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HOLMES COMMUNITY COLLEGE

Goodman, Mississippi
Audited Financial Statements
Year Ended June 30, 2022

Fortenberry & Ballard, PC
Certified Public Accountants

HOLMES COMMUNITY COLLEGE
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Trustees
Holmes Community College
Goodman, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Holmes Community College, as of and for the year ended June 30, 2022, and December 31, 2021, and the related notes to the financial statements, which collectively comprise the Holmes Community College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 of Holmes Community College, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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. 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 Holmes Community College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Holmes Community College Development Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Holmes Community College'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 Holmes Community College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions (PERS), the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB), be presented to supplement the

basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the *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 Holmes Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, on our consideration of Holmes Community College'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 Holmes Community College'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 Holmes Community College's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 27, 2023

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

This section of Holmes Community College's (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during 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 and is qualified in its entirety by the financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2021. The financial statements, notes and this discussion are the responsibility of management.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Government Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

One of the most important questions asked is whether the College 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.

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) is one indicator of the College's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

The statement of revenues, expenses and changes in net position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State of Mississippi (the "State") appropriations and gifts as nonoperating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Condensed Statement of Net Position
June 30, 2022 and 2021

	2022		2021	
	Amount	Percentage	Amount	Percentage
ASSETS				
Current assets	\$ 41,153,929	43%	42,794,707	47%
Noncurrent assets				
Other	62,688	0%	62,616	0%
Capital assets, net	53,900,455	57%	47,478,503	53%
Total assets	<u>95,117,072</u>	<u>100%</u>	<u>90,335,826</u>	<u>100%</u>
DEFERRED OUTFLOWS IN RESOURCES	<u>11,305,357</u>	<u>100%</u>	<u>8,834,684</u>	<u>100%</u>
LIABILITIES				
Current liabilities	5,381,456	10%	5,906,589	8%
Long-term debt outstanding	3,381,000	6%	4,098,000	6%
Net pension liability	45,773,832	81%	59,893,536	83%
Net OPEB liability	1,934,496	3%	1,973,166	3%
Total liabilities	<u>56,470,784</u>	<u>100%</u>	<u>71,871,291</u>	<u>100%</u>
DEFERRED INFLOWS OF RESOURCES	<u>18,197,680</u>	<u>100%</u>	<u>3,864,303</u>	<u>100%</u>
NET POSITION				
Net investment in capital assets	49,802,456	157%	42,691,503	182%
Restricted	5,388,714	17%	8,522,836	36%
Unrestricted	(23,437,205)	(74)%	(27,779,423)	(118)%
Total net position	<u>\$ 31,753,965</u>	<u>100%</u>	<u>23,434,916</u>	<u>100%</u>

Assets

Current Assets

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of cash in the College's bank accounts and certificates of deposits. The total amount of cash and cash equivalents reported as current assets on the

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

College's financial statements was \$24,754,716 at June 30, 2022, which is a decrease compared to the June 30, 2021 figure of \$26,647,429.

The total amount of short-term investments reported as current assets on the College's financial statements was \$9,262,036 at June 30, 2022 and \$9,252,686 at June 30, 2021. This represents an increase of \$9,350 in investments.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$7,137,177 at June 30, 2022, which is an increase compared to the June 30, 2021 figure of \$6,894,592.

Noncurrent Assets

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those funds that are held in the bank accounts and certificates of deposits. The restricted cash and cash equivalents that are considered noncurrent are cash held in a money market account to meet the requirements for an unemployment compensation fund. Unemployment claims are paid out of unrestricted funds of the College. This account is simply maintained for legal compliance purposes. The amount of restricted cash and cash equivalents considered noncurrent at June 30, 2022 totaled \$62,688, which is an increase compared to \$62,616 at June 30, 2021.

Capital Assets, Net

Capital assets, net, consists of land, improvements other than buildings, buildings, equipment, library books and films and construction in progress at June 30, 2022. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$53,900,455 at June 30, 2022 which is an increase from \$47,478,503 at June 30, 2021.

Deferred Outflows of Resources

The College recognized a deferred outflow of resources related to pension in the amount of \$10,856,665 at June 30, 2022, which is an increase from \$8,382,621 at June 30, 2021. Also, the College recognized a deferred outflow of resources related to OPEB in the amount of \$448,692 at June 30, 2022, which is a decrease from \$452,063 at June 30, 2021.

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2022 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$3,880,197 at June 30, 2022, a decrease of \$231,290 over the balance of \$4,111,487 at June 30, 2021.

Unearned Revenues

Unearned revenues represent amounts received in advance of providing a service. The unearned revenues totaled \$704,681 at June 30, 2022, a decrease of \$4,275 over the balance of \$708,956 at June 30, 2021.

Long-Term Liabilities – Current Portion

Long-term liabilities – current portion represents the portion of long-term debt and net OPEB liability that would be payable by the end of the June 30, 2022 fiscal year. The amount of the current portion of long-term debt liability at June 30, 2022 was \$717,000, an increase of \$28,000 over the balance on June 30, 2021.

Noncurrent Liabilities

Long-Term Liabilities

This liability consists of long-term debt for outstanding bonds. The total amount of the noncurrent portion of long-term debt was \$3,381,000 at June 30, 2022. This is a decrease from the balance of \$4,098,000 reported at June 30, 2021.

Net Pension Liability

The net pension liability for June 30, 2022 is \$45,773,832, which is a decrease from the balance of \$59,893,536 reported at June 30, 2021. The net pension liability represents the College's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for the year ended June 30, 2022. See Note 6 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Net OPEB Liability

The net OPEB liability related to the OPEB. Net OPEB liability at June 30, 2022 totaled \$2,014,074, which is a decrease from the balance of \$2,370,312 reported at June 30, 2021 of

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

which \$79,578 is due in one year.

Deferred Inflows of Resources

The College recognized a deferred inflow of resources related to pension in the amount of \$17,453,115 at June 30, 2022, which is an increase from \$3,287,690 at June 30, 2021. Also, the College recognized a deferred inflow of resources related to OPEB in the amount of \$744,565 at June 30, 2022, which is an increase from \$576,613 at June 30, 2021.

Net Position

Net position represent the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Total net position at June 30, 2022 was \$31,753,965 which is an increase of \$8,319,049 from the balance of \$23,434,916, at June 30, 2021.

Analysis of Net Position

Restricted expendable net position consist of unemployment funds, grants from third party agencies with expenditure restrictions, local appropriations restricted for capital projects or debt retirement and loan funds.

