



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

BRENT BALLARD, CPA
Director, Education Audit Section

MISSISSIPPI STATE UNIVERSITY

Audited Financial Statements
For the Year Ended June 30, 1997

MISSISSIPPI STATE UNIVERSITY

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MISSISSIPPI STATE UNIVERSITY

FINANCIAL AUDIT REPORT

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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

July 17, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of Mississippi 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 Mississippi 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 Mississippi 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 July 17, 1998 on our consideration of Mississippi 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

MISSISSIPPI STATE UNIVERSITY

AUDITED FINANCIAL STATEMENTS

MISSISSIPPI STATE UNIVERSITY

Balance Sheet

June 30, 1997

(With Comparative Figures at June 30, 1996)

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)	\$ 25,233,836	22,353,476	Accounts payable and accrued expenses	\$ 9,094,041	8,751,600
Investments (Note 5)	21,839,350	21,883,747	Accrued leave (Note 3)	11,002,780	10,140,433
Accounts receivable:			Deposits refundable	318,795	325,320
Federal appropriation	495,007	1,156,882	Deferred credits	5,925,719	5,662,184
State appropriation		64,081	Fund balances:		
Students, less allowance of			Allocated		
\$1,148,352 (1997) and			General	829,969	1,135,042
\$1,196,115 (1996)	722,851	636,656	Unallocated		
Other, less allowance of \$415,184 (1997) and			General	9,234,358	6,717,011
\$383,478 (1996)	2,995,419	2,988,793	Designated	17,097,971	16,453,627
Inventories	2,483,715	2,167,122	Auxiliary	2,494,017	3,322,446
Prepaid items and deferred charges	1,148,274	1,133,370			
Due from other funds	1,079,198	123,536			
Total Current Unrestricted Funds	55,997,650	52,507,663	Total Current Unrestricted Funds	55,997,650	52,507,663
Current Restricted Funds:			Current Restricted Funds:		
Other accounts receivable	11,439,591	10,390,839	Accounts payable and accrued expenses	3,292,874	2,039,628
Prepaid items and deferred charges	34,225	90,091	Accrued leave (Note 3)	1,654,836	1,618,243
			Due to other funds	1,079,198	123,536
			Deferred credits	8,501	
			Fund balance:		
			Allocated	5,438,407	6,699,523
Total Current Restricted Funds	11,473,816	10,480,930	Total Current Restricted Funds	11,473,816	10,480,930
Total Current Funds	\$ 67,471,466	62,988,593	Total Current Funds	\$ 67,471,466	62,988,593
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 1,462,792	2,015,270	Accounts payable and accrued expenses	\$ 456	
Other accounts receivable	109,926	136,604	Deferred credits	20,013	14,665
Notes receivable:			Fund balances:		
Federal student loans, less allowance of			Federal	15,116,370	15,032,895
\$1,270,506 (1997) and			Institution	939,037	851,464
\$1,270,506 (1996) (Note 7)	14,005,832	13,453,900			
Institutional student loans, less allowance of					
\$46,987 (1997) and					
\$46,987 (1996) (Note 7)	497,326	293,250			
Total Loan Funds	\$ 16,075,876	15,899,024	Total Loan Funds	\$ 16,075,876	15,899,024

Endowment and Similar Funds		
Cash and other deposits (Note 4)	\$ 47,245	530,241
Investments (Note 5)	9,173,513	7,972,789
Other accounts receivable	1,146	8,120
Land grant principal (Note 6)	239,789	239,789
	<u> </u>	<u> </u>
Total Endowment & Similar Funds	\$ <u>9,461,693</u>	<u>8,750,939</u>

Endowment and Similar Funds		
Fund balances:		
Endowment	\$ 8,717,874	8,029,271
Quasi-endowment	504,030	481,879
Land grant principal	239,789	239,789
	<u> </u>	<u> </u>
Total Endowment & Similar Funds	\$ <u>9,461,693</u>	<u>8,750,939</u>

Plant Funds		
Cash and other deposits (Note 4)	\$ 9,682,839	10,807,825
Investments (Note 5)	17,038,356	6,205,642
Other accounts receivable	2,464,673	111,357
Prepaid items and deferred charges	1,382,635	1,565,470
Land	3,743,420	3,624,420
Improvements other than buildings	36,599,503	36,264,561
Buildings	204,517,493	203,484,005
Furniture, machinery and equipment	114,653,609	104,593,309
Books and films	32,976,042	30,570,740
Livestock	1,659,045	1,405,908
Assets under capital leases (Note 8)	6,428,515	4,256,374
Construction in progress	32,799,795	6,063,370
	<u> </u>	<u> </u>
Total Plant Funds	\$ <u>463,945,925</u>	<u>408,952,981</u>

Plant Funds		
Accounts payable	\$ 1,264,169	300,113
Notes payable (Note 8)	19,840,000	8,940,000
Bonds payable (Note 8)	3,892,000	4,223,000
Obligations under capital leases (Note 8)	4,478,194	2,679,384
Fund balances:		
Unexpended	10,964,355	10,582,873
Renewals and replacements	15,842,412	5,169,994
Retirement of indebtedness	2,497,567	2,637,314
Net investment in plant	405,167,228	374,420,303
	<u> </u>	<u> </u>
Total Plant Funds	\$ <u>463,945,925</u>	<u>408,952,981</u>

Agency Funds		
Cash and other deposits (Note 4)	\$ 250,908	238,844
Prepaid items and deferred charges	48	1,097
Deferred compensation plan assets at fair market value (Note 14)		6,596,379
Due from depositors	2,385	11,371
	<u> </u>	<u> </u>
Total Agency Funds	\$ <u>253,341</u>	<u>6,847,691</u>

