



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

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State Auditor**

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Director, Department of Audit**

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Director, Division of College and University Audits**

**MERIDIAN COMMUNITY COLLEGE**

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



MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MERIDIAN COMMUNITY COLLEGE

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT

February 18, 1997

President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the accompanying balance sheet of Meridian 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 Meridian 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 Meridian 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 which is 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 Meridian 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 February 18, 1997 on our consideration of Meridian Community College internal control structure and a report dated February 18, 1997 on its compliance with laws and regulations.

A handwritten signature in cursive script, appearing to read "Norman R. McLeod".

NORMAN R. McLEOD, CPA  
Director, Department of Audit

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

MERIDIAN 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 4)	\$ 286,340	426,892	Accounts payable and accrued expenses	\$ 388,747	645,912
Accounts receivable			Accrued leave (Note 3)	173,232	144,800
State appropriation	137,617	122,018	Deposits refundable	19,246	16,450
Students, less allowance of			Fund balances:		
\$242,088 (1996) and			Unallocated		
\$209,405 (1995)	17,854	1,450	General	775,747	709,656
Other	809,970	865,150	Auxiliary	169,551	152,939
Notes receivable	35,000	40,000			
Inventories	189,972	214,247			
Prepaid items and deferred charges	205				
Due from other funds	49,565				
Total Current Unrestricted Funds	1,526,523	1,669,757	Total Current Unrestricted Funds	1,526,523	1,669,757
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	133,004	129,300	Accrued leave (Note 3)	16,191	19,622
			Deferred credits	60,787	58,074
			Fund balance:		
			Allocated	56,026	51,604
Total Current Restricted Funds	133,004	129,300	Total Current Restricted Funds	133,004	129,300
Total Current Funds	\$ 1,659,527	1,799,057	Total Current Funds	\$ 1,659,527	1,799,057
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 196	196	Fund balances:		
Federal student loans, less allowance of			Federal	196	1,075
\$23,399 (1996) and					
\$23,365 (1995) (Note 5)		879			
Total Loan Funds	\$ 196	1,075	Total Loan Funds	\$ 196	1,075

Plant Funds		
Cash and other deposits (Note 4)	\$ 644,369	1,064,790
Land	228,479	228,479
Improvements other than buildings	2,224,618	2,031,867
Buildings	14,276,853	14,271,238
Furniture, machinery and equipment	2,995,743	2,672,173
Books and films	893,554	867,129
Assets under capital leases (Note 6)	222,425	222,425
Construction in progress (Note 7)	711,014	82,277
	<u>                    </u>	<u>                    </u>
Total Plant Funds	\$ <u>22,197,055</u>	<u>21,440,378</u>
Agency Funds		
Cash and other deposits (Note 4)	\$ 103,317	39,274
Deferred compensation plan assets at fair market value (Note 9)	2,729,088	2,272,207
Due from depositors	<u>                    </u>	<u>35,115</u>
Total Agency Funds	\$ <u>2,832,405</u>	<u>2,346,596</u>

Plant Funds		
Accounts payable	\$ 34,558	36,736
Due to other funds	49,565	
Notes payable (Note 6)	4,455,000	4,520,000
Bonds payable (Note 6)	3,355,000	3,575,000
Obligations under capital leases (Note 6)	78,955	124,828
Fund balances:		
Unexpended	30,103	511,912
Retirement of indebtedness	530,143	516,142
Net investment in plant	<u>13,663,731</u>	<u>12,155,760</u>
Total Plant Funds	\$ <u>22,197,055</u>	<u>21,440,378</u>
Agency Funds		
Due to depositors	\$ 2,832,405	2,346,596
Total Agency Funds	\$ <u>2,832,405</u>	<u>2,346,596</u>