The following is a breakdown of the restricted net position with comparative figures:

	2022	2021
Scholarships and fellowships	\$ 420,713	579,462
Capital projects	1,451,728	4,683,699
Debt service	3,453,598	3,197,066
Unemployment funds	62,675	62,609
Total restricted net position	\$ 5,388,714	8,522,836

Unrestricted net position represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities, such as housing and meal plans.

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The following is a breakdown of the unrestricted net position with comparative figures:

		<u>2022</u>	<u>2021</u>
Unrestricted general fund	\$	(27,888,460)	(31,443,423)
Unrestricted auxiliary fund		<u>4,451,255</u>	<u>3,664,000</u>
Total unrestricted net position	\$	<u>(23,437,205)</u>	<u>(27,779,423)</u>

Prior to fiscal year 2015, the College's unrestricted net position has been a positive figure; however, the implementation of GASB 68, 71 and 75 has caused the College to present this as a negative figure.

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

Total unrestricted net position (deficit)	\$ (23,437,205)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>54,680,229</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 31,243,024</u>

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended 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 allowances)	\$ 4,564,060	6,622,105
Grants and contracts	28,374,850	27,901,873
Sales and services	35,953	30,837
Auxiliary enterprises		
(Net of scholarship allowances)	3,202,589	3,397,920
Other operating revenue	1,723,557	571,745
Total operating revenues	37,901,009	38,524,480
Operating expenses	59,039,967	59,713,844
Net operating loss	(21,138,958)	(21,189,364)
Nonoperating revenues (expenses)		
State appropriations	20,450,704	18,243,963
Local appropriations	3,409,732	3,554,432
Investment income	14,169	26,958
Other nonoperating income (expense)	(144,352)	(148,186)
Nonoperating revenues, net	23,730,253	21,677,167
Income (loss) before other revenues	2,591,295	487,803
Capital grants and gifts	118,189	191,557
State appropriations restricted for capital purposes	2,127,563	587,101
Local appropriations restricted for capital purposes	3,482,002	3,628,383
Total Other Revenues	5,727,754	4,407,041
Changes in Net Position	8,319,049	4,894,844
Net Position, Beginning of Year	23,434,916	18,540,072
Net Position at End of Year	\$ 31,753,965	23,434,916

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Net operating loss for the fiscal year 2022 was \$21,138,958, a decrease of \$50,406 over the loss for fiscal year 2021. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and going forward, the College has shown a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2022 were \$37,901,009. Tuition and fees were \$4,564,060. The tuition allowance was \$10,776,247. Operating expenses, including depreciation of \$2,542,890, totaled \$59,039,967.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$15,340,307. The tuition allowance for the 2022 fiscal year was \$10,776,247.

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 College's grant and contract awards for the fiscal year ended June 30, 2022 with prior year figures:

		2022	2021
Federal	\$	24,393,443	23,853,448
State		3,530,088	3,631,792
Nongovernmental		451,319	416,633
Total all sources	\$	<u>28,374,850</u>	<u>27,901,873</u>

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Other Operating Revenues

Other operating revenues consist of income from educational activities that totaled \$1,723,557 for the 2022 fiscal year, an increase of \$1,151,812 compared to fiscal year 2021.

Sales and Services of Educational Departments and Auxiliary Enterprises, Net

Sales and services amounted to \$35,953 in 2022 and \$30,837 in 2021, an increase of \$5,116. Auxiliary enterprises consist of housing and meal plans.

Operating Expenses

Operating expenses totaling \$59,039,967 include salaries and benefits of \$26,307,088, travel of \$352,078, net scholarships and fellowships of \$14,344,846, utilities of \$1,535,687, commodities of \$2,618,355, contractual services of \$7,577,467 and depreciation of \$2,542,890.

Operating Expenses by Function with prior year figures and changes

	June 30, 2022	June 30, 2021	Increase (Decrease)
Instruction	\$ 19,031,405	23,319,739	(4,288,334)
Academic support	452,677	735,232	(282,555)
Student services	3,920,904	4,225,022	(304,118)
Institutional support	6,373,502	12,544,324	(6,170,822)
Operations and maintenance of plant	9,255,994	4,318,101	4,937,893
Student financial aid (net of scholarship allowance)	14,152,815	8,431,771	5,721,044
Auxiliary enterprises	3,309,780	3,674,886	(365,106)
Depreciation	2,542,890	2,464,769	78,121
Total all sources	\$ 59,039,967	59,713,844	(673,877)

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$20,450,704 for fiscal year ended June 30, 2022. This represents an increase of \$2,206,741 from \$18,243,963 for the year ended June 30, 2021.

Local Appropriations

The College also receives revenue from the nine counties that make up its local district. They include Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Yazoo and Webster

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Counties. The College received \$3,409,732 the 2022 fiscal year, which is a decrease of \$144,700 over the \$3,554,432 received during the 2021 fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts \$14,169 was earned during the 2022 fiscal year versus the \$26,958 earned in the prior year.

Other Nonoperating Income (Expense)

Other nonoperating income (expense) consisted of interest expense on capital related debt and loss on disposal of assets for fiscal years 2022 and 2021 totaled (\$144,352) and (\$148,186), respectively.

Other Revenues

Local Appropriations for Capital Purposes

This includes revenue received from the nine county support districts for capital projects or retirement of debt during the fiscal year. The amount of this revenue totaled \$3,482,002 for the 2022 fiscal year, which is a decrease of \$146,381 over the \$3,628,383 for the 2021 fiscal year.

State Appropriations for Capital Purposes

This is the amount of revenue received from the State of Mississippi to purchase, construct, renovate or repair capital assets during the fiscal year. The College received \$2,127,563 and \$587,101 in fiscal years 2022 and 2021, respectively, which is an increase of \$1,540,462.

Capital Grants and Gifts

This includes revenue and gifts received from the Holmes Community College Foundation to utilize in the operation of the College and to further the education of the students. The College received \$118,189 and \$191,557 in fiscal year 2022 and 2021, respectively, which is a decrease of \$73,368.

Statement of Cash Flows

Another way to assess the financial health of the College 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 College 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.