Agency Funds		
Accounts payable and accrued expenses	\$ 5,312	23,061
Due to depositors	248,029	6,824,630
	<u> </u>	<u> </u>
Total Agency Funds	\$ <u>253,341</u>	<u>6,847,691</u>

See accompanying Summary of Significant Accounting Policies

MISSISSIPPI 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	\$ 45,432,191	250,718	45,682,909			25,226			
Federal appropriations	11,471,563		11,471,563						
State appropriations	117,809,308		117,809,308			23,415,619			
Local appropriations	2,111,549		2,111,549						
Federal grants and contracts	666	45,304,691	45,305,357			7,545,638			
State grants and contracts	90,150	7,763,931	7,854,081						
Local grants and contracts	401	1,085,650	1,086,051					135,000	
Private gifts, grants & contracts	342,026	11,465,557	11,807,583	69,100		706,681			
Federal advances				102,442					
Endowment income							21,788		
Investment income	2,454,534	15,478	2,470,012	77,332	1,043,808	524,284	399,645	154,266	
Interest on loans receivable				404,326					
Proceeds from notes							11,650,969	269,031	
Additions to plant facilities									50,259,477
Retirement of indebtedness									2,579,246
Sales and services of educational activities	14,687,553	528,205	15,215,758		29,245	18,794			
Sales and services of auxiliary activities	29,204,676		29,204,676						
Indirect cost recoveries	6,701,723		6,701,723						
Other	68,413	(1,041)	67,372	167,065		9,558			
Total Rev. & Other Additions	230,374,753	66,413,189	296,787,942	820,265	1,073,053	32,245,800	12,072,402	558,297	52,838,723
Expenditures & Other Deductions									
Educational and general:									
Instruction	57,299,751	3,190,638	60,490,389						
Research	37,795,872	36,517,908	74,313,780						
Public service	31,128,667	9,624,418	40,753,085						
Academic support	15,836,376	609,458	16,445,834						
Student services	7,213,466	282,703	7,496,169						
Institutional support	17,777,265	1,014,458	18,791,723						
Operation & maint. of plant	14,310,824	31,399	14,342,223						
Student aid	6,917,491	12,294,939	19,212,430						
Total Educational and General	188,279,712	63,565,921	251,845,633						
Auxiliary	28,454,076	77,960	28,532,036						
Loan cancellations and write-offs				463,286					
Collection costs				36,765					
Administrative costs recovered				161,021					
Indirect costs recovered		6,540,702	6,540,702						

Repairs and maintenance						2,649,659			
Expended for plant facilities						36,302,704			
Plant assets sold or retired									7,144,742
Retirement of indebtedness								2,579,246	
Interest on indebtedness								831,257	
Long-term debt incurred									14,947,056
Provision for uncollectible accts.	(16,057)		(16,057)						
Provision for accrued leave	862,347	36,593	898,940						
Other	(103,771)		(103,771)	1,099	27,319		72,746	172,146	
Total Expenditures and Other Deductions	<u>217,476,307</u>	<u>70,221,176</u>	<u>287,697,483</u>	<u>662,171</u>	<u>27,319</u>	<u>38,952,363</u>	<u>72,746</u>	<u>3,582,649</u>	<u>22,091,798</u>
Transfers - Additions (Deductions)									
Mandatory:									
Principal and interest	(2,971,985)	(59,675)	(3,031,660)			(145,739)	(117,761)	3,295,160	
Restricted fund matching	(3,395,630)	3,767,051	371,421	(14,037)	(333,660)	(23,724)			
Loan fund matching	(34,147)		(34,147)	35,467	(1,320)				
Renewals and replacements	(325,000)		(325,000)			(600,000)	1,335,000	(410,000)	
Total Mandatory	<u>(6,726,762)</u>	<u>3,707,376</u>	<u>(3,019,386)</u>	<u>21,430</u>	<u>(334,980)</u>	<u>(769,463)</u>	<u>1,217,239</u>	<u>2,885,160</u>	
Other:									
Auxiliary support	7,932		7,932			(7,932)			
Building projects	(8,107,380)	(341,250)	(8,448,630)			10,493,107	(2,044,477)		
Other	3,955,953	(819,255)	3,136,698	(8,476)		(2,627,667)	(500,000)	(555)	
Total Other	<u>(4,143,495)</u>	<u>(1,160,505)</u>	<u>(5,304,000)</u>	<u>(8,476)</u>		<u>7,857,508</u>	<u>(2,544,477)</u>	<u>(555)</u>	
Total Transfers	<u>(10,870,257)</u>	<u>2,546,871</u>	<u>(8,323,386)</u>	<u>12,954</u>	<u>(334,980)</u>	<u>7,088,045</u>	<u>(1,327,238)</u>	<u>2,884,605</u>	
Net Increase (Decr.) for Year	<u>2,028,189</u>	<u>(1,261,116)</u>	<u>767,073</u>	<u>171,048</u>	<u>710,754</u>	<u>381,482</u>	<u>10,672,418</u>	<u>(139,747)</u>	<u>30,746,925</u>
Fund Balance at Beg. of Year As Previously Reported	<u>27,628,126</u>	<u>6,699,523</u>	<u>34,327,649</u>	<u>15,884,359</u>	<u>8,750,939</u>	<u>10,582,873</u>	<u>5,169,994</u>	<u>2,637,314</u>	<u>374,420,303</u>
Fund Balance at End of Year	<u>\$ 29,656,315</u>	<u>5,438,407</u>	<u>35,094,722</u>	<u>16,055,407</u>	<u>9,461,693</u>	<u>10,964,355</u>	<u>15,842,412</u>	<u>2,497,567</u>	<u>405,167,228</u>

