



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

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Director, Financial and Compliance Audit Division

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DELTA STATE UNIVERSITY

Audited Financial Statements
For the Year Ended June 30, 1997

DELTA STATE UNIVERSITY

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT 1

 Independent Auditor's Report on the General Purpose Financial Statements and Supplemental
 Information 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 12

 Notes to Financial Statements 15

SUPPLEMENTAL INFORMATION 23

 Schedule of Expenditures of Federal Awards 24

REPORTS ON COMPLIANCE AND INTERNAL CONTROL 27

 Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based
 on an Audit of the General Purpose Financial Statements Performed in Accordance with
 Government Auditing Standards 29

 Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal
 Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 31

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 33

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 37

DELTA STATE UNIVERSITY

FINANCIAL AUDIT REPORT

DELTA STATE UNIVERSITY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

June 8, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of Delta State University as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of Delta State University's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Delta State University as of June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 1998 on our consideration of Delta State University-s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

DELTA STATE UNIVERSITY

AUDITED FINANCIAL STATEMENTS

DELTA STATE UNIVERSITY

Exhibit A

Balance Sheet
June 30, 1997
(With Comparative Figures at June 30, 1996)

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)	\$ 4,001,178	5,866,773	Accounts payable and accrued expenses	\$ 2,480,513	1,976,509
Investments (Note 5)	3,404,148	525,921	Accrued leave (Note 3)	1,286,198	1,164,784
Accounts receivable:			Deferred credits	1,345,919	743,423
State appropriation	131,443	137,343	Fund balances:		
Students, less allowance of			Allocated		
\$157,061 (1997) and			General	959,458	929,407
\$122,181 (1996)	414,174	110,519	Designated	214,201	213,932
Other	280,021	302,140	Auxiliary	2,472,186	2,359,715
Inventories	1,197,381	1,024,103	Unallocated		
Prepaid items and deferred charges	403,432	508,014	General	1,073,302	1,118,077
Due from other funds		31,034			
Total Current Unrestricted Funds	<u>9,831,777</u>	<u>8,505,847</u>	Total Current Unrestricted Funds	<u>9,831,777</u>	<u>8,505,847</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	26,246		Accounts payable and accrued expenses	39,796	20,026
Other accounts receivable	368,278	343,209	Due to other funds		31,034
			Fund balance:		
			Allocated	354,728	292,149
Total Current Restricted Funds	<u>394,524</u>	<u>343,209</u>	Total Current Restricted Funds	<u>394,524</u>	<u>343,209</u>
Total Current Funds	<u>\$ 10,226,301</u>	<u>8,849,056</u>	Total Current Funds	<u>\$ 10,226,301</u>	<u>8,849,056</u>
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 172,069	197,766	Fund balances:		
Other accounts receivable	3,690	5,438	Federal	\$ 1,675,512	1,675,925
Notes receivable:			Institution	304,425	294,620
Federal student loans, less allowance of					
\$216,500 (1997) and					
\$208,000 (1996) (Note 6)	1,591,161	1,587,987			
Institutional student loans (Note 6)	213,017	179,354			
Total Loan Funds	<u>\$ 1,979,937</u>	<u>1,970,545</u>	Total Loan Funds	<u>\$ 1,979,937</u>	<u>1,970,545</u>

Endowment and Similar Funds		
Cash and other deposits (Note 4)	\$ 21,244	21,244
Total Endowment & Similar Funds	<u>\$ 21,244</u>	<u>21,244</u>

Plant Funds		
Cash and other deposits (Note 4)	\$ 3,066,769	5,486,768
Investments (Note 5)	980,769	131,309
Other accounts receivable	27,736	28,284
Prepaid items and deferred charges	89,658	95,635
Land	860,612	860,612
Improvements other than buildings	5,470,077	5,418,001
Buildings	43,228,441	42,843,573
Furniture, machinery and equipment	8,812,135	8,172,131
Books and films	6,780,746	6,579,777
Assets under capital leases (Note 7)	1,600,790	1,491,140
Construction in progress (Note 8)	7,886,608	2,789,244
Total Plant Funds	<u>\$ 78,804,341</u>	<u>73,896,474</u>

