

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets with Donor Restrictions

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

Long-Lived Assets

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

Investment Policy

Restricted assets for the Foundation at December 31, 2021 and 2020 include an endowment fund. Contributions to the fund are subject to donor restrictions that stipulate the original principal amount of the gift is to be held and invested by the Foundation indefinitely.

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

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

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment Policy – Continued

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

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

Interpretations of Relevant Law

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

Spending Policy

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

Property and Equipment

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

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

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

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

NOTE B. INVESTMENTS

At December 31, 2021 and 2020, the Foundation's investments were valued at a fair market value of \$18,844,688 and \$17,114,628, respectively, resulting in unrealized gain on investments of \$95,506 and \$1,196,398, respectively.

At December 31, 2021, investments were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds (Level 1)	\$ 6,809,026	\$ 7,795,896
Common stock (Level 1)	6,420,271	8,665,500
Fixed income (Level 1)	1,661,951	1,674,634
Alternative (Level 1)	666,894	708,658
	<u>\$ 15,558,142</u>	<u>\$ 18,844,688</u>

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

<u>Description</u>	<u>Cost</u>	<u>Market</u>
Mutual funds (Level 1)	\$ 4,117,395	\$ 5,176,705
Common stock (Level 1)	6,952,736	9,044,712
Fixed income (Level 1)	1,932,444	1,979,011
Alternative (Level 1)	921,013	914,200
	<u>\$ 13,923,588</u>	<u>\$ 17,114,628</u>

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Proceeds from sales	<u>\$ 8,449,575</u>	<u>\$ 4,331,134</u>
Realized gain from sales	<u>\$ 1,348,229</u>	<u>\$ 93,752</u>

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE C. FAIR VALUE MEASUREMENTS

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

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Foundation during 2021. There have been no changes in the methodologies used at December 31, 2021.

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020**

NOTE C. FAIR VALUE MEASUREMENTS – CONTINUED

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Level 1 Fair Value Measurements

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

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

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

NOTE D. DONATED PROPERTY AND REAL ESTATE

At December 31, 2021 and 2020, donated property and other real estate consisted of the following:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Land and buildings	\$ 187,000	\$ 187,000
Artwork	<u>23,762</u>	<u>23,762</u>
	<u>\$ 210,762</u>	<u>\$ 210,762</u>

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE D. DONATED PROPERTY AND REAL ESTATE – CONTINUED

The Foundation has additional real estate assets which they are actively marketing for sale. At both December 31, 2021 and 2020, these assets were valued at \$17,000.

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

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

The Foundation did not owe HCC for payroll related expenses of the Donor Relations/Special Projects Coordinator as of December 31, 2021 and 2020.

NOTE F. RETIREMENT PLAN

The Foundation has one employee who participates in the retirement plan provided by the Hinds Community College District (“HCCD”). The plan is covered by the Public Employees Retirement System of Mississippi, a cost sharing, multiple-employer, defined benefit public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or (800) 444-PERS. The Foundation reimburses HCCD for these costs. Employer contributions were \$3,336 and \$6,413 for 2021 and 2020, respectively.

NOTE G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued. As a result of the spread of the coronavirus (COVID-19) pandemic and government responses to the pandemic, economic uncertainties have arisen during the year and through the date of the financial statements were available to be issued which could likely impact the day to day administration and operations of Hinds Community College Foundation. While Hinds Community College Foundation does not believe it is exposed to substantial risk from coronavirus, the financial impact of these uncertainties is unknown at this time.

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020**

NOTE H. RESTRICTED ASSETS – CASH AND INVESTMENTS

The Foundation had \$4,006,890 and \$2,793,209 of cash and cash equivalents and \$17,941,016 and \$16,360,906 of investments restricted by donors at December 31, 2021 and 2020, respectively. The restricted assets can only be used in accordance with donor restrictions and are not available to the Foundation for general expenditures.

NOTE I. RESTRICTIONS ON NET ASSETS

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Provide scholarship assistance	\$ 17,222,448	\$ 15,178,301
Provide for college departments and foundations	376,342	314,416
Provide for faculty and staff development	944,857	806,221
Provide for alumni chapters	56,163	57,809
Grants	664,405	223,323
New market tax credit	169,537	333,296
Other	<u>448,663</u>	<u>714,079</u>
	<u>\$ 19,882,415</u>	<u>\$ 17,627,445</u>

NOTE J. INCOME TAXES

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

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

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020**

NOTE K. INTRA-FUND REVENUES AND EXPENSES

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

NOTE L. ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2021 and 2020 consist of an endowment fund established to support scholarships and other departments for Hinds Community College. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended for scholarships.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2021 and 2020 are as follows:

Endowment net assets, December 31, 2019	\$ 9,201,014
Contributions	446,479
Scholarship transfers	<u>223,968</u>
Endowment net assets, December 31, 2020	9,871,461
Contributions	246,506
Scholarship transfers	<u>365,552</u>
Endowment net assets, December 31, 2021	<u>\$ 10,483,519</u>

NOTE M. NON-MONETARY DONATIONS

During 2021 and 2020, the Foundation received non-monetary donations of \$28,136 and \$48,644, respectively.

