



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

**PHIL BRYANT
State Auditor**

**RAMONA HILL, CPA
Director, Department of Audit**

**BRENT BALLARD, CPA
Director, Education Division - College and University Audits**

HOLMES COMMUNITY COLLEGE

**Audited Financial Statements
For the Year Ended June 30, 1996**

HOLMES COMMUNITY COLLEGE

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT..... 1

 INDEPENDENT AUDITOR'S REPORT..... 3

 AUDITED FINANCIAL STATEMENTS 5

 Balance Sheet 6

 Statement of Changes in Fund Balances 8

 Statement of Current Fund Revenues, Expenditures and Other Changes 10

 Summary of Significant Accounting Policies 11

 Notes to Financial Statements 13

 SUPPLEMENTAL INFORMATION..... 17

 Schedule of Federal Financial Assistance..... 18

 Notes to Schedule of Federal Financial Assistance 19

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS..... 21

REPORT ON INTERNAL CONTROL 25

MANAGEMENT REPORT 31

SCHEDULE OF FINDINGS AND RECOMMENDATIONS 37

DATA SHEET

INSTITUTION'S RESPONSE

*The Office of the State Auditor does not discriminate on the basis of race,
religion, national origin, sex, age or disability*

HOLMES COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT

August 7, 1997

Dr. Starkey Morgan
and Board of Trustees
Holmes Community College
Goodman, Mississippi

We have audited the accompanying balance sheet of Holmes Community College as of June 30, 1996, the related statement of changes in fund balances and the statement of current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of Holmes Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holmes Community College at June 30, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Holmes Community College. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated August 7, 1997 on our consideration of Holmes Community College internal control structure and a report dated August 7, 1997 on its compliance with laws and regulations.

A handwritten signature in cursive script that reads "Ramona Hill".

RAMONA HILL, CPA
Director, Department of Audit

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

HOLMES COMMUNITY COLLEGE
Balance Sheet
June 30, 1996
(With Comparative Figures at June 30, 1995)

Exhibit A

ASSETS	Current Year	Prior Year	LIABILITIES AND FUND BALANCES	Current Year	Prior Year
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 3)	\$ 776,116	222,183	Accounts payable and accrued expenses	\$ (5,406)	(3,239)
Accounts receivable:			Deferred credits	62,643	57,230
Students, less allowance of			Fund balances:		
\$272,406 (1996) and			Unallocated		
\$211,895 (1995)	216,715	198,397	General	70,057	(356,110)
Inventories	64,780	64,780	Auxiliary	1,217,513	1,015,181
Prepaid items and deferred charges	32,788	30,782			
Due from other funds	254,408	196,920			
Total Current Unrestricted Funds	<u>1,344,807</u>	<u>713,062</u>	Total Current Unrestricted Funds	<u>1,344,807</u>	<u>713,062</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 3)	388,934	313,724	Accounts payable and accrued expenses	4,192	2,988
Other accounts receivable	84,880	156,574	Due to other funds	254,408	196,920
			Fund balance:		
			Allocated	215,214	270,390
Total Current Restricted Funds	<u>473,814</u>	<u>470,298</u>	Total Current Restricted Funds	<u>473,814</u>	<u>470,298</u>
Total Current Funds	<u>\$ 1,818,621</u>	<u>1,183,360</u>	Total Current Funds	<u>\$ 1,818,621</u>	<u>1,183,360</u>
Plant Funds			Plant Funds		
Cash and other deposits (Note 3)	\$ 651,359	688,966	Notes payable (Note 4)	\$ 1,576,406	1,697,280
Prepaid items and deferred charges	146,733	142,035	Bonds payable (Note 4)	580,000	770,000
Land	719,007	719,007	Fund balances:		
Improvements other than buildings	1,106,611	1,069,715	Unexpended	561,654	641,087
Buildings	18,687,547	18,447,547	Retirement of indebtedness	236,438	189,914
Furniture, machinery and equipment	2,295,000	2,044,889	Net investment in plant	23,381,597	22,510,324
Books and films	2,729,838	2,696,446			
Total Plant Funds	<u>\$ 26,336,095</u>	<u>25,808,605</u>	Total Plant Funds	<u>\$ 26,336,095</u>	<u>25,808,605</u>

Agency Funds		
Deferred compensation plan assets at fair market value (Note 6)	\$ <u>733,129</u>	<u>523,013</u>
Total Agency Funds	\$ <u><u>733,129</u></u>	<u><u>523,013</u></u>