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

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

Exhibit B

	Current Funds			Loan Funds	Plant Funds		
	Unrestricted	Restricted	Total		Unexpended	Retirement of Indebtedness	Investment in Plant
<b>Revenues and Other Additions</b>							
Tuition and fees	\$ 2,635,880		2,635,880				
State appropriations	6,978,508	324,483	7,302,991		622,546		
Local appropriations	945,107	91,414	1,036,521			524,506	
Federal grants and contracts	15,217	2,694,737	2,709,954				
State grants and contracts	1,095,657	559,268	1,654,925				
Local grants and contracts		36,896	36,896				
Private gifts, grants & contracts	97,109	128,215	225,324				
Investment income	32,565	3,306	35,871		3,938	18,209	
Additions to plant facilities							1,273,853
Retirement of indebtedness							330,873
Sales and services of educational activities	113,312		113,312				
Sales and services of auxiliary activities	1,894,181		1,894,181				
Reduction in accrued leave		3,431	3,431				
Other	86,706	24,719	111,425				
<b>Total Rev. &amp; Other Additions</b>	<b>13,894,242</b>	<b>3,866,469</b>	<b>17,760,711</b>		<b>626,484</b>	<b>542,715</b>	<b>1,604,726</b>
<b>Expenditures &amp; Other Deductions</b>							
<b>Educational and general:</b>							
Instruction	5,589,419	1,771,656	7,361,075				
Academic support	864,180	224,294	1,088,474				
Student services	1,697,763	185,993	1,883,756				
Institutional support	1,404,573	7,061	1,411,634				
Operation & maint. of plant	1,423,596	2,087	1,425,683				
Student aid	451,280	1,924,206	2,375,486				
<b>Total Educational and General</b>	<b>11,430,811</b>	<b>4,115,297</b>	<b>15,546,108</b>				
Auxiliary	1,569,307	24,706	1,594,013				
Repairs and maintenance					307,631		
Expended for plant facilities					960,971		
Plant assets sold or retired							96,755
Retirement of indebtedness						330,873	
Interest on indebtedness						505,551	
Provision for uncollectible accts.	32,683		32,683	34			
Provision for accrued leave	28,432		28,432				
Other				845		4,331	
<b>Total Expenditures and Other Deductions</b>	<b>13,061,233</b>	<b>4,140,003</b>	<b>17,201,236</b>	<b>879</b>	<b>1,268,602</b>	<b>840,755</b>	<b>96,755</b>

Transfers - Additions (Deductions)

Mandatory:							
Principal and interest	(311,350)		(311,350)			311,350	
Restricted fund matching	<u>(277,956)</u>	<u>277,956</u>					
Total Mandatory	<u>(589,306)</u>	<u>277,956</u>	<u>(311,350)</u>			<u>311,350</u>	
Other:							
Other	<u>(161,000)</u>		<u>(161,000)</u>		<u>160,309</u>	<u>691</u>	
Total Other	<u>(161,000)</u>		<u>(161,000)</u>		<u>160,309</u>	<u>691</u>	
Total Transfers	<u>(750,306)</u>	<u>277,956</u>	<u>(472,350)</u>		<u>160,309</u>	<u>312,041</u>	
Net Increase (Decr.) for Year	<u>82,703</u>	<u>4,422</u>	<u>87,125</u>	<u>(879)</u>	<u>(481,809)</u>	<u>14,001</u>	<u>1,507,971</u>
Fund Balance at Beg. of Year As Previously Reported	<u>862,595</u>	<u>51,604</u>	<u>914,199</u>	<u>1,075</u>	<u>511,912</u>	<u>516,142</u>	<u>12,155,760</u>
Fund Balance at End of Year	\$ <u>945,298</u>	<u>56,026</u>	<u>1,001,324</u>	<u>196</u>	<u>30,103</u>	<u>530,143</u>	<u>13,663,731</u>