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Years Ended June 30, 2022 and 2021

	June 30, 2022	June 30, 2021	Increase (Decrease)
Cash and cash equivalents provided (used) by			
Operating activities	\$ (19,928,063)	(15,372,391)	(4,555,672)
Noncapital financing activities	22,101,040	21,378,457	722,583
Capital and related financing activities	(4,070,437)	169,273	(4,239,710)
Investing activities	4,819	(6,088)	10,907
Net increase (decrease) in cash and cash equivalents	(1,892,641)	6,169,251	(8,061,892)
Cash and cash equivalents - beginning of year	26,710,045	20,540,794	6,169,251
Cash and cash equivalents - end of year	\$ 24,817,404	26,710,045	(1,892,641)

The major sources of funds included in operating activities include student tuition and fees, \$6,568,540, auxiliary enterprises, \$3,202,589, and grants and contracts, \$29,278,756. The major uses of funds were: payments made to employees, (\$21,846,583); to benefits (\$7,077,344); to financial aid (\$14,344,846); to commodities (\$2,605,089) for materials; to utilities (\$1,535,684); to suppliers, (\$7,577,464) for services.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$18,858,833. In addition, the College received \$3,229,122 from the nine counties that make up its district.

The major uses of funds for investing activities are from the purchase of certificates of deposits.

Factors Impacting Future Periods

There are a number of issues that are directly impacting the community college system as a whole. The level of State support is the main issue which will continue to have an impact on our financial position. This impacts the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

In addition to operating challenges, our need for deferred maintenance funds, new technology and new construction could continue to challenge our ability to maintain reserve funds. These expenditures will continue to increase as our technology and buildings age.

HOLMES COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The College enjoys strong support from the local community both individual and business support of our foundation and in local support for expansion and addition of existing programs. This support has helped the College to continue to serve the citizens of its nine county districts.

Contact Information

This financial report is designed to provide a general overview of the College's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Director of Business Services at Holmes Community College, No. 1 Hill Street, Post Office Box 369, Goodman, Mississippi 39079.

FINANCIAL STATEMENTS

HOLMES COMMUNITY COLLEGE

Statement of Net Position

June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$	24,754,716
Short-term investments		9,262,036
Accounts receivables, net		7,137,177
Total Current Assets		<u>41,153,929</u>

Noncurrent assets:

Restricted cash and cash equivalents		62,688
Capital assets, net of accumulated depreciation		53,900,455
Total Noncurrent Assets		<u>53,963,143</u>
Total Assets		<u>95,117,072</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		10,856,665
Deferred outflows related to OPEB		448,692
Total Deferred Outflows of Resources		<u>11,305,357</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities		3,880,197
Unearned revenues		704,681
Long-term liabilities - current portion		717,000
Net OPEB liability - current portion		79,578
Total Current Liabilities		<u>5,381,456</u>

Noncurrent liabilities:

Long-term liabilities		3,381,000
Net pension liability		45,773,832
Net OPEB liability		1,934,496
Total Noncurrent Liabilities		<u>51,089,328</u>

Total Liabilities		<u>56,470,784</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		17,453,115
Deferred inflows related to OPEB		744,565
Total Deferred Inflows of Resources		<u>18,197,680</u>

NET POSITION

Net investment in capital assets		49,802,456
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Restricted for:

Expendable:

Scholarships and fellowships		420,713
Capital projects		1,451,728
Debt service		3,453,598
Unemployment Funds		62,675

Unrestricted		(23,437,205)
Total Net Position	\$	<u>31,753,965</u>

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

Holmes Community College Development Foundation, Inc.
(A component unit of Holmes Community College)
Statement of Financial Position
December 31, 2021

	<u>2021</u>
Assets	
Cash and cash equivalents	\$ 182,335
Investments	11,385,517
Assets held in remainder trust	28,059
Beneficial interest in remainder trust	<u>211,036</u>
Total Assets	<u>11,806,947</u>
 Liabilities	
Liabilities under remainder trust	<u>28,059</u>
Total Liabilities	<u>28,059</u>
 Net Assets	
Without Donor Restrictions (See Note 5)	5,656,243
With Donor Restrictions (See Note 5)	<u>6,122,645</u>
Total Net Assets	<u><u>\$ 11,778,888</u></u>

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

HOLMES COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$10,776,247)	\$ 4,564,060
Federal grants and contracts	24,393,443
State grants and contracts	3,530,088
Nongovernmental grants and contracts	451,319
Sales and services of educational departments	35,953
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$382,032)	244,281
Food services (net of scholarship allowances of \$485,410)	310,083
Athletics	16,149
Other auxiliary revenues	2,632,076
Other operating revenues	<u>1,723,557</u>
 Total Operating Revenues	 <u>37,901,009</u>
Operating Expenses:	
Salaries and wages	21,863,795
Fringe benefits	4,443,293
Travel	352,078
Contractual services	7,577,467
Utilities	1,535,687
Scholarships and fellowships	14,344,846
Commodities	2,618,355
Depreciation expense	2,542,890
Other operating expense	<u>3,761,556</u>
 Total Operating Expenses	 <u>59,039,967</u>
 Operating Income (Loss)	 <u>(21,138,958)</u>
Nonoperating Revenues (Expenses):	
State appropriations	20,450,704
Local Appropriations	3,409,732
Investment income	14,169
Interest expense on capital assets-related debt	(121,863)
Other nonoperating revenues (expenses)	<u>(22,489)</u>
 Total Net Nonoperating Revenues (Expenses)	 <u>23,730,253</u>
 Income (Loss) before Other Revenues, Expenses, Gains and Losses	 <u>2,591,295</u>
 Capital grants and gifts	118,189
State appropriations restricted for capital purposes	2,127,563
Local appropriations restricted for capital purposes	<u>3,482,002</u>
Total	<u>5,727,754</u>
 Change in Net Position	 <u>8,319,049</u>
Net Position:	
Net Position - Beginning of Year	23,434,916
Net Position - End of Year	\$ <u><u>31,753,965</u></u>

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

Holmes Community College Development Foundation, Inc.
(A component unit of Holmes Community College)
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support			
Contributions	\$ 16,445	244,473	260,918
Changes in split-interest agreement		12,812	12,812
Gross Event Revenue	11,649		11,649
Less direct event cost	(2,874)		(2,874)
Net special event revenue	8,775	-	8,775
Interest income	4	1	5
Net investment return	738,890	805,034	1,543,924
Net Assets Released from Restrictions (See Note 5)	102,022	(102,022)	-
 Total Revenues, Gains and Support	 866,136	 960,298	 1,826,434
Expenses			
Program Services			
Scholarships	122,165		122,165
Mini grants	45,773		45,773
Support for Holmes Community College	66,149		66,149
Total program services	234,087	-	234,087
Supporting services			
General and administrative	88,581		88,581
Fund raising	2,628		2,628
Total supporting services	91,209	-	91,209
 Total expenses (See Note 7)	 325,296	 -	 325,296
 Change in Net Assets	 540,840	 960,298	 1,501,138
 Net Assets at Beginning of Year	 5,115,403	 5,162,347	 10,277,750
Net Assets at End of Year	<u>\$ 5,656,243</u>	<u>\$ 6,122,645</u>	<u>\$ 11,778,888</u>