Agency Funds		
Due to depositors	\$ <u>733,129</u>	<u>523,013</u>
Total Agency Funds	\$ <u><u>733,129</u></u>	<u><u>523,013</u></u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

HOLMES COMMUNITY COLLEGE
Statement of Changes in Fund Balances
For the Year Ended June 30, 1996

Exhibit B

	<u>Current Funds</u>			<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
Revenues and Other Additions						
Tuition and fees	\$ 2,626,493		2,626,493			
Federal appropriations	88,489		88,489			
State appropriations	5,983,572		5,983,572	1,067,778		
Local appropriations	1,210,880		1,210,880	279,413	317,260	
Federal grants and contracts	255,721	2,776,914	3,032,635			
State grants and contracts	2,159,852	89,703	2,249,555			
Local grants and contracts	70,000		70,000			
Investment income	44,918	25	44,943	19,041	2,794	
Additions to plant facilities						560,399
Retirement of indebtedness						310,874
Sales and services of educational activities	131,604		131,604			
Sales and services of auxiliary activities	967,878		967,878			
Other	389,315	2,295	391,610	15,000		
Total Rev. & Other Additions	<u>13,928,722</u>	<u>2,868,937</u>	<u>16,797,659</u>	<u>1,381,232</u>	<u>320,054</u>	<u>871,273</u>
Expenditures & Other Deductions						
Educational and general:						
Instruction	7,029,748	935,703	7,965,451			
Academic support	322,551		322,551			
Student services	1,521,076		1,521,076			
Institutional support	1,361,422	2,379	1,363,801			
Operation & maint. of plant	1,625,477		1,625,477			
Student aid	290,892	1,986,031	2,276,923			
Total Educational and General	<u>12,151,166</u>	<u>2,924,113</u>	<u>15,075,279</u>			
Auxiliary	765,546		765,546			
Expended for plant facilities				1,585,665		
Retirement of indebtedness					310,874	
Interest on indebtedness					159,190	
Provision for uncollectible accts.	60,511		60,511			
Other					1,466	
Total Expenditures and Other Deductions	<u>12,977,223</u>	<u>2,924,113</u>	<u>15,901,336</u>	<u>1,585,665</u>	<u>471,530</u>	

Transfers - Additions (Deductions)

Mandatory:

Principal and interest	<u>(198,000)</u>		<u>(198,000)</u>		<u>198,000</u>	
Total Mandatory	<u>(198,000)</u>		<u>(198,000)</u>		<u>198,000</u>	

Other:

Building projects	<u>(125,000)</u>		<u>(125,000)</u>	<u>125,000</u>		
Total Other	<u>(125,000)</u>		<u>(125,000)</u>	<u>125,000</u>		

Total Transfers	<u>(323,000)</u>		<u>(323,000)</u>	<u>125,000</u>	<u>198,000</u>	
-----------------	------------------	--	------------------	----------------	----------------	--

Net Increase (Decr.) for Year	<u>628,499</u>	<u>(55,176)</u>	<u>573,323</u>	<u>(79,433)</u>	<u>46,524</u>	<u>871,273</u>
-------------------------------	----------------	-----------------	----------------	-----------------	---------------	----------------

Fund Balance at Beg. of Year	<u>659,071</u>	<u>270,390</u>	<u>929,461</u>	<u>641,087</u>	<u>189,914</u>	<u>22,510,324</u>
------------------------------	----------------	----------------	----------------	----------------	----------------	-------------------

Fund Balance at End of Year	\$ <u><u>1,287,570</u></u>	<u><u>215,214</u></u>	<u><u>1,502,784</u></u>	<u><u>561,654</u></u>	<u><u>236,438</u></u>	<u><u>23,381,597</u></u>
-----------------------------	----------------------------	-----------------------	-------------------------	-----------------------	-----------------------	--------------------------

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

HOLMES COMMUNITY COLLEGE
Statement of Current Fund Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1996
(With Comparative Figures for the Year Ended June 30, 1995)