Agency Funds		
Cash and other deposits (Note 4)	\$ 56,053	59,160
Deferred compensation plan assets at fair market value		138,918
Total Agency Funds	<u>\$ 56,053</u>	<u>198,078</u>

Endowment and Similar Funds		
Fund balances:		
Endowment	\$ 21,244	21,244
Total Endowment & Similar Funds	<u>\$ 21,244</u>	<u>21,244</u>

Plant Funds		
Accounts payable	\$ 249,118	222,611
Bonds payable (Note 7)	1,599,630	1,744,631
Obligations under capital leases (Note 7)	677,162	847,048
Fund balances:		
Unexpended	1,712,234	2,660,404
Renewals and replacements	1,963,847	2,447,782
Retirement of indebtedness	239,733	411,199
Net investment in plant	72,362,617	65,562,799
Total Plant Funds	<u>\$ 78,804,341</u>	<u>73,896,474</u>

Agency Funds		
Accounts payable and accrued expenses	\$	1,959
Due to depositors	56,053	196,119
Total Agency Funds	<u>\$ 56,053</u>	<u>198,078</u>

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

DELTA STATE UNIVERSITY
Statement of Changes in Fund Balances
For the Year Ended June 30, 1997

Exhibit B

	Current Funds			Loan Funds	Endowment and Similar Funds	Plant Funds			
	Unrestricted	Restricted	Total			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions									
Tuition and fees	\$ 9,159,087	28,634	9,187,721						
State appropriations	16,748,728		16,748,728			5,327,367			
Federal grants and contracts		4,109,649	4,109,649	17,421					
State grants and contracts	1,200	839,625	840,825						
Private gifts, grants & contracts	218,177	462,107	680,284	3,250			5,000		
Investment income	515,456	17,763	533,219	3,949		95,355	56,418	9,667	
Interest on loans receivable				37,434					
Additions to plant facilities									6,933,202
Retirement of indebtedness									415,510
Sales and services of educational activities	756,446	750	757,196				12,095		
Sales and services of auxiliary activities	6,438,912		6,438,912						
Other	283,422	11,526	294,948	40,496			100,213		
Total Rev. & Other Additions	34,121,428	5,470,054	39,591,482	102,550		5,422,722	173,726	9,667	7,348,712
Expenditures & Other Deductions									
Educational and general:									
Instruction	13,767,482	441,338	14,208,820						
Research	68,796	419,606	488,402						
Public service	182,769	919,815	1,102,584						
Academic support	2,960,508	78,587	3,039,095						
Student services	2,808,812	61,126	2,869,938						
Institutional support	2,576,590	38,207	2,614,797						
Operation & maintenance of plant	2,645,567	5,113	2,650,680						
Student aid	1,726,682	3,472,184	5,198,866						
Total Educational and General	26,737,206	5,435,976	32,173,182						
Auxiliary	5,489,407	126,238	5,615,645						
Loan cancellations and write-offs				71,946					
Collection costs				5,157					
Administrative costs recovered		36,354	36,354	13,362					
Indirect costs recovered		99,413	99,413						
Repairs and maintenance						2,071,182	1,067,661		
Expended for plant facilities						4,876,710			
Plant assets sold or retired									448,271
Retirement of indebtedness								415,510	
Interest on indebtedness								107,314	