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE N. DEPOSITS

The Federal Deposit Insurance Corporation (“FDIC”) insures demand accounts of each depositor up to \$250,000 in each federally-chartered financial institution. Amounts in excess of \$250,000 are not covered by FDIC insurance. Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents in a financial institution, which from time to time exceed the \$250,000 federally insured limit. The Foundation has minimized credit risk by depositing cash and cash equivalents at several banks with high credit standings. Accounts at these institutions were insured by the FDIC. The Foundation has not experienced any losses of such funds and management believes the Foundation is not exposed to any significant credit risk on cash and equivalents. At December 31, 2021 and 2020, the Foundation had uninsured cash deposits at Merchants & Planters Bank of \$197,885 and \$36,088, respectively, at Trustmark Bank of \$1,823,079 and \$1,366,293, respectively, and at Capital One of \$2,278 and \$87,278, respectively. Cash held in investment accounts was \$1,369,077 and \$481,645 at December 31, 2021 and 2020, respectively.

NOTE O. NEW MARKET TAX CREDIT PROGRAM

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

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

The activity of the program substantially began in December 2017 with the receipt of \$13,896,926 in loan proceeds which were used to pay \$1,028,827 in closing costs. In April 2019, the construction of the new facility was completed. Closing costs were capitalized and will be amortized over the life of the loan. For each of the years ended December 31, 2021 and 2020, amortization expense was \$34,294.

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020**

NOTE O. NEW MARKET TAX CREDIT PROGRAM – CONTINUED

Additionally, the loan proceeds were used to make initial payments on construction costs and equipment. Through December 31, 2021, total construction costs and equipment costs in the amount of \$12,474,054 have been capitalized due to the completion of the construction.

Additionally, the Foundation is maintaining five separate bank accounts in the administration of the program which at December 31, 2021 and 2020 totaled \$2,325,357 and \$1,953,571, respectively.

The Foundation received no income from the program in the years ended December 31, 2021 and 2020.

After the completion of the new facility in 2019, the Foundation began leasing the building and equipment to Hinds Community College. Lease income was \$718,225 and \$618,225 for the years ended December 31, 2021 and 2020, respectively. Lease payments for the next five years are as follows:

2022	\$	818,225
2023	\$	918,225
2024	\$	715,927
2025	\$	720,584
2026	\$	720,584

NOTE P. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2021</u>	<u>2020</u>
Investments	\$ 9,120,405	\$ 7,686,259
Cash and Cash Equivalents	<u>3,904,848</u>	<u>2,692,306</u>
	<u>\$ 13,025,253</u>	<u>\$ 10,378,565</u>

**HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020**

NOTE Q. PROPERTY AND EQUIPMENT

Property and equipment stated at cost are summarized as follows:

	<u>2021</u>	<u>2020</u>
Building	\$ 9,663,194	\$ 9,663,194
Equipment	<u>2,810,859</u>	<u>2,657,922</u>
	12,474,053	12,321,116
Less accumulated depreciation	<u>(1,697,645)</u>	<u>(1,035,919)</u>
Total property and equipment	<u>\$ 10,776,408</u>	<u>\$ 11,285,197</u>

NOTE R. OTHER ASSETS

Other assets are summarized as follows:

	<u>2021</u>	<u>2020</u>
Loan costs	\$ 1,028,826	\$ 1,028,826
Less accumulated amortization	<u>(88,593)</u>	<u>(54,299)</u>
Total other assets	<u>\$ 940,233</u>	<u>\$ 974,527</u>

NOTE S. LONG-TERM DEBT

In both the years ended December 31, 2021 and 2020, the Foundation had a 30 year note with Enhanced Capital New Market Development Fund in the amount of \$10,000,000 to finance the construction of the new facility related to the New Market Tax Credit Program. The note is an interest only note until January 2025. The note bears interest at 1.31% and matures December 2047.

Additionally, in both the years ended December 31, 2021 and 2020, the Foundation had a 30 year note with Southern Community Capital in the amount of \$3,880,000 to finance the construction of the new facility related to the New Market Tax Credit Program. The note is an interest only note until January 2025. The note bears interest at 1.31% and matures December 2047.