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

MISSISSIPPI 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	\$ 45,432,191	250,718	45,682,909	43,606,114
Federal appropriations	11,471,563		11,471,563	12,416,327
State appropriations	117,809,308		117,809,308	117,636,315
Local appropriations	2,111,549		2,111,549	2,183,680
Federal grants and contracts	666	40,631,594	40,632,260	39,348,504
State grants and contracts	90,150	7,070,815	7,160,965	6,633,388
Local grants and contracts	401	1,085,650	1,086,051	1,098,363
Private gifts, grants and contracts	342,026	10,355,086	10,697,112	10,513,966
Endowment income				(6,000)
Investment income	2,454,534	15,478	2,470,012	2,140,057
Sales and services of educational activities	14,687,553	528,205	15,215,758	14,447,400
Sales and services of auxiliary activities	29,204,676		29,204,676	27,600,174
Independent operations				
Indirect cost recoveries	6,701,723		6,701,723	6,269,942
Other	68,413	(1,041)	67,372	235,604
Total Revenues and Other Additions	230,374,753	59,936,505	290,311,258	284,123,834
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	57,299,751	3,190,638	60,490,389	57,679,662
Research	37,795,872	36,517,908	74,313,780	74,381,260
Public service	31,128,667	9,624,418	40,753,085	42,104,949
Academic support	15,836,376	609,458	16,445,834	15,332,227
Student services	7,213,466	282,703	7,496,169	7,274,744
Institutional support	17,777,265	1,014,458	18,791,723	17,447,957
Oper. & maintenance of plant	14,310,824	31,399	14,342,223	13,856,861
Student aid	6,917,491	12,294,939	19,212,430	16,067,691
Total Educational and General Expenditures	188,279,712	63,565,921	251,845,633	244,145,351
Mandatory transfers:				
Principal and interest	1,432,533	59,675	1,492,208	1,510,126
Restricted fund matching	3,395,233	(3,767,051)	(371,818)	(451,913)
Loan fund matching	34,147		34,147	57,277
Renewals and replacements	185,000		185,000	
Total Educational and General	193,326,625	59,858,545	253,185,170	245,260,841
Auxiliary enterprises:				
Expenditures	28,454,076	77,960	28,532,036	26,691,929
Mandatory transfers:				
Principal and interest	1,539,452		1,539,452	1,576,972
Restricted fund matching	397		397	62,574
Renewals and replacements	140,000		140,000	300,000
Total Auxiliary Enterprises	30,133,925	77,960	30,211,885	28,631,475
Total Expenditures and Mandatory Transfers	223,460,550	59,936,505	283,397,055	273,892,316

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		6,476,684	6,476,684	6,381,674
Auxiliary support	7,932		7,932	316,897
Building projects	(8,107,380)	(341,250)	(8,448,630)	(6,678,530)
Other	3,955,953	(819,255)	3,136,698	41,436
Refunds to grantors				(20,066)
Indirect costs recovered		(6,540,702)	(6,540,702)	(6,114,744)
Provision for uncollectible accounts	16,057		16,057	(210,172)
Provision for accrued leave	(862,347)	(36,593)	(898,940)	(1,223,367)
Other	103,771		103,771	(20,689)
Total Other Transfers - Additions (Deductions)	(4,886,014)	(1,261,116)	(6,147,130)	(7,527,561)
Net Change in Fund Balance	\$ 2,028,189	(1,261,116)	767,073	2,703,957

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

MISSISSIPPI STATE UNIVERSITY

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

The significant accounting policies followed by Mississippi 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.

The interest cost of restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings until the specified qualifying assets acquired with those borrowings are ready for their intended use, is 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. Livestock inventories are valued at anticipated net realizable value.

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.

MISSISSIPPI STATE UNIVERSITY

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

Service activities at the institution are those activities which provide general services benefiting many funds. Service activities include printing, aircraft operations and guest housing. Such activities are maintained during the fiscal year as Auxiliary Funds for management purposes. These activities' expenditures are allocated to other funds based upon a user charge system. At fiscal year-end, any over or under allocation made during the year is closed to institutional support in the Current Unrestricted Fund.

(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.

MISSISSIPPI STATE UNIVERSITY

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

- B. Endowment and Similar Funds which generally are subject to the restrictions of donor gift instruments include:
1. True Endowment Funds are funds received from a donor with the restriction that only the income is to be utilized.
 2. Quasi-endowment Funds are funds established by the governing board to function like an Endowment Fund but may be totally expended at any time at the discretion of the governing board.
- 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 note 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.

MISSISSIPPI STATE UNIVERSITY

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

(1) Financial Reporting Entity.

The financial statements presented are for Mississippi State University, which is a state supported institution of higher learning. Included within the institution system are the Mississippi Cooperative Extension Service (MCES) and the Mississippi Agricultural and Forestry Experiment Station (MAFES), service and research entities that receive specifically appropriated state support.

In accordance with Governmental Accounting Standards Board Statement Number 14, the Mississippi 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.

Mississippi 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 \$12,657,616.

MISSISSIPPI STATE UNIVERSITY

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

(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, 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 Mississippi 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	\$ 13,533,746	18,661,065	(see explanation above regarding securities pledged State of Mississippi Securities Pledged Collateralization Pool)			
Funds not included in state collateral pool	533,086	498,408	\$ <u>498,408</u>	<u>498,408</u>		
U.S. Treasury bills and notes	<u>22,610,788</u> (4)		N/A	N/A	N/A	N/A
Total	\$ <u>36,677,620</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.