Long-term debt incurred									100,623
Provision for uncollectible accounts	34,880		34,880	8,500					
Provision for accrued leave	121,414		121,414						
Other	2,256		2,256					13,245	
Total Expenditures and Other Deductions	<u>32,385,163</u>	<u>5,697,981</u>	<u>38,083,144</u>	<u>98,965</u>	<u>6,947,892</u>	<u>1,067,661</u>	<u>536,069</u>	<u>548,894</u>	
Transfers - Additions (Deductions)									
Mandatory:									
Principal and interest	(524,936)		(524,936)					524,936	
Restricted fund matching	(283,165)	283,165							
Loan fund matching	(5,807)		(5,807)	5,807					
Total Mandatory	<u>(813,908)</u>	<u>283,165</u>	<u>(530,743)</u>	<u>5,807</u>				<u>524,936</u>	
Other:									
Building projects	(817,000)		(817,000)		577,000	440,000	(200,000)		
Other	(7,341)	7,341				(30,000)	30,000		
Total Other	<u>(824,341)</u>	<u>7,341</u>	<u>(817,000)</u>		<u>577,000</u>	<u>410,000</u>	<u>(170,000)</u>		
Total Transfers	<u>(1,638,249)</u>	<u>290,506</u>	<u>(1,347,743)</u>	<u>5,807</u>	<u>577,000</u>	<u>410,000</u>	<u>354,936</u>		
Net Increase (Decr.) for Year	<u>98,016</u>	<u>62,579</u>	<u>160,595</u>	<u>9,392</u>	<u>(948,170)</u>	<u>(483,935)</u>	<u>(171,466)</u>	<u>6,799,818</u>	
Fund Balance at Beg. of Year As Previously Reported	<u>4,621,131</u>	<u>292,149</u>	<u>4,913,280</u>	<u>1,970,545</u>	<u>21,244</u>	<u>2,660,404</u>	<u>2,447,782</u>	<u>411,199</u>	<u>65,562,799</u>
Fund Balance at End of Year	<u>\$ 4,719,147</u>	<u>354,728</u>	<u>5,073,875</u>	<u>1,979,937</u>	<u>21,244</u>	<u>1,712,234</u>	<u>1,963,847</u>	<u>239,733</u>	<u>72,362,617</u>

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

DELTA STATE UNIVERSITY
Statement of Current Fund Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1997
(With Comparative Figures for the Year Ended June 30, 1996)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 9,159,087	28,634	9,187,721	9,203,485
State appropriations	16,748,728		16,748,728	16,563,024
Federal grants and contracts		4,109,649	4,109,649	3,567,909
State grants and contracts	1,200	839,625	840,825	662,866
Private gifts, grants and contracts	218,177	271,102	489,279	222,869
Investment income	515,456	17,763	533,219	462,241
Sales and services of educational activities	756,446	750	757,196	869,054
Sales and services of auxiliary activities	6,438,912		6,438,912	6,502,592
Other	283,422	11,526	294,948	381,269
Total Revenues and Other Additions	34,121,428	5,279,049	39,400,477	38,435,309
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	13,767,482	441,338	14,208,820	14,006,339
Research	68,796	419,606	488,402	506,185
Public service	182,769	919,815	1,102,584	636,755
Academic support	2,960,508	78,587	3,039,095	2,844,594
Student services	2,808,812	61,126	2,869,938	2,823,432
Institutional support	2,576,590	38,207	2,614,797	2,637,909
Operation & maintenance of plant	2,645,567	5,113	2,650,680	2,399,106
Student aid	1,726,682	3,472,184	5,198,866	4,757,304
Total Educational and General Expenditures	26,737,206	5,435,976	32,173,182	30,611,624
Mandatory transfers:				
Principal and interest	320,404		320,404	536,514
Restricted fund matching	251,605	(251,605)		(81,100)
Loan fund matching	5,807		5,807	9,740
Total Educational and General	27,315,022	5,184,371	32,499,393	31,076,778
Auxiliary enterprises:				
Expenditures	5,489,407	126,238	5,615,645	5,358,633
Mandatory transfers:				
Principal and interest	204,532		204,532	265,179
Restricted fund matching	31,560	(31,560)		
Total Auxiliary Enterprises	5,725,499	94,678	5,820,177	5,623,812
Total Expenditures and Mandatory Transfers	33,040,521	5,279,049	38,319,570	36,700,590

	Current Year			Prior Year	
	Unrestricted	Restricted	Total	Total	
Other Transfers - Additions (Ded.)					
Excess restricted receipts over expenditures & mandatory transfers		191,005	191,005	(1,320,634)	
Building projects	(817,000)		(817,000)		
Other	(7,341)	7,341			
Refunds to grantors				(49)	
Administrative costs recovered		(36,354)	(36,354)	(48,351)	
Indirect costs recovered		(99,413)	(99,413)	(55,400)	
Provision for uncollectible accounts	(34,880)		(34,880)	12,819	
Provision for accrued leave	(121,414)		(121,414)	(66,654)	
Other	(2,256)		(2,256)		
Total Other Transfers - Additions (Deductions)	(982,891)	62,579	(920,312)	(1,478,269)	
Net Change in Fund Balance	\$ 98,016	62,579	160,595	256,450	

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

DELTA STATE UNIVERSITY

Summary of Significant Accounting Policies
For the Year Ended June 30, 1997

The significant accounting policies followed by Delta State University are described below to enhance the usefulness of the financial statements to the reader.