Exhibit C

	Current Year			Prior Year	
	Unrestricted	Restricted	Total	Total	
Revenues and Other Additions					
Tuition and fees	\$ 2,626,493		2,626,493	2,352,945	
Federal appropriations	88,489		88,489	30,251	
State appropriations	5,983,572		5,983,572	5,099,514	
Local appropriations	1,210,880		1,210,880	1,194,386	
Federal grants and contracts	255,721	2,776,914	3,032,635	2,957,970	
State grants and contracts	2,159,852	89,703	2,249,555	1,374,975	
Local grants and contracts	70,000		70,000	70,000	
Investment income	44,918	25	44,943	36,293	
Sales and services of educational activities	131,604		131,604	48,899	
Sales and services of auxiliary activities	967,878		967,878	807,794	
Other	389,315	57,471	446,786	92,519	
Total Revenues and Other Additions	13,928,722	2,924,113	16,852,835	14,065,546	
Expenditures & Mandatory Transfers					
Educational and general:					
Instruction	7,029,748	935,703	7,965,451	7,118,472	
Academic support	322,551		322,551	291,655	
Student services	1,521,076		1,521,076	1,249,796	
Institutional support	1,361,422	2,379	1,363,801	1,210,181	
Oper. & maintenance of plant	1,625,477		1,625,477	1,390,035	
Student aid	290,892	1,986,031	2,276,923	1,958,844	
Total Educational and General Expenditures	12,151,166	2,924,113	15,075,279	13,218,983	
Mandatory transfers:					
Principal and interest	198,000		198,000	192,500	
Total Educational and General	12,349,166	2,924,113	15,273,279	13,411,483	
Auxiliary enterprises:					
Expenditures	765,546		765,546	659,250	
Total Auxiliary Enterprises	765,546		765,546	659,250	
Total Expenditures and Mandatory Transfers	13,114,712	2,924,113	16,038,825	14,070,733	
Other Transfers - Additions (Ded.)					
Excess restricted receipts over expenditures & mandatory transfers		(55,176)	(55,176)	54,123	
Building projects	(125,000)		(125,000)	(42,844)	
Provision for uncollectible accounts	(60,511)		(60,511)	(23,182)	
Other				(23,182)	
Total Other Transfers - Additions (Deductions)	(185,511)	(55,176)	(240,687)	(11,903)	
Net Change in Fund Balance	\$ 628,499	(55,176)	573,323	(17,090)	

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

HOLMES COMMUNITY COLLEGE

Summary of Significant Accounting Policies For the Year Ended June 30, 1996

The significant accounting policies followed by Holmes Community College are described below to enhance the usefulness of the financial statements to the reader.

(1) Basis of Accounting.

Holmes Community College uses the accounting system set out in the "Accounting Manual for Mississippi's Public Junior Colleges." This manual conforms in most respects with the principles set forth in the "Financial and Reporting Manual for Higher Education" issued by the National Association of College and University Business Officers (NACUBO), and the Industry Audit Guide, "Audits of Colleges and Universities" issued by the American Institute of Certified Public Accountants, while acknowledging the goals and activities of Mississippi's public community colleges.

The accompanying financial statements have been prepared generally on the accrual basis with the following exceptions, which are common practices in colleges and universities:

- A. Depreciation on physical plant and equipment has not been provided.
- B. To the extent that Current Funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures, in the case of normal acquisition and/or replacement of moveable equipment and library books; (b) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewals and replacements; and (c) transfers of a nonmandatory nature for all other cases.
- C. Interest on student loans is recorded only when received.
- D. Interest expense on debt is recorded when paid.

Gifts, grants and pledges are generally recorded when received or when billable.

Property, buildings and equipment are stated at cost at the date of acquisition or fair market value at date of donation. Improvements made as part of repair and renovation projects are capitalized based upon institution estimates which approximate cost. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the institution, are capitalized.

Merchandise for resale inventories and consumable supply inventories are stated at cost, with cost being determined principally by the first-in, first-out method.

All revenues and related expenditures incurred in connection with summer sessions are reported within the fiscal year in which the summer sessions are predominantly conducted.

(2) Fund Accounting.

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the institution are maintained in accordance with the principles of "fund accounting." This accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

HOLMES COMMUNITY COLLEGE

Summary of Significant Accounting Policies For the Year Ended June 30, 1996

The Current Funds are used primarily to account for transactions which are expended in performing the primary and support objectives of the institution.