(4) The market value of these U.S. Treasury bills and notes was \$22,733,750 at June 30, 1997. These instruments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the institution.

MISSISSIPPI 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. Government securities	\$	39,917,642		39,917,642	40,309,460
Corporate obligations	425,507			425,507	505,308
Corporate equities	3,744,464			3,744,464	4,446,711
Other	765,914			765,914	909,555
Total	\$ 4,935,885	39,917,642	0	44,853,527	46,171,034
Mutual funds				3,197,692	3,957,654
Total				\$ 48,051,219	50,128,688

(6) Endowment Fund Investment - Land Grant Principal.

Endowment Fund investments include the land grant principal fund of \$239,789. The state legislature makes an annual appropriation from the state General Fund which approximates 6% interest on this asset.

(7) 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, 1997:

	Interest Rates	Unpaid Balance 6-30-97
Perkins student loans	3% - 5%	\$ 15,276,338
Institution loans	0% - 6%	544,313
Total Notes Receivable		15,820,651
Less: Allowance for Doubtful Accounts		1,317,493
Net Notes Receivable		\$ 14,503,158

MISSISSIPPI STATE UNIVERSITY

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

(8) 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.				
Revenue Bonds:				
Dorm revenue system bonds of 1958	\$ 3,184,000	2.75%	1997	\$ 132,000
Faculty dwelling revenue system bonds of 1960	720,000	2.875%	2000	86,000
Dorm revenue system bonds of 1963, Series B	2,288,000	3.50%	2001	404,000
Dorm revenue system bonds of 1981, Series C	2,250,000	3.00%	2020	1,685,000
Student apartments revenue bonds of 1982, Series D	<u>2,038,000</u>	3.00%	2021	<u>1,585,000</u>
Total Bonded Debt	<u>\$ 10,480,000</u>			<u>\$ 3,892,000</u>
B. Notes.				
City of Starkville debt of 1982 for renovation of athletic facilities	\$ 6,000,000	9%	1998	\$ 365,000
Stadium revenue funding bonds of 1993	1,335,000	3.4% - 3.75%	1998	300,000
Mississippi State University Educational Building Corporation debt of 1993 for construction of athletic facilities	5,460,000	2.75% - 5%	2008	4,455,000
Mississippi State University Educational Building Corporation debt of 1995 for facilities renovation	3,000,000	4.60% - 6.15%	2015	2,800,000
Mississippi State University Educational Building Corporation - Series 1996	<u>11,920,000</u>	3.70% - 6.00%	2016	<u>11,920,000</u>
Total Notes	<u>\$ 27,715,000</u>			<u>\$ 19,840,000</u>
C. Capital Leases.	<u>\$ 6,428,515</u>	6.78% - 8.59%	2002	<u>\$ 4,478,194</u>

MISSISSIPPI STATE UNIVERSITY

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

These leases cover a period of up to five years. 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.

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

Year Ending June 30	Total	Bonds	Notes	Leases
1998	\$ 4,333,312	471,174	2,472,265	1,389,873
1999	3,106,089	332,208	1,779,303	994,578
2000	2,882,369	322,003	1,772,524	787,842
2001	2,518,467	290,745	1,768,171	459,551
2002	2,213,590	213,240	1,761,501	238,849
Later years	25,069,717	3,648,660	20,421,057	1,000,000
Total	40,123,544	5,278,030	29,974,821	4,870,693
Less: Amounts Representing Interest	11,913,350	1,386,030	10,134,821	392,499
Total at Present Value	\$ 28,210,194	3,892,000	19,840,000	4,478,194

(9) Construction Commitments and Financing.

The institution has contracted for the construction of the following various projects. At June 30, 1997, estimated costs for completion and the funding sources for the various projects are listed below:

Project	Cost to Complete
State Funds	\$
Sanderson Recreation Center	7,429,985
Animal/Dairy Science Center	3,352,741
DIAL	2,727,831
Equine training facility	2,390,410
Hand chemical lab renovation	6,557,899
Greenhouse structures	1,277,523
Facility additions/Meridian	350,384
Garner Hall renovation	970,298
Elevated storage tank	1,251,039
1996 utility loop extension	862,870
Perry Cafeteria renovation	1,650,449
Food processing plant	9,830
North MS office complex	1,060
North MS dairy facility	84,114
Central MS Research & Extension Building	1,495,720

MISSISSIPPI STATE UNIVERSITY

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

Project	Cost to Complete
Federal Funds	
Aquaculture Research Center	1,701,699
University Funds	
Laundry building renovation	55,423
Meridian Auditorium	29,763
Chemical Engineering Building	17,549,372
McArthur Hall renovation	3,170,429
North campus entrance	695,000
Student Union renovation	938,320
Outdoor intramural fields	2,073,714
Softball field construction	31,072
Stafford Hall renovation	21,509
R/CU expansion	401,570
Property control renovation	16,950
Auxiliary Plaza addition	572,278
Child Care Center utility upgrade	35,000
Cattle working facility	9,999
Machinery storage/shop - Verona	8,838
DREC renovation building 171, 172, 190	295,074
	<hr/>
Total	\$ <u><u>58,018,163</u></u>

(10) Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 1997, 1996 and 1995 were \$12,757,873, \$12,827,097 and \$12,367,431, respectively, equal to the required contributions for each year.

MISSISSIPPI STATE UNIVERSITY

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

Federal Civil Service Retirement.

The Federal Civil Service Retirement System is a multiple-employer retirement system and is composed of two retirement programs: Civil Service Retirement System for participants employed prior to January 1, 1984, and the Federal Employees Retirement System for participants employed after December 31, 1983. Both programs are defined benefit programs.