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

HOLMES COMMUNITY COLLEGE

Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities

Tuition and fees	\$ 6,568,540
Grants and contracts	29,278,756
Sales and services of educational activities	35,953
Auxiliary services	3,202,589
Other operating revenue	1,723,557
Salary and wages	(21,846,583)
Benefits	(7,077,344)
Travel	(352,078)
Contractuals	(7,577,464)
Commodities	(2,605,089)
Utilities	(1,535,684)
Financial Aid	(14,344,846)
Other	(5,398,370)
Net cash used by operating activities	(19,928,063)

Cash flows from noncapital financing activities

State appropriations	18,858,833
Local appropriations	3,229,122
Agency transfers - in	227,584
Agency transfers - out	(214,499)
Federal loan program receipts	5,552,735
Federal loan program disbursements	(5,552,735)
Net cash provided by noncapital financing activities	22,101,040

Cash flows from capital and related financing activities

State and local appropriations for capital purposes	3,600,191
Cash paid for capital assets	(6,859,768)
Interest paid on capital debt	(121,860)
Principal paid on capital debt	(689,000)
Net cash used by capital and related financing activities	(4,070,437)

Cash flows from investing activities

Purchases of investments	(9,350)
Interest received on investments	14,169
Net cash provided by investing activities	4,819

Net decrease in cash and cash equivalents (1,892,641)

Cash and cash equivalents - beginning of the year	26,710,045
Cash and cash equivalents - end of year	\$ 24,817,404

Reconciliation of cash and cash equivalents to the statement of net position

Cash and cash equivalents classified as current assets	\$ 24,754,716
Cash and cash equivalents classified as noncurrent assets	62,688
	<u>24,817,404</u>

Reconciliation of operating loss to net cash used by operating activities

Operating loss	(21,138,958)
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Adjustments to reconcile operating loss to net cash used by operating activities

Depreciation expense	2,542,890
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	1,516,808
Deferred outflows of resources	(2,470,673)
Accounts payables and accrued liabilities	(231,290)
Unearned revenue	(4,275)
Net pension liability	(14,119,704)
Net OPEB liability	(356,238)
Deferred inflows of resources	14,333,377
Total adjustments	<u>1,210,895</u>
Net cash used by operating activities	<u>(19,928,063)</u>

The accompanying notes are an integral part of this statement.

Holmes Community College Development Foundation, Inc.

(A component unit of Holmes Community College)

Statement of Cash Flows

For the Year Ended December 31, 2021

Cash Flows From Operating Activities:

Change in net assets	\$ 1,501,138
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net unrealized and realized (gains) losses on investments	(1,543,924)
Change in value of trust	3,571
Change in receivables	500
Change in liabilities remainder trust	(3,571)
Payment of annuity obligations	10,000
Net cash provided (used) by operating activities	(32,286)

Cash Flows From Investing Activities:

Benefit interest in remainder trust	(18,346)
Net purchases and sales of investments	87,187
Net cash provided (used) by investing activities	68,841

Cash Flows From Financing Activities:

Payment to annuity obligations	(10,000)
Net cash provided (used) by financing activities	(10,000)

Net Change in Cash	26,555
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Cash and cash equivalents at beginning of year	155,780
Cash and cash equivalents at end of year	\$ 182,335

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

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Holmes Community College

Notes to the Financial Statements
For the Year Ended June 30, 2022

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Holmes Community College (the "College") was founded in 1925 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of the College is found in Section 37-29-31, Miss. Code Ann. (1972).

The College is locally-governed by a 22 member Board of Trustees, selected by the Board of Supervisors of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo Counties who support the College 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 College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

Holmes Community College Development Foundation, Inc. (the "Foundation") is a not-for-profit entity established to solicit and manage funds for the benefit of Holmes Community College (the "College"). The membership of the Foundation represents the nine county districts served by the College and is led by a Board of Directors elected by the membership.

Its purpose is to provide scholarships and other financial support to the students registered at Holmes Community College. Funds may also be used to support other educational activities of the College, such as faculty development.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999, respectively. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College's financial activities.

Basis of Accounting

The basic financial statements of the College 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

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Short-term Investments

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

Accounts Receivables, Net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Management estimates the allowance for doubtful accounts based on historical data as well as the current aging of the accounts receivables. When management determines that an account is uncollectible, the account is written off against the allowance for doubtful accounts. Accounts receivables are recorded net of an allowance for doubtful accounts.

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.

Capital Assets, Net of Accumulated Depreciation

Capital assets are recorded at cost at the date of acquisition, or if donated, at acquisition value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purposes. See Note 4 for additional details concerning useful lives, salvage values and capitalization thresholds.

GASB Statement No. 42, *Accounting and Financial Reporting of Impairment of Capital Assets and for Insurance Reserves* ("GASB No. 42"), management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital assets occurs.

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

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 and other post-employment benefits (OPEB) as further described in Note 6 and Note 7.

Compensated Absences

The College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.

Classification of Revenues

The College 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, 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*

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 34, such as state and local appropriations and investment income.

State and Local Appropriations

The College receives funds from the State of Mississippi through the State Board of Community College and Junior Colleges. 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 College's full-time equivalency ("FTE") basis, with some special considerations given only to high cost programs. The College also receives income from the nine counties that make up its local district, which includes Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Yazoo and Webster Counties.

Scholarship Discounts and Allowance

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net position is divided in three categories. Net investment in capital assets, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net position balance of (\$23,437,205) at June 30, 2022, includes \$4,451,255 reserved for auxiliaries and remaining unreserved amount of (\$27,888,460) after adjustments required by GASB 68, 71 and 75 for deferred outflows and inflows related to pensions and OPEB.

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health 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.

Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 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.

Note 2. Cash, Cash Equivalents and Investments

Policies

Cash policies as set forth by policy and state statute authorize the College 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. For the year ended June 30, 2022, the College had \$24,754,716 in cash and cash equivalents, excluding \$62,688 in restricted assets.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College's will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. As of June 30, 2022, none of the College's bank balance of \$25,596,038 was exposed to custodial credit risk.

Investments

Investment policies as set forth by policy and state statute authorize the College 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. In 2022, short-term investments were comprised of certificates of deposit with maturities greater than three months. All certificates of deposit are scheduled to mature within twelve months or less.