(1) Basis of Accounting.

The financial statements have been prepared generally in accordance with the accounting principles outlined in the Financial and Reporting Manual for Higher Education, and the American Institute of Certified Public Accountants Industry Audit Guide on Audits of Colleges and Universities.

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.

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.

Service activities at the institution are those activities which provide general services benefiting many funds. Service activities include physical plant services and telecommunications. These activities' expenditures are maintained in the Current Unrestricted General Fund and Current Auxiliary Fund, respectively. These activities' expenditures are allocated to other funds based upon a user charge system.

DELTA STATE UNIVERSITY

Summary of Significant Accounting Policies
For the Year Ended June 30, 1997

(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.

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 State Institutions of Higher Learning.
 - 2. The unrestricted resources designated for specific purposes by the institution's administration.
 - 3. 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. Endowment and Similar Funds which are subject to the restrictions of donor gift instruments.

DELTA STATE UNIVERSITY

Summary of Significant Accounting Policies
For the Year Ended June 30, 1997

- C. 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 Renewals and Replacements Plant Fund which represents reserves to provide for maintenance and equipment replacement, established primarily pursuant to terms of bond indentures.
 3. 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 lease amortization payments accumulated, but not yet due.
 4. 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.
- D. 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.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

(1) Financial Reporting Entity.

In accordance with Governmental Accounting Standards Board Statement Number 14, Delta State University Educational Building 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 State Institutions of Higher Learning. The purpose of the corporation is for the acquisition, construction, and equipping of facilities and land for the institution. The Board of Directors of the Corporation is composed of designated officers of the institution.

(2) Appropriations - General Operations.

Delta State University is a state supported institution that receives annual appropriations for operations from the state of Mississippi. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of the institution.

(3) Accrued Leave.

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave.

Nine-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to 15 years of service; and from 15 years of service and over, 16 hours per month are earned. There is no limit on the accumulation of sick leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

The liability for accrued leave at June 30, 1997, as reported in the Current Funds, was as follows:

Accumulated annual leave	\$1,021,136
Accumulated major medical leave	<u>265,062</u>
Total	<u>\$1,286,198</u>

(4) Cash and Other Deposits.

For financial statement purposes, cash and other deposits are represented by demand deposits; time deposits such as savings accounts, certificates of deposit and money market funds; plus short-term investments of agencies of the U.S. Government and U.S. Treasury bills. 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, 1997, was \$7,343,559, of which \$2,010,754 represented short-term investments, and the depository balance, including accrued interest of \$105,331, was \$7,477,298. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$300,303. The amount of \$5,106,222 was collateralized with securities held by a pledging financial institution's trust department or agent in the institution's name and \$2,070,773 were short-term investments of the U.S. Government or U.S. Treasury bills.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

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, U.S. Treasury bills and notes, discount notes and repurchase agreements with a maturity of one year or less as of June 30, 1997. Also included in this account are imprest cash accounts held by the institution. The institution participates in the State of Mississippi Securities Pledged Collateral Pool (the Pool) which includes funds on deposit at the following banks:

- Trustmark National Bank
- Deposit Guaranty National Bank
- Bank of Mississippi
- Union Planters National Bank
- Hancock Bank

The Pool is monitored by the State Treasurer's Office. The carrying amount of cash deposits for all state entities participating in the Pool at June 30, 1997 was \$258,070,000 and the corresponding depository balances which are represented by collected funds were \$247,082,000. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution's agent in the name of the institution was \$226,241,000. In addition, \$12,871,000 was collateralized with securities held by a pledging financial institution's agent in the entities name. The remaining \$7,970,000 was collateralized with securities held by a pledging financial institution or was uninsured and uncollateralized.

The following schedule presents the carrying amounts and depository balances for the Delta State University funds included in the State of Mississippi Securities Pledged Collateral Pool. The schedule also presents information concerning funds held at depositories not included in the Pool, and the securities pledged as collateral for these funds. The depository balances include accrued interest.