All regular, full-time employees of Mississippi State University-Mississippi Cooperative Extension Service who hold federal appointments for 51% or more of their time are required to participate in the Federal Civil Service Retirement System (FCSRS). Mississippi State University's employer contributions to FCSRS for the years ending June 30, 1997, 1996 and 1995 were \$458,756, \$575,583 and \$709,337, respectively, equal to the required contributions for each year.

(11) Workers' Compensation Plan.

Description. 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.

(12) 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.

(13) 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.

MISSISSIPPI STATE UNIVERSITY

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

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.

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.

(14) Deferred Compensation Plan.

Due to changes in federal law which the State of Mississippi elected to implement as of January 1, 1997, assets held in the deferred compensation plan available through the Mississippi Public Employees' Retirement System (PERS) are no longer subject to claims by creditors of the employing entity. Therefore, the institution is no longer required to report the assets and liabilities related to this plan in the Agency Fund.

(15) Foundation.

Mississippi 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 financial position at June 30, 1997, which amounts are not included in the financial statements of the institution:

Assets	Amount
Cash and cash equivalents	\$ 1,252,794
Investments	100,744,875
Accounts receivable	113,890
Land	1,658,276
Fixed assets inventory	4,003,711
Total Assets	\$ 107,773,546
Liabilities and Net Equity	
Other liabilities	\$ 1,377,746
Notes payable	2,181,792
Net equity:	
Unrestricted	11,116,578
Restricted	91,275,511
Equity in fixed assets	1,821,919
Total Liabilities and Net Equity	\$ 107,773,546

MISSISSIPPI STATE UNIVERSITY

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

The Bulldog Club, Inc. is an independent corporation formed for the purpose of aiding the Department of Intercollegiate Athletics at Mississippi State University in all of its endeavors. The following is the summary of the club's financial position at June 30, 1997. These amounts are not included in the financial statements of the institution:

<u>Assets</u>	<u>Amount</u>
Cash and investments	\$ <u>8,572,818</u>
Total Assets	\$ <u><u>8,572,818</u></u>
<u>Liabilities and Net Assets</u>	
Other liabilities	\$ 1,085,000
Net assets:	
Unrestricted	3,783,300
Restricted	<u>3,704,518</u>
Total Liabilities and Net Assets	\$ <u><u>8,572,818</u></u>

MISSISSIPPI STATE UNIVERSITY

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MISSISSIPPI STATE UNIVERSITY

SUPPLEMENTAL INFORMATION

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

	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Major Programs		
Research:		
Department of Agriculture		
Agricultural Research - Basic and Applied Research	10.001	\$ 2,499,912
Dairy Indemnity Program	10.053	1,639
Grants for Agricultural Research, Special Research Grants	10.200	2,253,856
Grants for Agricultural Research - Competitive Research Grants	10.206	953,935
Higher Education Challenge Grants	10.217	172,190
Agricultural and Rural Economic Research	10.250	88,808
Foreign Market Development Cooperation Program	10.600	14,251
Forestry Research	10.652	320,991
Great Plains Conservation	10.900	28,249
International Training - Foreign Participant	10.962	55,842
Scientific and Technical Cooperation	10.963	10,737
Collaborative Agri Support Program	10.000	701,647
IFDC/USAID #EPE-0046-G-005114-00	10.000	175,217
USAID 623-01140A-00-6004-00	10.000	314,826
USAID Insormil-Pitre MSU 205	10.000	81,845
USAID PO #165-0249-0-00-6069	10.000	47,009
Other	10.000	101,673
Department of Commerce		
Economic Development - Grants for Public Works and Infrastructure Development	11.300	79,166
Geodetic Surveys and Services (Geodesy and Applications of the National (Geodetic Reference System)	11.400	55,022
Sea Grant Support	11.417	56,791
Marine Fisheries Initiative	11.433	7,381
Department of Defense		
National Biological Service Work Orders	12.000	198,349
U.S. Military Academy	12.000	76,472
NRL N00014-95-1-G912	12.000	72,314
DAHC94-96-C0005	12.000	184,923
Lockheed Martin - Denver	12.000	85,408
Other	12.000	320,122

Department of Army		
Aquatic Plant Control	12.100	3,377
State Memorandum of Agreement Program for the Reimbursement of Tech Services	12.113	62,231
Department of Navy		
Basic and Applied Scientific Research	12.300	1,820,612
U.S. Army Materiel Command		
Basic Scientific Research	12.431	1,966,635
Office of the Assistant Secretary (Economic Security)		
Community Economic Adjustment	12.600	21,205
Office of the Secretary of Defense		
Basic, Applied and Advanced Research in Science and Engineering	12.630	80,902
Department of the Air Force, Materiel Command		
Air Force Defense Research Sciences Program	12.800	91,814
National Security Agency		
Mathematical Sciences Grants Program	12.901	35,151
Advanced Research Projects Agency		
Research and Technology Development	12.910	827,964
Department of Interior		
Other	15.000	99,021
USDI - Catfish in Yalobusha River	15.000	79,078
Sport Fish Restoration	15.605	326,956
F&WS Ctr 14-48-0009-93-004	15.607	600,688
Fish and Wildlife Management Assistance	15.608	72,202
CO-OP F&WS 14-16-0009-1543-F-105	15.610	189,182
Assistance to State Water Resources Research Institutes	15.805	115,976
Technical Preservation Services	15.915	34,645
Rivers, Trails and Conservation Assistance	15.921	4,162
Department of Justice		
Law Enforcement Assistance - FBI Advanced Police Training	16.300	631,685
Law Enforcement Assistance - FBI Crime Laboratory Support	16.301	2,364
Department of Labor		
OSH 7(c)(1) Consultation Program	17.500	(302)
Consultation Agreements	17.504	397,502