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

The College's level 1 type of investments of \$9,262,036 are valued using quoted market prices (Level 1 inputs) as of June 30, 2022.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2022:

Student tuition	\$	16,534,152
Federal, state, and private grants and contracts		1,213,057
State appropriations		2,211,009
Other		670,327
Total accounts receivable		20,628,545
Less allowance for doubtful accounts		(13,491,368)
Accounts receivable - end of year	\$	<u>7,137,177</u>

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS**Note 4. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Non-depreciable capital assets:</u>				
Land	\$ 4,094,017	2,695,176		6,789,193
Construction in progress	419,188	3,500,348		3,919,536
Total non-depreciable capital assets	4,513,205	6,195,524	0	10,708,729
<u>Depreciable capital assets:</u>				
Improvements other than buildings	7,115,405			7,115,405
Buildings	60,092,587	1,780,962		61,873,549
Equipment	12,331,400	961,283	395,391	12,897,292
Library books	1,246,886	49,562	28,606	1,267,842
Total depreciable capital assets	80,786,278	2,791,807	423,997	83,154,088
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	4,151,808	231,351		4,383,159
Buildings	23,816,180	1,102,986		24,919,166
Equipment	8,748,881	1,169,009	372,902	9,544,988
Library books	1,104,111	39,544	28,606	1,115,049
Total accumulated depreciation	37,820,980	2,542,890	401,508	39,962,362
Total depreciable capital assets, net	42,965,298	248,917	22,489	43,191,726
Total capital assets, net	\$ 47,478,503	6,444,441	22,489	53,900,455

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values, and capitalization thresholds are used to compute depreciation:

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 15 years	1% - 10%	5,000
Library books and media	10 years	0%	0

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

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

Project	Spent to June 30, 2022
Multipurpose Facility	\$ 2,202,011
Baseball/Softball Field Improvement (Turf)	790,506
Football Field Improvement (Turf)	595,967
Goodman Medical Clinic	175,695
Ridgeland Soccer Field House	155,357
Total	<u>\$ 3,919,536</u>

Outstanding construction commitments for the year ended June 30, 2022 were approximately \$7,372,495. These funds will be provided from amounts restricted for capital projects and from unrestricted resources.

Note 5. Long-Term Liabilities

Long-term liabilities of the College consist of bonds and notes payable that are expected to be liquidated 8 years 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. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Balance July 1, 2021	Deletions	Balance June 30, 2022	Due Within One Year
Bonded debt							
G.O. Refunding Bond, Series 2012	\$ 7,935,000	2.0% - 2.85%	2025	\$ 1,825,000	430,000	1,395,000	450,000
G.O. Notes, Series 2015	\$ 4,150,000	1.0% - 2.99%	2030	2,962,000	259,000	2,703,000	267,000
Total bonded debt				<u>\$ 4,787,000</u>	<u>689,000</u>	<u>4,098,000</u>	<u>717,000</u>

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

1. G.O. Refunding Bond, Series 2012:

Year Ended June 30	Principal	Interest	Total
2023	\$ 450,000	38,280	488,280
2024	465,000	26,468	491,468
2025	480,000	13,680	493,680
Total	<u>\$ 1,395,000</u>	<u>78,428</u>	<u>1,473,428</u>

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

2. G.O. Notes, Series 2015:

Year Ended June 30	Principal	Interest	Total
2023	\$ 267,000	72,395	339,395
2024	274,000	66,625	340,625
2025	283,000	60,326	343,326
2026	291,000	53,222	344,222
2027	300,000	45,511	345,511
2028 - 2030	1,288,000	95,788	1,383,788
Total	\$ 2,703,000	393,867	3,096,867

Total general obligation debt payments for all issues:

Year Ended June 30	Principal	Interest	Total
2023	\$ 717,000	110,675	827,675
2024	739,000	93,093	832,093
2025	763,000	74,006	837,006
2026	291,000	53,222	344,222
2027	300,000	45,511	345,511
2028 - 2030	1,288,000	95,788	1,383,788
Total	\$ 4,098,000	472,295	4,570,295

Note 6. Defined Benefit Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the numbers of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College 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 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 College's contributions to PERS for the fiscal years ending June 30, 2022, 2021, and 2020, were \$3,696,561, \$3,582,903, and \$3,584,623, 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 College reported a liability of \$45,773,832 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 College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2022 net pension liability was 0.309692 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.000306 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the College recognized pension expense of \$1,268,237. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 731,613	
Net difference between projected and actual earnings on pension plan investments.		16,431,569
Changes of assumptions	3,525,838	
Changes in proportion and differences between contributions and proportionate share of contributions	2,902,653	1,021,546
Contributions subsequent to the measurement date	<u>3,696,561</u>	
	<u>\$ 10,856,665</u>	<u>17,453,115</u>

\$3,696,561 reported as deferred outflows of resources related to pensions resulting from College 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	\$ (2,161,951)
2024	(1,871,831)
2025	(2,151,338)
2026	<u>(4,107,891)</u>
Total	<u>\$ (10,293,011)</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, 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 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates 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 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

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

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 purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 and 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-estimates ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized 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)	
Total	<u>100 %</u>		

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (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 College's proportionate share of the net pension liability to changes in the discount rate. The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
College's proportionate share of the net pension liability	\$ 64,826,476	\$ 45,773,832	\$ 30,072,936

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 7. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/ junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount

HOLMES COMMUNITY COLLEGE
For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

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 College were \$63,278 for the year ended June 30, 2022.

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

At June 30, 2022, the College reported a liability of \$2,014,074 for its 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 College'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 College's proportion was 0.31289884 percent. This was a decrease of 0.00831294 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the College recognized OPEB expense of (\$121,662). At June 30, 2022, the College 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
Difference between expected and actual experience	\$ 2,190	\$ 629,775
Change of assumptions	326,194	68,118
Net difference between projected and actual earnings on OPEB plan investments	94	
Changes in proportion and differences between College contributions and proportionate share of contributions	56,936	46,672
College contributions subsequent to the measurement date	63,278	
Total	\$ 448,692	\$ 744,565

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

\$63,278 reported as deferred outflows of resources related to OPEB resulting from College 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:

2022	\$	(98,846)
2023		(90,708)
2024		(61,717)
2025		(69,947)
2025		(37,933)
Total	\$	<u>(359,151)</u>

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 percent
Salary increases	2.65 - 17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13 percent
Prior Measurement Date	2.19 percent
Year FNP 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 percent
Prior Measurement Date	2.19 percent
Health Care Cost Trends	
Medicare Supplement Claims	6.50 percent for 2022 decreasing to an ultimate rate of 4.50 percent by 2030
Pre-Medicare	

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

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 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, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

The long-term 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 percent. 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 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 June 30, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond buyer General Obligation 20-year Municipal Bond Index Rate.