At both December 31, 2021 and 2020, the outstanding balance on these notes was \$13,880,000.

HINDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE S. LONG-TERM DEBT – CONTINUED

Annual maturities of long-term debt are as follows:

2022	\$ -
2023	-
2024	-
2025	520,793
2026	527,598
Thereafter	<u>12,831,609</u>
Total	<u>\$ 13,880,000</u>

**NOTE T. FORGIVEN LOAN UNDER THE SMALL BUSINESS ADMINISTRATION
PAYCHECK PROTECTION PROGRAM**

In response to the COVID-19 outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In January 2021, the Foundation received a second PPP loan for \$23,543. The Foundation used all of the proceeds from the note for qualifying expenses. As a result, the Foundation received approval of its application for the loan to be forgiven in November 2021.

In April 2020, the Foundation received a PPP loan for \$17,916. The Foundation used all of the proceeds from the note for qualifying expenses. As a result, the Foundation received approval of its application for the loan to be forgiven in December 2020.

Therefore, at both December 31, 2021 and 2020, the Foundation's PPP loan payable balance was \$0. Due to the forgiveness of the loans, in the years ended December 31, 2021 and 2020, the Foundation recognized a gain on forgiveness of the loan in the amount of \$23,543 and \$17,916, respectively. These amounts are included in net assets without donor restrictions, support income on the statements of activities for the years ended December 31, 2021 and 2020.

Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.812699%	0.848415%	0.844557%	0.837254%	0.831257%	0.825900%	0.827972%	0.846377%
District's proportionate share of the net pension liability	\$ 120,120,464	\$ 164,243,285	\$ 148,574,240	\$ 139,260,215	\$ 138,183,126	\$ 147,526,363	\$ 127,988,144	\$ 102,734,671
District's covered payroll	\$ 54,036,236	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698	\$ 53,325,613	\$ 52,834,806	\$ 51,726,959	\$ 51,718,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,421,595	\$ 9,402,305	\$ 9,829,936	\$ 8,663,100	\$ 8,421,005	\$ 8,398,784	\$ 8,321,482	\$ 8,146,996
Contributions in relation to the contractually required contribution	<u>9,421,595</u>	<u>9,402,305</u>	<u>9,829,936</u>	<u>8,663,100</u>	<u>8,421,005</u>	<u>8,398,784</u>	<u>8,321,482</u>	<u>8,146,996</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 54,147,098	\$ 54,036,236	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698	\$ 53,325,613	\$ 52,834,806	\$ 51,726,959
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.94464344%	0.96643552%	0.95511931%	0.94213820%	0.92410000%
District's proportionate share of the net OPEB liability	\$ 6,080,500	\$ 7,520,879	\$ 8,104,579	\$ 7,287,910	\$ 7,250,572
District's covered-employee payroll	\$ 54,036,236	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698	\$ 53,325,613
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	11.25%	13.31%	14.73%	13.63%	13.60%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 191,013	\$ 244,321	\$ 299,931	\$ 324,856	\$ 309,112
Contributions in relation to the actuarially determined contribution	<u>191,013</u>	<u>244,321</u>	<u>299,931</u>	<u>324,856</u>	<u>309,112</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 54,147,098	\$ 54,036,236	\$ 56,493,885	\$ 55,003,810	\$ 53,466,698
Contributions as a percentage of covered-employee payroll	0.35%	0.45%	0.53%	0.59%	0.58%

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

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

Hinds Community College District
Notes to the Required Supplementary Information -
Pension Schedules
Year Ended June 30, 2022

A. Changes of Assumptions

2015

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumptions was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2019

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

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

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

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

Hinds Community College District
Notes to the Required Supplementary Information -
Pension Schedules (Continued)
Year Ended June 30, 2022

- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021

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 the female rates up to age 72 and 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%.

Hinds Community College District
Notes to the Required Supplementary Information -
Pension Schedules (Continued)
Year Ended June 30, 2022

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%.

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

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

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

B. Changes in Benefit Provisions

2016

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year-end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75%
Salary increase	3.00% to 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Hinds Community College District
Notes to the Required Supplementary Information -
OPEB Schedules
Year Ended June 30, 2022

A. Changes of Assumptions

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

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

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

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

2021: The discount rate was changed from 2.19% for the prior measurement date to 2.13% for the current measurement date.