	Carrying Amount	Depository Balance	Total	Securities Pledged as Collateral		
				(1)	(2)	(3)
Funds included in state collateral pool	\$ 303	303				
				(see explanation above regarding securities pledged - State of Mississippi Securities Pledged Collateralization Pool)		
Funds not included in state collateral pool	5,332,502	5,406,222	\$ <u>5,406,222</u>	<u>5,406,222</u>		
U.S. Treasury bills and notes	<u>2,010,754</u>	<u>2,070,773</u>	N/A	N/A	N/A	N/A
Totals	\$ <u>7,343,559</u>	<u>7,477,298</u>				

(1) Funds were fully insured or collateralized with securities held by the institution or its agent in the name of the institution.

(2) Funds were collateralized with securities held by a pledging financial institution's trust department or agent in the institution's name.

(3) Funds were collateralized with securities held by a pledging financial institution or were uninsured and uncollateralized.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

(5) Investments.

The following table presents the carrying and market value of investments by type and categorizes the carrying amounts as follows: category 1 are those which are insured or registered, or held by the institution or its agent; category 2 are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the institution; and, category 3 are those which are uninsured or unregistered, with securities held by the counterparty or by its trust department or its agent but not in the name of the institution.

	Category			Carrying Amount	Market Value
	-1-	-2-	-3-		
U.S. Treasury obligations	\$ 4,246,577		138,340	4,384,917	4,247,631
Total	\$ 4,246,577	0	138,340	4,384,917	4,247,631

(6) Notes Receivable From Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing six to nine 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, 1997:

	Interest Rates	Unpaid Balance 6-30-97
Perkins student loans	3% to 5%	\$ 1,807,661
Institution loans	5%	213,017
Total Notes Receivable		2,020,678
Less: Allowance for Doubtful Accounts		216,500
Net Notes Receivable		\$ 1,804,178

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

(7) 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 6-30-97
A. Bonded Debt.				
General Obligation Bonds:				
Delta State University Educational Building Corporation Revenue Bonds, Series 1991 (Residence Hall Project)	\$ 2,259,631	4.78 - 6.40%	12/11	\$ 1,599,630
Total Bonded Debt	<u>\$ 2,259,631</u>			<u>\$ 1,599,630</u>
B. Capital Leases.				
Carlyle Capital Markets, Inc. capital leases to purchase computer system	\$ 90,000	11%	6/98	\$ 19,974
Carlyle Capital Markets, Inc. capital leases to purchase aircrafts	703,650	5.72 - 11%	6/98 - 10/2001	187,920
Carlyle Capital Markets, Inc. capital leases to purchase computer equipment	534,340	5.72 - 7%	12/99 - 1/2001	314,599
Carlyle Capital Markets, Inc. capital leases to purchase a bus	<u>272,800</u>	5.72%	12/2000	<u>154,669</u>
Total Capital Leases	<u>\$ 1,600,790</u>			<u>\$ 677,162</u>

These leases cover a 31 to 60 month period. The institution has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation.

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 less software.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

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

Year Ending June 30	Total	Bonds	Leases
1998	\$ 531,655	203,904	327,751
1999	408,813	204,497	204,316
2000	344,112	199,341	144,771
2001	258,529	203,308	55,221
2002	208,903	201,240	7,663
Later years	<u>2,060,000</u>	<u>2,060,000</u>	
Total	3,812,012	3,072,290	739,722
Less: Amounts Representing Interest	<u>1,535,220</u>	<u>1,472,660</u>	<u>62,560</u>
Total at Present Value	<u>\$ 2,276,792</u>	<u>1,599,630</u>	<u>677,162</u>

(8) Construction Commitments and Financing.

The institution has contracted for the construction of various projects. Listed below are the estimated costs to complete the projects at June 30, 1997. The remaining costs for the archive building is to be funded using university funds. The remaining cost for the Broom Annex and the library addition are to be funded by the Office of Building, Grounds, and Real Property Management.

Project	Cost to Complete
Broom Annex	\$ 372,730
Archive building	126,332
Library addition	<u>6,095,630</u>
Total	<u>\$ 6,594,692</u>

(9) 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.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

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, 1997, 1996 and 1995 were \$1,675,611, \$1,602,625 and \$1,498,143, respectively, equal to the required contributions for each year.