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

		1% Decrease (1.13%)		Discount Rate (2.13%)		1% Increase (3.13%)
Net OPEB liability	\$	2,229,292	\$	2,014,074	\$	1,830,568

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the College's proportionate share of the net OPEB liability, as well as what the College'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:

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

		1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$	1,865,553	\$ 2,014,074	\$ 2,182,150

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 8. Natural Classifications with Functional Classifications

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 13,582,658	2,626,284	91,805	1,282,275	53,375
Academic support	233,364	71,558	1,680	55,959	
Student services	2,509,180	536,355	111,321	313,723	
Institutional support	3,128,267	641,518	64,731	3,023,112	44,876
Operating of plant	1,725,711	411,286	76,107	515,143	1,417,600
Student aid					
Auxiliary enterprises	684,615	156,292	6,434	2,387,255	19,836
Depreciation					
Total operating expenses	\$ 21,863,795	4,443,293	352,078	7,577,467	1,535,687

	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Balance
Instruction	\$ 192,031	791,922		411,055	19,031,405
Academic support		31,571		58,545	452,677
Student services		418,196		32,129	3,920,904
Institutional support		535,967		(1,064,969)	6,373,502
Operating of plant		831,439		4,278,708	9,255,994
Student aid	14,152,815				14,152,815
Auxiliary enterprises		9,260		46,088	3,309,780
Depreciation			2,542,890		2,542,890
Total operating expenses	\$ 14,344,846	2,618,355	2,542,890	3,761,556	59,039,967

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

Note 9. Contingencies

Federal Grants - The College 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 College.

Litigation - The College 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 College with respect to the various proceedings. However, the College's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the College.

Note 10. Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$23,437,205) 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 \$3,696,561 resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$7,160,104 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 (\$23,437,205) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$17,453,115 balance 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 (\$23,437,205) 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 \$63,278 resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$385,414 balance of deferred outflow 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 unrestricted net position amount of (\$23,437,205) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$744,565 balance of 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.

HOLMES COMMUNITY COLLEGE

For the Year Ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the College is uncertain at this time.

Note 12. 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 College evaluated the activity of the College through the date the financial statements were available to be issued, and determined that no subsequent events have occurred.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 Summary of Significant Accounting Policies

Statement of Organizational Activities

Holmes Community College Development Foundation, Inc. (The Foundation) is a non-profit organization established to solicit and manage funds for the benefit of Holmes Community College (the College). The membership of the Foundation represents the nine county district served by the College and is led by a Board of Directors elected by the membership. Its purpose is to provide scholarships and other financial support to the students registered at Holmes Community College. Funds may also be used to support other educational activities of the College, such as faculty and student development.

Basis of Presentation

The Foundation prepares its financial statements on the accrual basis of accounting. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The Foundation adopted FASB Accounting Standards Update 2016-14 (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, Not-For-Profit Entities. This standard requires net assets to be classified on the statement of financial position as net assets with donor restrictions and net assets without donor restrictions, based on the absence or existence and type of donor-imposed restrictions.

Net Assets with Donor Restrictions

The part of net assets of not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). A donor-imposed restriction is a stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following: (a) the nature of the not-for-profit entity (NFP), (b) the environment in which it operates, (c) the purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association. Some donors impose restrictions that are temporary in nature for example, stipulating that resources be used after a specific date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors. Net assets without donor restrictions are subject to self-imposed limits by action of governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Income Taxes

The Holmes Community College Development Foundation, Inc. is organized as a nonprofit corporation and has been recognized by the IRS as exempt from federal income tax. Section 501 of the U.S. tax code outlines which types of not-for-profit organization are tax exempt. The Section of this code that provides for exemption is 501 (a), which states that organizations are exempt from some federal income taxes if they fall under sections 501 (c), 501 (d) or section 401(a). Holmes Community College Development Foundation, Inc. is a Section 501(c)(3) organization and qualifies for the charitable contribution deduction under IRC Section 170 (b)(1)(A)(vi). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) and a Split-interest Trust Information Return for the Charitable Remainder Annuity Trust (Form 5227) with the IRS. In addition, the Foundation is subject to income tax on net income that derived from business activities that are unrelated to their exempt purposes. As of December 31, 2021, the Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Donated Assets

Material noncash donations are recorded as contributions at their estimated fair values at the date of donation. Any donated assets used in program services are recorded as functional expenses at their donated fair value.

Donated Services and Facilities

The Foundation receives a substantial amount of services donated by citizens interested in the Foundation's programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in the accompanying financial statements.

Investments

The Foundation follows FASB Accounting Standards Codification Subtopic 958-320, Not-For-Profit Entities—Investments—Debt and Equity Securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents include cash on hand, demand deposit accounts, savings accounts, and certificates of deposit.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Fixed Assets

The Foundation has no fixed assets. All fixed assets are owned by the College.

Pledges Receivable

Unconditional pledges receivable are recognized as revenues in the period the pledge is received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no pledges receivable and therefore no allowance for uncollectible pledges receivable at December 31, 2021.

Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Related Party Transactions

Directors and officers of the Foundation give much of their time voluntarily and often make financial contributions. No record of voluntary time is kept and any financial contribution made by related party is treated the same as any other outside donor. Out of pocket expenses related to business of the Foundation are reimbursed to officers or directors upon presentation of detailed receipts by the related party.

During each year, the Foundation remits scholarship funds and student organizational related cost to the College to cover tuition, books and other student fees for specified students of the College. Additionally, the Foundation disburses funds for the benefit of faculty and staff at the College. During the year ended December 31, 2021, funds disbursed to the College totaled \$314,934. These funds are included in scholarship expense, grant distribution and support for the College in the accompanying financial statements.

Fair Value of Financial Instruments

The carrying amounts reported in the statements of financial position for cash and assets held in remainder trust approximate fair value because of the immediate or short-term maturities of these financial instruments. The fair values of beneficial interest in remainder trust and liabilities under remainder trust approximate carrying values at December 31, 2021 due to discount rates and actuarial assumptions used in the calculation of the Foundation's interest and liabilities.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2021

Split Interest Agreement

During 2009, donors established a charitable remainder annuity trust naming the Foundation as trustee and remainder beneficiary. Under the terms of the trust agreement, \$10,000 is to be paid annually to the donors for life with any remainder assets transferred to the Foundation. The Foundation paid \$10,000 during the fiscal end December 31, 2021. Based on the donors' life expectancies and 5.52% discount rate for 2021, the fair values of the Foundation's remainder interest was estimated to be \$211,036 for 2021 and is recorded as net assets with donor restrictions. The resulting liabilities for annuity payments were recorded at the present value of an annuity using the same discount rates and applicable life expectancies of the donors. The beneficial interest and liabilities will be revalued annually based upon applicable life expectancies and current returns on assets held in the trust at the date of revaluation. Trust assets are invested with a local investment firm.