B. Changes in Benefit Provisions

2017: None

2018: None

2019: None

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

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022

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

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open

Hinds Community College District
Notes to the Required Supplementary Information -
Pension Schedules (Continued)
Year Ended June 30, 2022

Asset valuation method	Market value of assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial healthcare costs trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.00%
Ultimate healthcare cost trend rates	
Medicare supplement claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare supplement claims	
Pre-Medicare	2028
Long-term investment rate of return,	
Net of OPEB plan investment expense, including price inflation	2.19%

Supplementary Information

Hinds Community College District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Direct				
Conservation Stewardship Program	10.924		\$ -	\$ 7,868
Passed through				
Mississippi Department of Education Child and Adult Care Food Program	10.558	5MS300326	-	41,764
Mississippi Department of Human Services Food Distribution Cluster Emergency Food Assistance Program (Administrative Costs)	10.568	6020446 / 6020542	-	183,126
Mississippi State University Delta Broad Reach Healthcare	10.874	068802.361412.01	-	60,700
Total U.S. Department of Agriculture			-	293,458
U.S. Department of Labor				
Direct				
Workforce Opportunity for Rural Communities Grants	17.277		-	181,484
Passed through				
Central Mississippi Planning and Development District, Inc. Workforce Opportunity for Rural Communities Grants	17.277	19-99-87-02	-	8,448
Total Workforce Opportunity for Rural Communities Grants			-	189,932
Passed through				
Central Mississippi Planning and Development District, Inc. Workforce Innovation and Opportunity Act Cluster				
WIOA Adult Program	17.258	20-01-87-01 / 21-87-01 / 21-87-02	-	586,302
WIOA Youth Activities	17.259	20-01-87-01 / 21-87-01	-	587,754
WIOA Dislocated Worker Formula Grants	17.278	20-01-87-01 / 21-87-01 / 21-87-02	-	1,203,907
Total Workforce Innovation and Opportunity Act Cluster			-	2,377,963
Mississippi Department of Employment Security				
Apprenticeship USA Grants	17.285	16-S90-057-6006-1	-	42,462
Apprenticeship USA Grants	17.285	20-S90-057-6060-1	-	96,585
Apprenticeship USA Grants	17.285	AP-30019-16-60-A28	-	344
Total passed through Mississippi Department of Employment Security			-	139,391
Total U.S. Department of Labor			-	2,707,286

Hinds Community College District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Passed through				
Mississippi Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	STP-0211-00(015)LPA/107143-70100	\$ -	\$ 389,103
Direct				
Airport Improvement Program	20.106		-	32,000
Airport Improvement Program	20.106		-	97,500
Total U.S. Department of Transportation			-	518,603
National Aeronautics and Space Administration				
Passed through				
University of Mississippi				
Office of Stem Engagement (OSTEM)	43.008	22-08-14	-	7,438
Total National Aeronautics and Space Administration			-	7,438
Institute of Museum and Library Services				
Direct				
Museum Grants for African American History and Culture	45.309		-	25,251
Total Institute of Museum and Library Services			-	25,251
National Science Foundation				
Research and Development Cluster				
Direct				
Education and Human Resources	47.076		-	47,966
Education and Human Resources	47.076		-	197,764
Education and Human Resources	47.076		-	27,080
Passed through				
Jackson State University				
Education and Human Resources	47.076	1623282	-	218,933
Total National Science Foundation			-	491,743
Total Research and Development Cluster			-	491,743
Small Business Administration				
Passed through				
University of Mississippi				
Small Business Development Centers	59.037	SBAHQ-22-B-0045	-	48,426
Small Business Development Centers	59.037	SBAHQ-20-B-0021	-	49,189
Total Small Business Administration			-	97,615
U.S. Department of Education				
Direct				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007		-	608,289
Federal Work-Study Program	84.033		-	312,161
Federal Pell Grant Program	84.063		-	22,733,766
Federal Direct Student Loans	84.268		-	13,097,355
Total Student Financial Assistance Cluster			-	36,751,571

Hinds Community College District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
TRIO Cluster				
TRIO Student Support Services	84.042		\$ -	\$ 355,259
TRIO Talent Search	84.044		-	356,764
TRIO Upward Bound	84.047A		-	1,618,673
TRIO Upward Bound	84.047M		-	888,948
Total TRIO Cluster			-	3,219,644
Higher Education - Institutional Aid (Title III)				
Higher Education Institutional Aid	84.031		-	4,432,754
Minority Science and Engineering Improvement	84.120		-	99,301
Education Stabilization Fund				
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion	84.425E		-	17,717,407
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	22,145,178
COVID-19 - Higher Education Emergency Relief Fund - Historically Black Colleges and Universities	84.425J		-	15,802,021
COVID-19 - Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	652,384
Passed through				
Mississippi Office of Governor				
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	S425C200045	-	7,000
Total Education Stabilization Fund			-	56,323,990
Passed through				
Mississippi Community College Board				
Adult Education - Basic Grants to States	84.002	V002A190025	-	877,732
Mississippi State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A20024	-	865,397
Total U.S. Department of Education			-	102,570,389
National Endowment for the Humanities				
Direct				
Promotion of the Humanities: Teaching and Learning Resources	45.162		-	46,312
Passed through				
Mississippi Humanities Council				
COVID-19 - Promotion of the Humanities: Federal/State Partnership	45.129	ARP21-21-0374	-	3,787
Total National Endowment for Humanities			-	50,099