	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Transportation		
Other	20.000	99,260
MS Department of Transportation 97-0056-02-00310	20.000	73,076
Highway Training and Education	20.215	15,481
State and Community Highway Safety	20.600	101,751
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	140,294
NASA		
Aerospace Education Services Program	43.001	780
Technology Transfer	43.002	1,512,512
National Foundation on the Arts and the Humanities		
NEH International Research and Exchange Board	45.132	2,413
National Science Foundation		
Other	47.000	103,776
Engineering Grants	47.041	2,455,193
Mathematical and Physical Sciences	47.049	204,910
Computer and Information Science and Engineering	47.070	125,123
Biological Sciences	47.074	240,248
Social, Behavioral and Economic Sciences	47.075	16,910
Education and Human Resources	47.076	1,641,375
Tennessee Valley Authority		
Tennessee Valley Region - Economic Development	62.004	159,829
Environmental Protection Agency		
EPA	66.SSI	83,166
Environmental Protection - Consolidated Research	66.500	1,131,113
Surveys, Studies Investigations and Special Purpose Grants	66.606	4,662
Department of Energy		
DOE Grant Turbo-Machine Problem	81.000	44,505
DE FG0593ER25187	81.077	969,767
DOE - Application of Modern Diag. Methods - DIAL	81.092	4,851,439
Hughes Easter Corporation	81.501	221,315
United States Information Agency		
Educational Exchange - University Lecturers (Professors) and Research Scholars	82.002	16,868

Department of Education		
Other	84.000	280
National Institute on Disability and Rehabilitation Research	84.133	407,468
Business and International Education	84.153A	38,095
State Grants for Assistive Technology	84.224A	50,598
Education Grant R999 B50010	84.999B	34,257
Department of Health and Human Services		
HHS 282-93-0024	93.000	266,019
Research and Training in Alternative Medicine	93.113	43,261
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271	55,368
Alcohol Research Programs	93.273	524,022
Drug Abuse Research Programs	93.279	240,939
Academic Research Enhancement Award	93.390	54,703
HHS Grant #11215ES06789-01	93.500	40,809
Pharmacology, Physiology and Biological Chemistry Research	93.859	37,513
Other	93.000	100,708
Total Research		<u>32,531,431</u>
Student Financial Aid:		
Department of Defense		
Office of Naval Research	12.000	2,000
Department of Education		
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	792,656
Federal Family Education Loan Program (FFEL)	(2) 84.032	19,329,853
Federal Work-study Program (FWS)	84.033	987,224
Federal Perkins Loan Program (FPL)	(1) 84.038	2,944,967
Federal PELL Grant Program	84.063	5,398,762
SSIG	84.069	67,526
Indian Education - Fellowships for Indian Students	84.087	5,267
Patricia R. Harris Fellowship	84.094	20,585
Total Student Financial Aid		<u>29,548,840</u>
Other Major Programs		
Department of Agriculture		
Cooperative Extension Service	10.500	2,024,929
Federal Appropriations - MAFES	10.203	3,740,805
Federal Appropriations - MCES	10.500	6,870,476
Total Other Major Programs		<u>12,636,210</u>
Total Major Programs		<u>74,716,481</u>

	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Other Federal Assistance		
Department of Agriculture		
Other	10.000	99,327
USDA 97-EPIA-1-0030 NAPIAP	10.000	71,785
Agricultural Research - Basic and Applied Research	10.001	39,964
Grants for Agricultural Research, Special Research Grants	10.200	73,349
Agricultural and Rural Economic Research	10.250	20,060
USDA FmHA TSA Grant	10.400	17,291
Agricultural Telecommunications Program	10.501	82,446
Child and Adult Care Food Program	10.558	1,175
Cooperative Forestry Assistance	10.664	112,141
Department of Commerce		
Economic Development - Grants for Public Works and Infrastructure Development	11.300	77,282
Economic Development - Technical Assistance	11.303	53,246
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	11.400	26,373
Sea Grant Support	11.417	356,484
Minority Business Development Centers	11.800	95,135
Department of Defense		
U.S. Navy Master's in Counseling	12.000	113,054
Applied Resources, Inc.	12.000	74,466
Other	12.000	58,294
Department of the Interior		
National Park Service #CA-5570-6-9001	15.000	38,357
MDWFP - Enhancing Wildlife Res. Mgt.	15.000	63,319
Assistance to State Water Resources Research Institutes	15.805	39,936
Historic Preservation Fund Grants-in-Aid	15.904	13,327
Department of Labor		
Job Training Partnership Act	17.250	362,967
Department of State		
Bright Futures Program	19.556	147,184
Department of Transportation		
MS Department of Public Safety	20.000	73,044
NASA		
NAS 13-564	43.000	553,956
Technology Transfer	43.002	69,022