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

MERIDIAN 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	Total
Revenues and Other Additions					
Tuition and fees	\$ 2,635,880		2,635,880		2,505,749
State appropriations	6,978,508	324,483	7,302,991		7,077,965
Local appropriations	945,107	91,414	1,036,521		1,020,921
Federal grants and contracts	15,217	2,694,737	2,709,954		2,708,306
State grants and contracts	1,095,657	558,277	1,653,934		1,231,758
Local grants and contracts		36,896	36,896		16,811
Private gifts, grants and contracts	97,109	128,215	225,324		174,372
Investment income	32,565	3,306	35,871		47,568
Sales and services of educational activities	113,312		113,312		104,550
Sales and services of auxiliary activities	1,894,181		1,894,181		1,554,017
Other	86,706	24,719	111,425		67,463
Total Revenues and Other Additions	13,894,242	3,862,047	17,756,289		16,509,480
Expenditures & Mandatory Transfers					
Educational and general:					
Instruction	5,589,419	1,771,656	7,361,075		6,751,094
Academic support	864,180	224,294	1,088,474		1,284,767
Student services	1,697,763	185,993	1,883,756		1,855,638
Institutional support	1,404,573	7,061	1,411,634		1,530,335
Oper. & maintenance of plant	1,423,596	2,087	1,425,683		1,227,725
Student aid	451,280	1,924,206	2,375,486		2,176,813
Total Educational and General Expenditures	11,430,811	4,115,297	15,546,108		14,826,372
Mandatory transfers:					
Principal and interest	53,088		53,088		140,000
Restricted fund matching	277,956	(277,956)			
Total Educational and General	11,761,855	3,837,341	15,599,196		14,966,372
Auxiliary enterprises:					
Expenditures	1,569,307	24,706	1,594,013		1,398,172
Mandatory transfers:					
Principal and interest	258,262		258,262		196,516
Total Auxiliary Enterprises	1,827,569	24,706	1,852,275		1,594,688
Total Expenditures and Mandatory Transfers	13,589,424	3,862,047	17,451,471		16,561,060
Other Transfers - Additions (Ded.)					
Excess restricted receipts over expenditures & mandatory transfers		991	991		3,717
Other	(161,000)		(161,000)		
Provision for uncollectible accounts	(32,683)		(32,683)		(37,066)
Provision for accrued leave	(28,432)		(28,432)		(18,646)
Reduction in accrued leave		3,431	3,431		
Total Other Transfers - Additions (Deductions)	(222,115)	4,422	(217,693)		(51,995)
Net Change in Fund Balance	\$ 82,703	4,422	87,125		(103,575)

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

## MERIDIAN COMMUNITY COLLEGE

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

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

(1) Basis of Accounting.

Meridian 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.

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

Investments are recorded at cost if purchased or if acquired by gift at fair market value at the time of donation.

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

## MERIDIAN COMMUNITY COLLEGE

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

have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

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 Meridian 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 Loan Funds are used to account for loans to students. Resources to provide loans are derived primarily from the federal government. Provisions of the federal loan program stipulate that:
  - 1. The institution's matching share is one-third of the federal contributions.
  - 2. A portion of the loan principal and interest (maximum of 30% per year) will be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.
- B. 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.
- C. 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.

## MERIDIAN COMMUNITY COLLEGE

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

(1) Financial Reporting Entity.

In accordance with Governmental Accounting Standards Board Statement Number 14, the Meridian Community College Public Improvement Corporation (the "Corporation") is deemed a component unit of the institution.

The Corporation is a nonprofit corporation incorporated in the state of Mississippi with the approval of the Board of Trustees of Meridian Community College. The purpose of the corporation is for the financing and construction of Meridian Community College student apartments.

(2) Appropriations - General Operations.

Meridian 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 Lauderdale County and the City of Meridian for general support, maintenance and capital improvements.

(3) Accrued Leave.

Twelve-month employees earn annual personal leave at a rate of ten days per year for zero to ten years of service, with a maximum accumulation of 20 days; 12 days per year for ten to 14 years of service, with a maximum accumulation of 24 days; 14 days per year for 15 to 19 years of service, with a maximum accumulation of 28 days; and 16 days per year for over 20 years of service, with a maximum accumulation of 32 days. There is no requirement that annual leave be taken. At termination, these employees are paid for accrued leave.

The liability for accrued leave at June 30, 1996, as reported in the Current Funds, was \$189,423.

(4) Cash and Other Deposits.