Current Funds consist of the following:

- A. The Unrestricted Fund which is used to account for:
 - 1. The appropriated budget as approved by the Mississippi State Legislature and the Board of Trustees of Holmes Community College.
 - 2. The transactions of substantially self-supporting activities that primarily provide services for students, faculty and staff.
- B. The Restricted Fund which is used to account for Current Funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Other funds consist of the following:

- A. The Plant Funds which are used to account for the transactions relating to institution physical properties include:
 - 1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties.
 - 2. The Retirement of Indebtedness Plant Fund which represents resources held for the retirement of and interest on debt and includes sinking funds established under bond indentures and note and lease amortization payments accumulated, but not yet due.
 - 3. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress as well as any associated liabilities.
- B. Agency Funds account for assets held by the institution as custodian or fiscal agent for others. Consequently, the transactions of this fund do not affect the statement of changes in fund balances.

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1996

(1) Appropriations - General Operations.

Holmes Community College receives funds from the state of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the state of Mississippi.

In addition, the institution receives funds from taxes levied by the counties in the district for general support, maintenance and capital improvement.

(2) Accrued Leave.

Because the institution does not provide for the accumulation of sick leave or vacation beyond one fiscal year, no liability has been accrued in the financial statements.

(3) Cash and Other Deposits.

For financial statement purposes cash and other deposits are represented by demand accounts and time deposits such as savings accounts and certificates of deposit. Also included in this account are imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 1996, was \$1,816,409 and the depository balance, including accrued interest of \$6,192, was \$2,616,908. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$300,000. The amount of \$2,226,830 was collateralized with securities held by a pledging financial institution's trust department or agent in the institution's name and \$90,078 was uninsured or uncollateralized.

(4) Long-term Debt.

The institution has long-term obligations of the following:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity Date	Amount Owed at 6-30-96
A. Bonded Debt.				
General Obligation Bonds:				
HJC Building Bonds of 1983 - Ridgeland Campus	\$ 1,250,000	8.50%-11.00%	1999	\$ 325,000
HJC Building Bonds of 1983 - Grenada Campus	<u>800,000</u>	8.25%-9.75%	1999	<u>255,000</u>
Total Bonded Debt	<u>\$ 2,050,000</u>			<u>\$ 580,000</u>
B. Notes.				
HCC Improvements and Refunding Notes	\$ 800,000	6.125%	1999	\$ 450,000
Department of Education - College Facilities Notes	<u>1,200,000</u>	5.50%	2018	<u>1,126,406</u>
Total Notes	<u>\$ 2,000,000</u>			<u>\$ 1,576,406</u>

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1996

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending June 30	Total	Bonds	Notes
1997	\$ 465,139	251,741	213,398
1998	467,767	250,800	216,967
1999	372,457	157,381	215,076
2000	217,726		217,726
2001	88,898		88,898
Later years	<u>1,511,270</u>		<u>1,511,270</u>
Total	3,123,257	659,922	2,463,335
Less: Amounts Representing Interest	<u>966,851</u>	<u>79,922</u>	<u>886,929</u>
Total at Present Value	<u>\$ 2,156,406</u>	<u>580,000</u>	<u>1,576,406</u>

(5) Pension Plan.

Plan Description. The institution contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 1996, 1995 and 1994 were \$667,994, \$603,847 and \$518,381, respectively, equal to the required contributions for each year.

(6) Deferred Compensation Plan.

The institution, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the institution (without being restricted to the provisions of benefits under the plan), subject only to the claims of the institution's general creditors. Participants' rights under the plan are equal to those of general creditors of the institution in an amount equal to the fair market value of the deferred account for each participant.

HOLMES COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1996

The Mississippi Public Employees' Retirement System maintains the deferred compensation plan account in the name of the institution. The amount of assets held for participants employed by Holmes Community College as of June 30, 1996, was \$733,129.