(10) Workers' Compensation Plan.

The university participates in a self-funded Workers' Compensation Plan (the Plan) along with the other public four-year universities of the state. The Plan exists in order to provide a mechanism for the State Institutions of Higher Learning (IHL) to fund and budget for the costs of providing workers' compensation benefits to eligible employees. The Plan does not pay benefits directly to employees. Rather, funds are set aside in trust and a third party Plan administrator is utilized to distribute the benefits to eligible employees. The assets of the Plan at June 30, 1997 were \$2.341 million.

A professionally licensed actuarial firm was contracted to prepare a report setting forth estimated reserves for the Plan as of June 30, 1997. This report estimates that contingent liabilities exceed Plan assets by \$1.814 million as of June 30, 1997.

(11) Unemployment Trust Fund.

The university participates in a self-funded Unemployment Trust Fund (the Fund) along with the other public four-year universities of the state. The Fund exists in order to provide a mechanism for the State Institutions of Higher Learning (IHL) to fund and budget for the costs of providing unemployment compensation benefits to eligible former employees. The Fund does not pay benefits directly to former employees. Rather, it reimburses the Mississippi Employment Security Commission for benefits it pays directly to former IHL employees. The assets of the Fund at June 30, 1997 were \$944,086 and the liabilities were \$92,768.

A professional licensed actuarial firm was contracted to perform an actuarial analysis of the Fund as of June 30, 1997. They determined the recommended funding requirement as of June 30, 1997 is \$800,000 to \$1,000,000. Furthermore, they concluded that the actual fund balance of \$851,318 at June 30, 1997 is reasonable.

(12) Tort Liability Trust Fund.

The university participates in a self-funded Tort Liability Trust Fund (the Trust Fund) along with the other public four-year universities of the state. In accordance with Section 11-46 of Mississippi State Law, the Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. The IHL Board established the Trust Fund to provide for self-insurance.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against the State Institutions of Higher Learning. A maximum limit of liability of \$50,000 per occurrence applies for claims or causes of action arising from acts or omissions occurring on or after July 1, 1993, but before July 1, 1997. There after the limit is increased to \$250,000 for the period July 1, 1997 through June 30, 2001, and is increased to \$500,000 after June 30, 2001.

DELTA STATE UNIVERSITY

Notes to Financial Statements
For the Year Ended June 30, 1997

The assets of the Trust Fund at June 30, 1997 were \$3,290,532 and the liabilities were \$2,096,351. A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Trust Fund as of June 30, 1997. They concluded that the program appears to be adequately funded with a margin of conservatism.

(13) Foundation.

Delta State University 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 audited financial position at June 30, 1997, which amounts are not included in the financial statements of the institution:

Assets	Amount
Cash and investments	\$ 5,419,272
Accounts receivable	2,032,697
Allowance for uncollectibles	(196,390)
Building and equipment	6,376
Donated assets	100,000
Total Assets	\$ 7,361,955
<u>Liabilities and Fund Balances</u>	
Accounts payable	\$ 4,594
Due to depositors	276,037
Fund balances:	
Current Funds:	
Unrestricted	4,601,752
Restricted	2,473,196
Asset funds	6,376
Total Liabilities and Fund Balances	\$ 7,361,955