For financial statement purposes cash and other deposits are represented by demand accounts and time deposits such as savings accounts, certificates of deposit and money market funds. Also included in this account are the Public Improvement Corporation's cash accounts and imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 1996, was \$1,167,226 and the depository balance was \$1,783,810. The carrying amount and the depository balance of the Public Improvement Corporation's cash and other deposits at June 30, 1996, was \$375,784. The portion of depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$444,506. The amount of \$1,063,520 was collateralized with securities held by a pledging financial institution's trust department or agent but not in the institution's name. The remaining \$275,784 was not collateralized because the Public Improvement Corporation was not considered to be a governmental entity.

MERIDIAN COMMUNITY COLLEGE

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

(5) Notes Receivable From Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to 12 months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 1996:

	Interest Rates	Unpaid Balance 6-30-96
Perkins student loans	3%	\$ 23,399
Total Notes Receivable		23,399
Less: Allowance for Doubtful Accounts		23,399
Net Notes Receivable		<u>\$ 0</u>

(6) 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:				
Limited-tax school bonds, Series 1988	\$ 2,000,000	6.3% - 9%	2003	\$ 1,200,000
Limited-tax school bonds, Series 1994	<u>2,250,000</u>	5.1% - 6.5%	2009	<u>2,155,000</u>
Total Bonded Debt	<u>\$ 4,250,000</u>			<u>\$ 3,355,000</u>
B. Notes.				
Public Improvement Corporation - student apartment notes, 1993	\$ 3,385,000	4.75% - 6.75%	2013	\$ 3,385,000
Educational facilities notes, Series 1991	<u>1,300,000</u>	5% - 6.6%	2006	<u>1,070,000</u>
Total Notes	<u>\$ 4,685,000</u>			<u>\$ 4,455,000</u>
C. Capital Lease.				
Computer equipment	<u>\$ 222,245</u>	7.43%	1998	<u>\$ 78,955</u>
Total Capital Leases	<u>\$ 222,245</u>			<u>\$ 78,955</u>

This lease covers a five year period. The institution has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation.

MERIDIAN COMMUNITY COLLEGE

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

There is also a fiscal funding addendum that states that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

The amount capitalized as leased property under capital leases is the amount of the original obligation.

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

Year Ending June 30	Total	Bonds	Notes	Leases
1997	\$ 937,663	436,077	448,495	53,091
1998	924,771	444,815	449,260	30,696
1999	886,324	441,991	444,333	
2000	886,713	438,150	448,563	
2001	889,244	437,801	451,443	
Later years	7,473,736	2,408,350	5,065,386	
Total	11,998,451	4,607,184	7,307,480	83,787
Less: Amounts Representing Interest	4,109,496	1,252,184	2,852,480	4,832
Total at Present Value	\$ 7,888,955	3,355,000	4,455,000	78,955

(7) Construction Commitments and Financing.

The institution has contracted for the construction of the following.

Project	Cost to Complete
State Funds	
Ivy Hall renovation	\$ 1,942,329
Webb Hall	29,700
Total	\$ 1,972,029

(8) 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.

MERIDIAN COMMUNITY COLLEGE

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

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. Meridian Community College's contributions to PERS for the years ending June 30, 1996, 1995 and 1994 were \$777,763, \$717,055 and \$633,933, respectively, equal to the required contributions for each year.

(9) 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.

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 Meridian Community College as of June 30, 1996 was \$2,729,088.

(10) Foundation.

Meridian Community College Foundation, Inc. is an independent corporation formed for the purpose of receiving funds for the sole benefit of the institution. Following is a summary of the foundation's financial position at June 30, 1996, which amounts are not included in the financial statements of the institution:

<u>Assets</u>		<u>Amount</u>
Cash and investments	\$	151,532
Investments		2,886,757
Accounts receivable		2,200
Land		67,506
Equipment		5,552
Other assets		<u>20,007</u>
Total Assets	\$	<u><u>3,133,554</u></u>