Hinds Community College District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Child Care Development Fund Cluster				
Passed through				
Mississippi Department of Human Services				
Child Care and Development Block Grant	93.575	6021291/6021292	\$ -	\$ 100,715
Child Care and Development Block Grant	93.575	6023575 / 6023576 / 6023578	-	227,889
Child Care and Development Block Grant	93.575	6023202 / 6023203	-	502,488
Total passed through Mississippi Department of Human Services			<u>-</u>	<u>831,092</u>
Passed through				
Mississippi Community College Board				
Child Care and Development Block Grant	93.575	FY2020-52	<u>-</u>	<u>147</u>
Total Child Care Development Fund Cluster			<u>-</u>	<u>831,239</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>831,239</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 107,593,121</u>

Hinds Community College District

Notes to Schedule of Expenditures of Federal Awards

June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hinds Community College District (the District) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Federal Direct Student Loans

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

Supplementary Information

Hinds Community College Foundation
Component Unit

Hinds County College Foundation

Schedule of Functional Expenses

Year Ended December 31, 2021

Description	Program Services						Supporting Services		Total
	Scholarships	Faculty and Staff Development	College Departments and Organizations	Alumni Groups	Grants	Other Programs	General Administration	Fundraising	
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,606	\$ -	\$ 143,606
Special events	-	-	-	-	-	-	-	3,334	3,334
Time to Soar Campaign	-	-	-	-	-	-	-	45,320	45,320
Hospitality	-	-	-	-	-	-	-	14,270	14,270
Scholarships	2,822,633	-	-	-	-	-	-	-	2,822,633
Faculty and staff development	-	34,134	-	-	-	-	-	-	34,134
College departments and organizations	-	-	47,353	-	-	-	-	-	47,353
Alumni groups	-	-	-	10,178	-	-	-	-	10,178
Grants	-	-	-	-	17,293	-	-	-	17,293
Other restricted funds	-	-	-	-	-	893,808	-	-	893,808
Accounting fees	-	-	-	-	-	-	13,450	-	13,450
Bank service fees	-	-	-	-	-	-	176	1,327	1,503
Miscellaneous	-	-	-	-	-	-	13,432	-	13,432
Non-monetary gifts	-	-	1,615	1,720	-	-	-	24,802	28,137
Sub-total	\$ 2,822,633	\$ 34,134	\$ 48,968	\$ 11,898	\$ 17,293	\$ 893,808	\$ 170,664	\$ 89,053	4,088,451
Less Intra-fund expenses									-
									\$ 4,088,451
Percentage of total program and supporting services	70%	1%	1%	0%	0%	22%	4%	2%	100%



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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, (*Government Auditing Standards*) the financial statements of the business-type activities and the discretely presented component unit of Hinds Community College District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 29, 2023, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

FORVIS,LLP

Jackson, Mississippi
August 29, 2023



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

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hinds Community College District's (the District's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

FORVIS, LLP

Jackson, Mississippi
August 29, 2023

Hinds Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

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

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☐ Yes ☒ No

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

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☐ Yes ☒ No

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

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

Hinds Community College District
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.042 84.044 84.047A and M	TRIO Cluster TRIO Student Support Services TRIO Talent Search TRIO Upward Bound
84.425C, E, F, J, and L	COVID 19 – Education Stabilization Fund
84.031	Higher Education – Institutional Aid (Title III)

8. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

9. Auditee qualified as a low-risk auditee?

☐ Yes

☒ No

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



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Report on Compliance with State Laws and Regulations

Independent Auditor's Report

Board of Trustees
Hinds Community College District
Raymond, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Hinds Community College District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 29, 2023, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

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

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

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

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

FORVIS, LLP

Jackson, Mississippi
August 29, 2023

Hinds Community College District
Summary of Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding
2021-001	Corrected Management of the District evaluated the issues reported due to system conversion and implemented the necessary internal controls to prevent or detect such matters from repeating in 2022.
2021-002	Corrected Management of the District implemented additional controls related to the evaluation of the application of GAAP.
2021-003	Corrected The District maintained sufficient documentation to support eligibility determinations in 2022.