Changes in split-interest agreement as of December 31st consists of the following:

	2021
Interest and dividends	\$ 6,856
Realized and unrealized gains	17,919
Actuarial Change	(1,963)
Annuity payment	(10,000)
Total	<u>\$ 12,812</u>

Operating Measure

The Statement of Activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 Cash and Investments

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable. The Foundation places its cash and temporary investments with creditworthy, high quality financial institutions. Cash deposits in excess of \$250,000 are not insured by the FDIC.

For the year ended December 31, 2021 the College had \$182,335 in cash and cash equivalents.

The Foundation has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment managers who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to contributions receivable is limited due to the credit worthiness of the individual who has made the pledge.

The Foundation receives a substantial amount of support from Holmes Community College. A significant reduction in the level of this support, if it were to occur, would have an effect on the Foundation's programs and activities.

Investments

The FASB Accounting Standards Codification Topic ("ASC") 820, Fair Value Measurement, prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly and indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2021

government, investments in mutual funds and external investment pools, and other pooled investments. As of December 31, 2021, the Foundation had the following Level 1 investments:

Issuer	Fair Value	% of Total Investments
Commonfund Multi-Strategy Equity Fund	\$ 8,219,372	72%
Commonfund Multi-Strategy Bond Fund	<u>3,168,145</u>	<u>28%</u>
Total	<u>\$11,385,517</u>	100%

A five year summary of performance of the investment in *Commonfund's Multi-Strategy Equity* and *Multi-Strategy Bond Fund* is as follows:

	2015	2016	2017	2018	2019	2020	2021
Income	\$ 103,695	98,282	120,794	150,055	132,174	0	0
Net unrealized market gains (losses)	(143,549)	263,697	921,921	(486,545)	1,458,398	876,832	1,594,015
Fund fees	(18,860)	(19,640)	(25,258)	(29,024)	(30,390)	(31,706)	(37,279)
Sales							(100,000)
Transfers in (out)	450,000	200,000	1,164,559				
Net change	391,286	542,339	2,182,016	(365,514)	1,560,182	845,126	1,456,736
Balance beginning of year	4,773,346	5,164,632	5,706,971	7,888,987	7,523,473	9,083,655	9,928,781
Balance end of year	<u>\$ 5,164,632</u>	<u>5,706,971</u>	<u>7,888,987</u>	<u>7,523,473</u>	<u>9,083,655</u>	<u>9,928,781</u>	<u>11,385,517</u>
Increase (decrease) from initial balances	8.20%	10.50%	38.23%	(4.63%)	20.73%	9.30%	14.67%

Overall Investment Objective

The Foundation's investment committee is responsible for investment policies, return objectives and risk parameters for the endowment funds. Currently the endowments' return objectives are preservation of principal with enough investment return to exceed bank deposit returns. The nature of the Foundation's investment strategy is balanced with an approximately 65% to 35% equity to fixed income ratio. Appropriations for expenditures from the endowment funds are periodically made as financial needs arise to fund support and expenses of the College, from amounts classified as net assets without donor restrictions.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 - Availability and Liquidity

The following represents the Foundation's financial asset at December 31, 2021.

	2021
Cash and cash equivalents	\$ 182,335
Investments	11,385,517
Beneficial interest in remainder trust	211,036
Total financial assets	11,778,888
Less amounts not available to be used within one year	
Net Assets with donor restrictions	(6,122,645)
Quasi endowment established by the board	(4,048,359)
	(10,171,004)
Financial assets available to meet general expenditures	1,607,884

Our endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditures. As part of the Foundation's liquidity management plan, cash in excess of daily requirement is invested in saving accounts and Commonfund.

Note 4 - Endowment

The Foundation's endowment consists of approximately 35 individual donor-restricted endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Mississippi enacted the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* effective July 2012. The act requires the prudent spending of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with UPMIFA, the Board may expend so much an endowment fund's net appreciation as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements For the Year Ended December 31, 2021

The following is a summary of the Foundation's endowment net asset composition by type of fund as of December 31, 2021:

		2021	
		Without Donor Restrictions	With Donor Restrictions
			Total
Donor restricted:	\$		
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor			2,687,524
Accumulated investment gains			1,726,868
Board - designated		4,048,359	4,048,359
Total endowment net assets	\$	4,048,359	4,414,392
			8,462,751

Changes in the Foundation's endowment net assets for the year December 31, 2021 is as follows:

		2021	
		Board-Designated Designated Without Donor Restrictions	With Donor Restrictions
			Total
Endowment net assets, beginning of year	\$	3,530,386	3,840,638
Investment returns, net		517,973	553,337
Contributions			87,339
Appropriation of endowment assets for expenditure			(66,922)
Endowment net assets, end of year	\$	4,048,359	4,414,392
			8,462,751

From time to time, certain donor restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Board will slow or stop distributions from underwater endowments accounts until the fund balance are back to the historic gift value. At December 31, 2021, funds with original gift value of \$10,000, fair value of \$10,000 and deficiencies of \$0 were reported in net assets with donor restrictions.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 - Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2021:

	2021
Subject to expenditure for specific purpose	
Instruction and institutional support	\$ 1,708,253
Endowment	
Subject to Spending policy and appropriation:	4,414,392
Underwater endowments	0
Total	\$ 6,122,645

Net assets without donor restrictions were as follows for the years ended December 31, 2021:

	2021
Undesignated	\$ 1,607,884
Quasi endowment	4,048,359
Total	\$ 5,656,243

Net assets released from net assets with donor restrictions are as follows:

	2021
Purpose restrictions accomplished:	
Scholarships	\$ 84,250
Instruction and institutional support	17,772
Total	\$ 102,022

Note 6 - Support for Holmes Community College

Support for Holmes Community College for fiscal year 2021 consisted of:

	2021
Students awards	\$ 6,787
Other educational support	49,075
Total	\$ 55,862

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 - Statement of Functional Expenses

Statement of Functional Expenses for the fiscal year 2021 consisted of:

	2021 Supporting Service		
	Programs Service	Management and General	Fundraising
Scholarships	\$ 122,165		
Support for college	66,149		
Mini Grant	45,773		
Salaries and wages		27,774	
Professional services		10,904	
Advertising and marketing		3,088	2,628
Office expenses		668	
Conference and meetings		1,298	
President discretionary		10,886	
Other		33,963	
	\$ 234,087	88,581	2,628
			325,296

Note 8 - Revenues from Special Events and Direct Costs

Revenues and contributions received in regards to events held during the fiscal years consisted of the following:

Nature of Event	2021		
	Gross Revenue	Direct Cost	Net Revenue
Legacy Club	\$ 11,649	2,874	8,775

Note 9 - Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the Foundation and the College are uncertain at this time.