MERIDIAN COMMUNITY COLLEGE

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

<u>Liabilities and Fund Balances</u>		<u>Amount</u>
Accounts payable	\$	4,151
Annuity liability		41,414
Fund balances:		
Unrestricted		272,600
Restricted		<u>2,815,389</u>
Total Liabilities and Fund Balances	\$	<u><u>3,133,554</u></u>

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MERIDIAN 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
<b>Major Programs</b>					
Student Financial Aid:					
Department of Education					
College Work-study	84.033	\$ 118,257		118,257	109,375
SEOG	84.007	68,269		68,269	68,269
PELL	84.063	1,734,589		1,734,589	1,728,254
SSIG	N/A		4,864	4,864	10,591
Private lending institutions	N/A				702,535
Total Student Financial Aid		<u>1,921,115</u>	<u>4,864</u>	<u>1,925,979</u>	<u>2,619,024</u>
<b>Other:</b>					
United States Department of Education:					
Vocational Education - Basic Grants to States	84.048		242,586	242,586	259,587
United States Department of Education:					
Adult Education - State Administered Basic Grant Program	84.002		163,132	163,132	172,455
United States Department of Education:					
Tech-Prep Education	84.243		107,087	107,087	119,267
United States Department of Agriculture:					
Rural Health	10.500		106,524	106,524	129,609
Total Other			<u>619,329</u>	<u>619,329</u>	<u>680,918</u>
Total Major Programs		<u>1,921,115</u>	<u>624,193</u>	<u>2,545,308</u>	<u>3,299,942</u>
<b>Other Federal Assistance</b>					
United States Department of Defense:					
Mississippi Procurement Center	12.002		24,576	24,576	81,866
Total United States Department of Defense			<u>24,576</u>	<u>24,576</u>	<u>81,866</u>
United States Department of Commerce:					
Small Business Development	11.301		35,917	35,917	89,450
Total United States Department of Commerce			<u>35,917</u>	<u>35,917</u>	<u>89,450</u>
United States Department of Labor:					
Job Training Partnership Act	17.250		79,153	79,153	83,463
Total United States Department of Labor			<u>79,153</u>	<u>79,153</u>	<u>83,463</u>

Department of Health and Human Services:				
Maternal Child Health Block	93.994	<u>25,000</u>	<u>25,000</u>	<u>75,348</u>
Total Department of Health and Human Services		<u>25,000</u>	<u>25,000</u>	<u>75,348</u>
Total Other Federal Assistance		<u>164,646</u>	<u>164,646</u>	<u>330,127</u>
Total Federal Financial Assistance		<u><u>\$ 1,921,115</u></u>	<u><u>788,839</u></u>	<u><u>2,709,954</u></u>

See accompanying Notes to Schedule of Federal Financial Assistance.

MERIDIAN 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 Meridian 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 Meridian 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 Meridian Community College, it is not intended to and does not present either the financial position or the changes in fund balances of Meridian 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.

MERIDIAN COMMUNITY COLLEGE

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

MERIDIAN COMMUNITY COLLEGE

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

February 18, 1997

President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the balance sheet of Meridian 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 February 18, 1997.

We have also audited Meridian 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; 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, 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 February 18, 1997. The management of Meridian 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, Meridian 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 Meridian 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, appearing to read "Norman R. McLeod".

NORMAN R. McLEOD, CPA  
Director, Department of Audit

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

REPORT ON INTERNAL CONTROL

MERIDIAN COMMUNITY COLLEGE

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## REPORT ON INTERNAL CONTROL

February 18, 1997

President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the balance sheet of Meridian 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 February 18, 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 February 18, 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 Meridian 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
- Monitoring subrecipients

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 91% 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.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

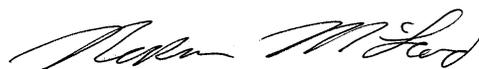
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements or that could adversely affect the organization's ability to administer federal award programs in accordance with applicable laws and regulations.

A material weakness is a reportable 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 the 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 have identified three reportable conditions, none of which we consider to be material weaknesses as defined in the preceding paragraph. These matters are included in the accompanying "Schedule of Findings and Recommendations."