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

HOLMES COMMUNITY COLLEGE
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	CFDA NUMBER		DIRECT FEDERAL	FEDERAL FLOW- THROUGH	TOTAL REVENUES	TOTAL EXPENDITURES
Major Programs						
Student Financial Aid:						
Department of Education	N/A	\$	1,830,652	4,176	1,834,828	1,839,731
Private Lending Institutions	84.032					715,202
Department of Labor	17.250			81,329	81,329	81,329
Total Student Financial Aid			<u>1,830,652</u>	<u>85,505</u>	<u>1,916,157</u>	<u>2,636,262</u>
Other:						
Department of Education						
Adult Education - State-administered Basic Grant	84.002		161,814		161,814	192,703
Vocational Education - Basic Grants to States	84.048			210,182	210,182	206,663
Student Support Services	84.042A		171,308		171,308	159,594
Department of Labor						
Job Training Partnership Act	17.250			471,893	471,893	505,947
Total Other			<u>333,122</u>	<u>682,075</u>	<u>1,015,197</u>	<u>1,064,907</u>
Total Major Programs			<u>2,163,774</u>	<u>767,580</u>	<u>2,931,354</u>	<u>3,701,169</u>
Other Federal Assistance						
Department of Education						
Small Business Administration	59.037		55,742		55,742	77,459
Title III - Higher Education Institutional Aid	84.031A					116
Tech-prep Education	82.243			45,539	45,539	54,564
Department of Agriculture						
Rural Health Appropriation	10.855		88,489		88,489	88,489
Total Other Federal Assistance			<u>144,231</u>	<u>45,539</u>	<u>189,770</u>	<u>220,628</u>
Total Federal Financial Assistance		\$	<u>2,308,005</u>	<u>813,119</u>	<u>3,121,124</u>	<u>3,921,797</u>

See accompanying Notes to Schedule of Federal Financial Assistance.

HOLMES COMMUNITY COLLEGE

Notes to Schedule of Federal Financial Assistance For the Year Ended June 30, 1996

A. Basis of Presentation.

The accompanying Schedule of Federal Financial Assistance (the schedule) has been generally prepared in the format as set forth in Statement of Position 92-9. The purpose of the schedule is to present a summary of those activities represented by Holmes Community College for the year ended June 30, 1996, which have been financed by the U.S. Government (federal awards). For the purposes of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Holmes Community College and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of Holmes Community College, it is not intended to and does not present either the financial position or the changes in fund balances of Holmes Community College.

In accordance with Office of Management and Budget (OMB) Circular A-133, federal awards are classified as follows:

Major Programs - Total federal program expenditures, exclusive of Stafford and Perkins Loans advanced, are the larger of three percent of total federal funds expended or \$100,000.

Student Financial Aid (SFA)
Other

Other Federal Assistance - Federal awards that do not meet the definition of major programs.

The "Private Lending Institutions" category in the SFA section includes loans made directly to students from the Stafford Loan Program.

Individual awards within each category of federal awards are identified by CFDA number and program name if the award is individually significant to the category of award. All other awards are presented in total by funding agency.

B. Revenue and Expenditure Recognition.

Revenue is recognized when received or when earned by the institution.

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general institution activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs and related revenues applicable to these cost recoveries are classified as unrestricted revenues and expenditures of the general purpose financial statements.

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

August 7, 1997

Dr. Starkey Morgan
and Board of Trustees
Holmes Community College
Goodman, Mississippi

We have audited the balance sheet of Holmes Community College as of June 30, 1996, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated August 7, 1997.

We have also audited Holmes Community College's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1996, and have issued our report thereon dated August 7, 1997. The management of Holmes Community College is responsible for the institution's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and OMB Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Holmes Community College complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1996.

This report is intended for the use of Holmes Community College, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

A handwritten signature in cursive script that reads "Ramona Hill".

RAMONA HILL, CPA
Director, Department of Audit

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE

REPORT ON INTERNAL CONTROL

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

REPORT ON INTERNAL CONTROL

August 7, 1997

Dr. Starkey Morgan
and Board of Trustees
Holmes Community College
Goodman, Mississippi

We have audited the balance sheet of Holmes Community College as of June 30, 1996, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated August 7, 1997. We have also audited the institution's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated August 7, 1997.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the institution complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended June 30, 1996, we considered the institution's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the institution's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133.

The management of Holmes Community College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Revenue/cash receipts
- Purchasing/cash disbursements
- Payroll
- Property control
- Journal vouchers/interdepartmental transactions

Administration of Federal Financial Assistance Programs

General Requirements

- Political activity
- Civil rights
- Cash management
- Drug-free workplace
- Financial reporting
- Allowable costs/cost principles
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort
- Reporting
- Cost allocation
- Special requirements, if any

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and we assessed control risk.

For the year ended June 30, 1996, the institution expended 94% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls as required by OMB Circular A-133 to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the institution's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the use of Holmes Community College, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

A handwritten signature in cursive script that reads "Ramona Hill".