National Foundation on the Arts and the Humanities		
MS Humanities Council	45.113	11,672
National Science Foundation		
NSF ESI-9555646	47.000	277,526
Jackson State University Subcenter	47.000	165,320
Other	47.000	72,382
Engineering Grants	47.041	2,077
Mathematical and Physical Sciences	47.049	4,000
NSF DMI-9413103	47.071	13,798
Biological Sciences	47.074	1,422
Education and Human Resources	47.076	197,632
Tennessee Valley Authority		
Agri-21 93-94	62.000	88,833
Other	62.000	12,441
Environmental Protection Agency		
Other	66.000	61,607
Department of Energy		
MDECD-ED Grant #GT95-283-001	81.000	157
Department of Education		
U.S. Dept of Ed PO 42A30	84.000	153,296
MS Dept of Health	84.000	84,630
Other	84.000	229,746
Education Grant P-055E40008	84.055	13,088
Special Education - Postsecondary Education Programs for Persons w/Disabilities	84.078	108,688
Fund for the Improvement of Postsecondary Education	84.116	9,452
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	928,803
Rehabilitation Long-term Training	84.129	224,152
National Institute on Disability and Rehabilitation Research	84.133	247,634
IHL	84.164	9,713
U.S. Department of Education H133 B60001 Training	84.933	160,894
Adult Education - State Grant Program	84.002A	5,257
TRIO - Student Support Services	84.042A	30,577
Special Education - Postsecondary Education Programs for Persons w/Disabilities	84.078C	46
Rehabilitation Services - Independent Living Services for Older Individuals/Blind	84.177A	16,256
Education Grant P-183-F30007-94	84.183F	45,086
State Grants for Assertive Technology	84.224A	9,251
Rehabilitation Short-term Training	84.246B	200

	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Health and Human Services		
Community Counseling Services	93.000	33,923
CREATE, Inc.	93.000	<u>32,221</u>
Total Other Federal Assistance		<u>5,984,764</u>
Total Federal Financial Assistance		\$ <u><u>80,701,245</u></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.

MISSISSIPPI STATE UNIVERSITY

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MISSISSIPPI 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

July 17, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of Mississippi State University as of and for the year ended June 30, 1997, and have issued our report thereon dated July 17, 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 opinion, 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 through 97-17.

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 item 97-1 to be a material weakness.

This condition, identified as a material weakness, was considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the 1997 general purpose financial statements. This report does not change our report on the general purpose financial statements.

This report is intended for the use of Mississippi 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

July 17, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

Compliance

We have audited the compliance of Mississippi 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, Mississippi 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 Mississippi 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our opinion, could adversely affect the institution's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 97-18.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not a material weakness.

This report is intended for the information of Mississippi 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

MISSISSIPPI STATE UNIVERSITY

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

MISSISSIPPI 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

July 17, 1998

Board of Trustees
Institutions of Higher Learning
Jackson, Mississippi

We have audited the general purpose financial statements of Mississippi State University as of and for the year ended June 30, 1997, and have issued our report thereon dated July 17, 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 Mississippi State University. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of Ramona Hill in black ink.

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

MISSISSIPPI STATE UNIVERSITY

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MISSISSIPPI STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MISSISSIPPI STATE UNIVERSITY

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MISSISSIPPI 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 97-1 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. As described in Section 3 of this schedule, a reportable condition in internal control over major programs was disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed an audit finding which is required to be reported under Section ____ .510(a) of OMB Circular A-133. This finding is described in Section 3 of this schedule.
7. The major programs were: Student Financial Aid cluster-multiple CFDA #s(see Schedule of Expenditures of Federal Awards); Research cluster-multiple CFDA #s(see Schedule of Expenditures of Federal Awards); Mississippi Agricultural and Forestry Experiment Station - Federal Appropriation CFDA #10.203 and Mississippi Cooperative Extension Service - Federal Appropriation CFDA #10.500.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$1,752,825.
9. The auditee did not qualify as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

97-1. Finding

As previously reported, procedures for recording the accounts payable liability were not adequate. A total of \$2,306,318 in unrecorded liabilities was noted.

Recommendation

Procedures should be established to ensure that all liabilities are properly recorded at fiscal year-end.

MISSISSIPPI STATE UNIVERSITY

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

97-2. Finding

As previously reported, tuition and fees deferred for the College of Veterinary Medicine (CVM) summer term included only the amount of cash payments received as of June 30, 1997. Per Mississippi State University's significant accounting policies, basis of accounting, number (1): Revenues and expenditures for the 1997 summer sessions are reported as deferred revenues and expenses on the balance sheet.

Recommendation

The institution should implement procedures to ensure that all tuition and fees related to the CVM summer term are properly deferred, not just the amount of cash payments received as of fiscal year-end.

97-3. Finding

The undistributed receipts account in deferred income was overstated due to the "application of payments" program not being run at the end of fiscal year 1997. This caused both accounts receivable and deferred income to be overstated by approximately \$209,000.

Recommendation

Procedures should be implemented to ensure that the Application of payments program is run on a regular basis, in particular at fiscal year-end. This will ensure that all payments received on accounts receivable are properly posted against the receivable balance.

97-4. Finding

During our examination of cash, we noted the following:

- A. The payroll bank account reconciliation for June, 1997 was not completed until May, 1998.
- B. Unresolved discrepancies on the bank reconciliations, some dating back to September of 1996, remained on the June, 1997 bank reconciliations. One unresolved amount was \$275,000.
- C. Three bank accounts included on the State Treasurer's Collateral Report were not included on the general ledger of the university.
- D. All imprest account reconciliations were not signed by the preparer and the custodian.
- E. The university did not have a policy stating who should authorize the closure of bank accounts.

MISSISSIPPI STATE UNIVERSITY

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

Recommendation

- A. All bank account reconciliations should be performed monthly. Although the payroll reconciliation problems were attributed to the Banner accounting system, there should be a manual reconciliation back-up plan when the computerized method is not functioning.
- B. Unresolved amounts on the reconciliations should be resolved on a more timely basis.
- C. Since the State Treasurer's Reports are received monthly by the university, any discrepancies should be investigated at that time.
- D. Imprest monthly account reconciliations should be reviewed to ensure that policies for approval are being followed.
- E. A policy should be established to ensure that only certain individuals are authorized to close bank accounts. The individual should not have direct, day-to-day control over these accounts.