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 Meridian 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.



NORMAN R. McLEOD, CPA  
Director, Department of Audit

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

MANAGEMENT REPORT

MERIDIAN COMMUNITY COLLEGE

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# State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT  
AUDITOR

## MANAGEMENT REPORT

February 18, 1997

President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the balance sheet of Meridian 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 February 18, 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 Meridian 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, Meridian 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, other than the findings previously mentioned, nothing came to our attention that would lead us to believe Meridian 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			2,619,024
Sample	47	\$	83,489
2. Other Major Programs.			
A. Vocational Education - Basic Grants to States	<u>Number of Items</u>		<u>Total</u>
Universe			259,587
Sample	12	\$	226,689
B. Adult Education - Basic Grants to States	<u>Number of Items</u>		<u>Total</u>
Universe			172,455
Sample	14	\$	100,187
C. Technical Preparation Education	<u>Number of Items</u>		<u>Total</u>
Universe			119,267
Sample	25	\$	85,025
D. U.S. Department of Agriculture - Rural Health	<u>Number of Items</u>		<u>Total</u>
Universe			129,609
Sample	11	\$	105,338

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 Meridian 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 one instance of noncompliance with the requirements listed in the preceding paragraph of this report and have identified this instance 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 Meridian Community College had not complied with those requirements.

#### State Laws and Regulations

During the course of our audit, we noted no instances of noncompliance with state laws and regulations.

#### Other Findings

During the course of our audit, the following matter was detected which requires the attention of management. This matter, which does not have a material effect on the audited financial statements, includes deviations from generally accepted accounting principles and other matters involving the internal control structure and its operation.

This finding is 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. There were no material or significant findings from the previous report that had not been corrected.

This report is intended for the use of Meridian 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.



NORMAN R. McLEOD, CPA  
Director, Department of Audit

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

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

Internal Control

Material Weaknesses

No material weaknesses were noted.

Reportable Conditions

1. Finding

Adequate procedures were not in place to insure that invoices were properly defaced upon payment.

Recommendation

Original invoices should be defaced to indicate that payment has been made.

2. Finding

All bank accounts are not being reconciled on a regular monthly basis.

Recommendation

Reconciliations should be completed monthly on all accounts.

3. Finding

As reported in the previous year's audit report, the institution's internal control procedures for accountability of equipment have not been properly implemented. During our examination, we noted the following:

- A. Some equipment items were not tagged.
- B. Some equipment items were not located in the areas indicated on the inventory report.
- C. Some equipment items had no location listed.
- D. Some tagged equipment items had been deleted from the inventory report without prior approval of the Salvage Committee.
- E. Equipment of similar monetary value was not tagged in all cases.
- F. Physical inventory count is not being performed annually.

Recommendation

The institution should implement and enforce the existing internal control policies and procedures to insure proper accountability and safeguarding of equipment.

MERIDIAN COMMUNITY COLLEGE

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

General Requirements

Finding

Federal funds were drawn and held by the institution for more than three business days prior to disbursement.

Recommendation

Drawdowns of federal funds should be limited to amounts required for current expenditures and should be disbursed within three days of receipt.

Other Findings

Finding

Purchases made from the campus bookstore did not follow regular purchase law requirements in the Single Parent Program.

Recommendation

These purchases should follow the same purchase law guidelines as any other authorized purchases made by the institution.

MERIDIAN 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: Pam Harrison, Business Manager

Address of Contact: 910 Highway 19 North, Meridian, Mississippi 39307-5890

Telephone Number of Contact: (601) 483-8241

The field audit work was performed between September 19, 1996 and February 18, 1997 at the institution's facilities as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
Hardin Hall	MCC Business Office	9/19/96-2/18/97
Ivy Hall	Student Financial Aid Office	

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

The institution does not utilize a student financial aid (SFA) servicer.

Records for the accounting and administration of the SFA programs are located at:

Meridian Community College  
Administration Building  
Meridian, Mississippi 39307

MERIDIAN COMMUNITY COLLEGE

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