RAMONA HILL, CPA
Director, Department of Audit

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE

MANAGEMENT REPORT

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

MANAGEMENT REPORT

August 7, 1997

Dr. Starkey Morgan
and Board of Trustees
Holmes Community College
Goodman, Mississippi

We have audited the balance sheet of Holmes Community College as of June 30, 1996, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance for the year then ended and have issued our report thereon dated August 7, 1997. We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; the provisions of OMB Circulars A-110 and A-133; the provisions of compliance features identified in the Department of Health and Human Services (DHHS) Guidelines for Audits of Federal Awards to Educational Institutions (guidelines); and the provisions of compliance features identified in the U.S. Department of Education Audit Guide for Student Financial Assistance Programs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Laws and Regulations

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to Holmes Community College is the responsibility of the institution's management. As part of our audit, we performed tests of the institution's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests indicate that for the items tested, Holmes Community College had complied with those laws and regulations referred to above, noncompliance with which could have a material effect on the audited financial statements. For items not tested, nothing came to our attention that would lead us to believe Holmes Community College had not complied with the laws and regulations, noncompliance with which could have a material effect on the audited financial statements.

Compliance with Requirements of the Federal Financial Assistance Programs

A. Compliance with Specific Requirements for Major Programs.

Summary of Transactions for Major Programs.

1. Student Financial Aid.	<u>Number of Items</u>	<u>Total</u>
Universe		\$ 2,636,262
Sample	39	54,469
2. Other Major Programs.	<u>Number of Items</u>	<u>Total</u>
Universe		\$ 1,064,907
Sample	350	468,677

For the items tested, we found no instances of noncompliance with specific requirements of the major federal financial assistance programs.

B. Compliance with General Requirements.

We have applied procedures to test Holmes Community College's compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1996:

1. Political activity
2. Drug-free workplace
3. Civil rights
4. Cash management
5. Financial reporting
6. Allowable costs/cost principles
7. Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the institution's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed instances of noncompliance with the requirements listed in the preceding paragraph of this report and have identified these instances in the accompanying "Schedule of Findings and Recommendations." With respect to items not tested, nothing came to our attention that caused us to believe that Holmes Community College had not complied with those requirements.

C. Compliance with Specific Requirements for Nonmajor Programs.

In connection with our audit of the financial statements of Holmes Community College and with our study and evaluation of the internal control structure used to administer federal financial assistance programs, as required by OMB Circulars A-110 and A-133, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996.

As required by OMB Circulars A-110 and A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the institution's compliance with these requirements. Accordingly, we do not express such an opinion.

Summary of Transactions for Nonmajor Programs.

	<u>Number of Items</u>	<u>Total</u>
Universe		\$ 220,628
Sample	12	37,500

With respect to the transactions tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the transactions not tested, nothing came to our attention that caused us to believe that the institution had not complied, in all respects, with those requirements.

State Laws and Regulations

During the course of our audit, we noted instances of noncompliance with state laws and regulations and have identified these instances in the accompanying "Schedule of Findings and Recommendations."

For items tested, other than the findings previously mentioned, the institution had complied with state laws and regulations. For items not tested, other than the findings previously mentioned, nothing came to our attention that would lead us to believe the institution had not complied with state laws and regulations.

Other Findings

During the course of our audit, the following matters were detected which require the attention of management. These matters, which do not have a material effect on the audited financial statements, include deviations from generally accepted accounting principles and other matters involving the internal control structure and its operation.

These findings are listed in the accompanying "Schedule of Findings and Recommendations."

Follow-up on Prior Year Findings

Government Auditing Standards require the auditor to disclose the status of known but uncorrected significant or material findings from prior audits. Any findings noted in the previous audit that were not corrected are presented in the "Schedule of Findings and Recommendations."

This report is intended for the use of Holmes Community College, the cognizant audit agency and other federal audit agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

A handwritten signature in cursive script that reads "Ramona Hill".

RAMONA HILL, CPA
Director, Department of Audit

HOLMES COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE
Schedule of Findings and Recommendations
For the Year Ended June 30, 1996

General Requirements

Adult Basic Education

Finding

During our tests of expenditures relating to the adult basic education grant, we noted that five of the nine payments tested for instruction/aide services did not include adequate supporting documentation providing the number of hours worked and the rate of pay.

Recommendation

Documentation should be provided with the request for payment which details the hours worked and the rate of pay.

Questioned Cost

\$1,792.50

State Laws and Regulations

Finding

As previously reported, the institution was not in compliance with Section 71-5-359, Miss. Code Ann. (1972). This section states that the balance in the unemployment compensation revolving fund (Trust Fund) must be maintained, at a minimum, equal to 2% of the first \$6,000 of salaries and wages paid to each employee.