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

SUPPLEMENTAL INFORMATION

DELTA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 1997

	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
Major Programs			
Research:			
Department of Agriculture:			
Cooperative State Research, Education and Extension Service			
Grants for Agricultural Research, Special Research Grants	10.200		\$ 456,290
Total Research			<u>456,290</u>
Student Financial Aid:			
Department of Education			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		139,573
Federal Family Education Loan Program (FFEL)	(2) 84.032		4,930,774
Federal Work-study Program (FWS)	84.033		321,312
Federal Perkins Loan Program (FPL)	(1) 84.038		280,149
Federal PELL Grant Program	84.063		2,485,355
State Student Incentives Grants	84.069		11,261
Total Student Financial Aid			<u>8,168,424</u>
Total Major Programs			<u>8,624,714</u>
Other Federal Assistance			
National Science Foundation:			
Education and Human Resources: Mississippi Alliance for Minority Participation	47.076		79,989
Incorporation of an X-ray Analysis System into the Chemistry Curriculum	47.XXX	DUE - 9550888	2,106
Corporation for National and Community Service: Americorps	94.006		251,040
Department of Education:			
Delta Math Project - Eisenhower Regional Mathematics	84.302		319
Educational Research and Development: SERVE	84.117		265,393
Eisenhower Professional Development State Grants	84.281		43,776
Department of Health and Human Services:			
Administration for Children and Families: Foster Care Title IV-E	93.658		1,262
Public Health Services - II: Medical Library Assistance	93.879		81
National Aeronautics and Space Administration:			
Aerospace Education Services Program	43.001		5,926
Small Business Administration:			
Small Business Development Center	59.037		31,430
Total Other Federal Assistance			<u>681,322</u>
Total Federal Financial Assistance			<u>\$ 9,306,036</u>

Notes to Schedule

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements, with the following exceptions:

- (1) For purposes of this schedule, loans advanced from the Federal Perkins Loan Program (CFDA #84.038) are presented as federal expenditures. These loans are not reported as expenditures on the financial statements but as an increase in notes receivable.
- (2) For purposes of this schedule, loans made to students under the Federal Family Educational Loan Program (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions.

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

DELTA STATE UNIVERSITY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 8, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of Delta State University as of and for the year ended June 30, 1997, and have issued our report thereon dated June 8, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the institution's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the institution's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-1, 97-2 and 97-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider the item 97-3 to be a material weakness.

This report is intended for the use of Delta State University, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR-S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 8, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

Compliance

We have audited the compliance of Delta State University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. The institution's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the institution's compliance with those requirements.

In our opinion, Delta State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of Delta State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the institution's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the school board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

DELTA STATE UNIVERSITY

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

DELTA STATE UNIVERSITY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

June 8, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of Delta State University as of and for the year ended June 30, 1997, and have issued our report thereon dated June 8, 1998. We conducted our audit in accordance with generally accepted auditing standards.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended for the use of Delta State University. However, this report is a matter of public record and its distribution is not limited.

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PHIL BRYANT
State Auditor

Handwritten signature of Ramona Hill in cursive.

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DELTA STATE UNIVERSITY

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DELTA STATE UNIVERSITY

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

Section 1: Summary of Auditor's Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. As described in Section 2 of this schedule, reportable conditions in internal control were disclosed by the audit of the general purpose financial statements. The reportable condition described in Finding 97-3 is considered to be a material weakness.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under Section _____.510(a) of OMB Circular A-133.
7. The major programs were Department of Agriculture CFDA #10.200 and Department of Education CFDA #84.007, #84.032, #84.033, #84.038, #84.063 and #84.069.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.
10. The prior year audit contained no findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section_____.315(b) of OMB Circular A-133.

Section 2: Findings Relating to the Financial Statements

97-1. Finding

During our review of the internal control system over the biweekly payroll, the following instances were noted:

- A. Some departments were not maintaining adequate documentation of the time their employees were working.
- B. The departmental summary time sheets submitted to the payroll department did not agree with the time record/cards maintained by the departments.
- C. Not all employees were signing their time sheets/cards.
- D. All supervisors were not signing their employees' time sheets/cards.
- E. All supervisors were not signing the summary time sheets that were submitted to the payroll department.

Recommendation

The institution needs to establish stronger controls to ensure that all departments maintain adequate records of their employees= time; that all time sheets/cards are signed by the employees and the supervisors; and that all summary payroll sheets submitted to the payroll department are signed by supervisors.

97-2. Finding

Our review of the library revealed the following:

- A. The institution did not have procedures in place to verify the existence and completeness of its holdings.
- B. The institution did not have a detailed listing identifying cost of individual holdings.

Recommendation

The institution should take a physical inventory of library holdings. Periodic spot checks should be performed annually, and a detailed listing of library holdings identifying actual cost should be prepared and continuously updated for additions and deletions.

97-3. Finding

Because the sectional June 30, 1997 count sheets were not maintained for audit, the bookstore inventory could not be audited.

Recommendation

The institution should maintain sectional inventory count sheets and make these bookstore inventory sheets available for audit.