Holmes Community College Development Foundation, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Subsequent Events

Events that occur after the Statement of Financial 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 Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Positions date require disclosure in the accompanying notes. Management of the Holmes Community College Development Foundation, Inc. evaluated the activity of the Foundation through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Holmes Community College

Schedule of the College's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 45,773,832	59,893,536	55,824,081	53,381,857	55,043,715	59,459,072	52,369,944	41,966,748
College's proportion of the net pension liability	0.309692%	0.309386%	0.317327%	0.320940%	0.331122%	0.332871%	0.338788%	0.345742%
College's covered payroll	20,591,397	20,601,282	18,706,937	20,495,117	21,241,689	21,294,571	21,165,517	21,126,603
College's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	298.41%	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 FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Holmes Community College
Schedule of College Contributions
PERS
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,696,561	3,582,903	3,584,623	3,255,007	3,227,981	3,345,566	3,353,895	3,333,569
Contributions in relation to the contractually required contribution	3,696,561	3,582,903	3,584,623	3,255,007	3,227,981	3,345,566	3,353,895	3,333,569
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll	21,244,603	20,591,397	20,601,282	20,666,711	20,495,117	21,241,689	21,294,571	21,165,517
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 FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Holmes Community College

Schedule of the College's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	\$ 2,014,074	2,370,312	2,599,895	2,398,816	2,461,985
College's proportion of the net OPEB liability	0.31289884%	0.30458590%	0.30639590%	0.31010490%	0.31378497%
College's covered-employee payroll	14,875,830	14,679,079	14,031,174	14,025,834	14,097,496
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.54%	16.15%	18.53%	17.10%	17.46%
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.

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Holmes Community College
Schedule of College Contributions
OPEB
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	
Actuarially determined contribution	\$ 63,278	80,953	94,528	104,212	104,958	**
Contributions in relation to the actuarially determined contribution	63,278	80,953	94,528	104,212	104,958	**
Contribution deficiency (excess)	\$ -	-	-	-	-	
College's covered-employee payroll	\$ 19,987,407	17,679,386	19,107,757	18,267,214	19,643,431	
Contributions as a percentage of covered-employee payroll	0.32%	0.46%	0.49%	0.57%	0.53%	

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Holmes Community College

Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

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

2017:

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

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

Holmes Community College

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

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

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

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

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

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

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 female rates up to age 72, 100% for ages above 76; and 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; and 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; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

Holmes Community College

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

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

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%.

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

Holmes Community College

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

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.

(2) 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.

Holmes Community College

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.*
The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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

SUPPLEMENTARY INFORMATION

Holmes Community College
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Labor</u>			
Pass-through programs from:			
Mississippi Employment Security Commission			
WIOA Adult Program	17.258	N/A	\$ 88,254
Total WIOA Cluster			88,254
WIOA National Dislocated Workers Grants/WIA National Emergency Grants	17.277	N/A	1,500
Total WIOA Programs			89,754
Total U.S. Department of Labor			89,754
<u>U.S. Department of Education</u>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	229,794
Federal Work-Study Program (FWS)	84.033	N/A	167,368
Federal Pell Grant Program	84.063	N/A	11,920,959
Federal Direct Student Loans (Direct Loan)	84.268	N/A	3,934,485
Total Student Financial Assistance Programs Cluster			16,252,606
Higher Education Institutional Aid	84.031P	N/A	248,899
TRIO - Student Support Services	84.042A	N/A	314,610
COVID-19 - HEERF Student Aid Portion	84.425E	N/A	7,071,419
COVID-19 - HEERF Institutional Portion	84.425 F	N/A	2,528,835
COVID-19 - HEERF Minority Serving Institutions (MSIs)	84.425L	N/A	1,183,266
Subtotal			11,347,029
Pass-through programs from:			
Mississippi State Board for Community & Junior Colleges			
Adult Education - Basic Grants to States	84.002	V002A180025	219,667
Mississippi Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V002A180024	357,378
Subtotal pass-through programs			577,045
Total U.S. Department of Education			28,176,680
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from:			
Mississippi Employment Security Commission			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	12,186
Total U.S. Department of Health and Human Services			12,186
Total Expenditures of Federal Awards			\$ 28,278,620

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Holmes Community College

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the College 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 College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The College did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the remaining assistance listing numbers of this College.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Holmes Community College
Goodman, 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 the Holmes Community College, as of and for the year ended June 30, 2022 and December 31, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 27, 2023. The financial statements of the Holmes Community College Development 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 compliance and other matters associated with Holmes Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 Holmes Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Holmes Community College'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

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 27, 2023

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Holmes Community College
Goodman, Mississippi

Report on Compliance For Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Holmes Community College'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 Holmes Community College's major federal programs for the year ended June 30, 2022. The Holmes Community College's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Holmes Community College 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 Holmes Community College 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 Holmes Community College'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 Holmes Community College'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 Holmes Community College'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 Holmes Community College's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgement 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 Holmes Community College'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 Holmes Community College'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 Holmes Community College'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 our 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 27, 2023

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

To the Board of Trustees
Holmes Community College
Goodman, Mississippi

We have audited the business-type activities of the financial statements of Holmes Community College as of and for the year ended June 30, 2022, which collectively comprise the College's basic financial statements, and its discretely presented component unit as of December 31, 2021 and have issued our report thereon dated March 27, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Holmes Community College Development Foundation were not audited in accordance with *Government Auditing Standards*.

We have also performed procedures to test compliance with certain other state 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 College and management, members of the Legislature, entities with accreditation overview, federal awarding agencies, the Office of State Auditor, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 27, 2023

Certified Public Accountants

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Holmes Community College

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.511(b)? No.
7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Programs Cluster
84.425(E)*	COVID-19 - HEERF Student Aid Portion
84.425(F)*	COVID-19 - HEERF Institutional Portion
84.425(L)*	COVID-19 - HEERF Minority Serving Institutions (MSIs)

* These were audited as one major program

8. Dollar threshold used to distinguish between type A and type B programs: \$848,359.
9. Auditee qualified as low-risk auditee? No.
10. Prior fiscal year audit findings and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CRF 200.511(b)? No.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.