Recommendation

Funds should be provided to the unemployment compensation revolving fund (Trust Fund) to meet the minimum requirements of Section 71-5-359, Miss. Code Ann. (1972).

Other Findings

1. Finding

As previously reported, receivables and payables were not accrued at fiscal year-end. This caused misstatements of receivables and revenues, and payables and expenditures at June 30, 1996.

Recommendation

Procedures should be implemented which will insure that all revenues and expenditures are recorded in the proper fiscal year.

HOLMES COMMUNITY COLLEGE
Schedule of Findings and Recommendations
For the Year Ended June 30, 1996

2. Finding

As noted in the prior year audit, three bank accounts containing room key deposits were not included on the general ledger. The balance of these three accounts totaled \$9,749.97 at June 30, 1996.

Recommendation

All bank accounts containing Holmes Community College's funds should be accounted for on the general ledger.

3. Finding

As previously reported, an allowance for doubtful accounts had not been established at fiscal year-end. Based on test work performed on accounts receivable, there were accounts that were uncollectible and should have been accounted for as such. An audit adjustment was made in the General Fund to establish an allowance for doubtful accounts at June 30, 1996.

Recommendation

The college should establish a method of determining the collectibility of accounts receivable and, from this information, provide for an allowance for doubtful accounts.

4. Finding

As previously reported, we noted that fixed asset account balances were not adjusted on the general ledger to reflect additions and deletions during the year. We also noted that detail listings of land and other structures and improvements were not maintained by the institution.

Recommendation

Detail subsidiary records are maintained for equipment and buildings, thus the general ledger should be adjusted at year-end to agree with these subsidiary listings. The college should also maintain detail subsidiary listings for land and other structures and improvements. Audit adjustments were made to these fixed asset accounts at June 30, 1996.

5. Finding

Upon our review of the detail listing of the library inventory (which includes library equipment as well as books and films), we noted several items that the college should take steps to correct. They include:

- a. Several items on the listings were noted as "rentals". Items rented should not be on the institution's inventory.
- b. Some items were noted as "worn out". Obsolete items should be deleted from inventory and disposed of.
- c. Several items were noted as "donated" with no dollar value assigned. Donated items should be added to inventory at fair market value at the time of donation.

HOLMES COMMUNITY COLLEGE
Schedule of Findings and Recommendations
For the Year Ended June 30, 1996

Recommendation

The institution should review the library inventory listings and take steps to correct the items mentioned above.

6. Finding

As previously reported, employees with nine and ten month contracts who chose to be paid over 12 months received their first paycheck under this contract before any work was performed. (Received a check under this contract in July 1995 when the start date on the contract is August or September 1995.)

Recommendation

No employee should be paid before services are rendered.

7. Finding

During our test of Plant Fund expenditures we noted the following:

- a. One item purchased as a single source was not documented on the board minutes as required by Section 31-7-13, Miss. Code Ann. (1972).
- b. Three invoices could not be located.
- c. Numerous instances of repair work were being performed with no evidence of bids being taken as required by Section 31-7-13, Miss. Code Ann. (1972).

Recommendation

All purchases and expenditures should be made in accordance with Section 31-7-13, Miss. Code Ann. (1972), and the invoices should be maintained by the institution and available for audit.

8. Finding

As previously reported, Holmes Community College had not implemented proper accounting procedures for splitting salary expense between funds when this was necessitated. This caused over/understatement of expenses in the affected funds.

Recommendation

The institution should determine the ability of its computer system to properly split charges between funds or establish procedures to manually correct these charges at year-end.

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)

HOLMES COMMUNITY COLLEGE
DATA SHEET
For the Year Ended June 30, 1996

Lead Auditor: Brent Ballard, CPA

Telephone Number: (601) 364-2720

Contact Person at Institution: Henry B. McClellan

Address of Contact: Holmes Community College, Goodman, MS

Telephone Number of Contact: (601) 472-2312

The field audit work was performed between January 6, 1997 and August 7, 1997 at the institution's facilities as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
Goodman, MS	Administration Building	1/6/97 - 8/7/97

Institution's Accrediting Organization: Southern Association of Colleges and Schools

The institution utilizes a student financial aid (SFA) servicer.

HOLMES COMMUNITY COLLEGE

(This page left blank intentionally)