97-5. Finding

During our examination of cash in the cashier's office, petty cash accounts and imprest cash, the following items were noted:

- A. Policies and procedures for cashing personal checks are not being followed properly by the cashier's office.
- B. The Dining Services Business Manager initiated a \$300 journal voucher to write off a petty cash theft. The \$400 loss was covered in part by a \$100 insurance payment.
- C. Several imprest accounts did not reflect the proper balance, including:
 - BStudent housing, refrigerators, overstated by \$5,190
 - IRHC reserve account, overstated by \$200
 - Student housing, overstated by \$200
 - Orientation, overstated by \$750.

Recommendation

- A. Policies and procedures should be monitored to ensure consistency over the cashing of personal checks.
- B. The authorization for write-offs due to thefts of cash should be performed by someone other than the individual responsible for recordkeeping and custody of the cash.
- C. Imprest accounts should be monitored and verified with the respective departments to ensure that the balances are properly reflected.

MISSISSIPPI STATE UNIVERSITY

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

97-6. Finding

As previously reported, adequate procedures are not in place to ensure that only valid housing deposits are being held and that forfeited deposits are transferred to revenue in a timely manner. This resulted in the deposits refundable account being overstated at fiscal year-end.

Recommendation

Procedures should be implemented to ensure that housing deposits forfeited are properly transferred to revenue in a timely manner. In addition, steps should be taken to evaluate the balance at fiscal year-end to determine which deposits are valid.

97-7. Finding

During our examination of expenditures, the following items were noted:

- A. As previously reported, original invoices are not being stamped **PAID** to prevent duplicate payment.
- B. As previously reported, several purchase orders were not signed for receiving, procurement authorization and department head authorization, indicating a lack of consistency in the method of processing these documents.

Recommendation

- A. All invoices processed for payment should be stamped **PAID**.
- B. Established policies and procedures should be followed to ensure a consistent method of processing and approving transactions.

97-8. Finding

During our testing of accounts receivable, the following items were noted:

- A. Students who owed a past due amount to the university were allowed to register for class.
- B. The Meridian Campus student accounts receivable balance was not included in the total calculation for student allowance for doubtful accounts.
- C. Supplemental collection efforts through additional collection agencies were not utilized. Only one agency was used during fiscal year 1997.

MISSISSIPPI STATE UNIVERSITY

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

- D. As previously reported, procedures for recording accounts receivable allowances do not appear adequate for accounts over two years old. Per testwork performed, the estimated collectibility was ten percent over the actual percentage calculated.

Recommendation

- A. Per university policy, students should not be allowed to register for class if they owe money to the university.
- B. Allowances should be properly reviewed to ensure that all amounts are considered when calculating student allowance for doubtful accounts.
- C. The university should consider using additional collection agencies to supplement the current agency being utilized.
- D. The estimated percentage for uncollectible accounts over two years should be reviewed and adjusted as necessary to properly reflect the collectibility of these accounts.

97-9. Finding

During our examination of travel advances, the following was noted:

- A. As previously reported, advances are not being cleared within 30 days after the last day of travel.
- B. As previously reported, several advances were issued over ten days before the first day of travel without attached explanations.

Recommendation

Procedures should be implemented to insure compliance with travel advance policies.

97-10. Finding

Our review of the university library revealed the following:

- A. The institution does not have procedures to monitor the existence and completeness of the books and films inventory.
- B. The institution does not have adequate documentation supporting the historical cost of the books and films inventory recorded on the general ledger.

MISSISSIPPI STATE UNIVERSITY

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

Recommendation

The institution should complete the physical inventory of library holdings currently underway, and subsequently perform periodic physical inventories to ensure the existence and completeness of library holdings. Also, the amount recorded on the general ledger at historical cost for books and films should be supported by adequate documentation. This should include historical cost documentation for additions and deletions of the volumes included in the books and films inventory.

97-11. Finding

As previously reported, the university's Information Systems and User Support and Systems and Network departments do not maintain written policies and/or procedures for the following:

- * physical security
- * telecommunications
- * security over access to automated resources
- * investigating access violations
- * maintenance and control over passwords
- * system and program testing
- * access to program documentation
- * system software
- * logs of access violations

Recommendation

The university should establish written policies and procedures for the computer center operations. Logs should be maintained for unsuccessful access attempts. All violations should be investigated thoroughly.

97-12. Finding

As previously reported, the tape library is located in the computer room, putting the tapes at a higher risk of damage.

Recommendation

All tapes should be relocated to a room outside of the computer room. The tape library should be in a secure location.

97-13. Finding

As previously reported, the university does not have a written information systems disaster recovery plan.

MISSISSIPPI STATE UNIVERSITY

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

Recommendation

In order to be prepared in the event of a disaster, we recommend that the university develop and implement a disaster recovery plan that would detail the steps that should be taken to safeguard the university's computer hardware, software and data. The university should include a risk analysis in its disaster recovery plan that will prioritize mission-critical computer applications. Written agreements should be made with vendors to assure swift replacement of hardware and software and, if necessary, a hot site for computer operations. A copy of the disaster recovery plan should be stored at the off-site storage facility.

97-14. Finding

As previously reported, programmers can change live data. Programmers are authorized to delete and/or update production data files.

Recommendation

Programmers should be restricted from changing live data. In the event changing data is periodically necessary, documentation should be maintained showing adequate review and approval by the proper supervisory personnel.

97-15. Finding

As previously reported, the university does not have a quality assurance function that addresses changes made to batch jobs that are processed overnight and program changes.

Recommendation

The university should implement quality assurance policies and procedures for changes made to batch jobs and for program modifications. These procedures should include the documentation of testing, reviewing and approving of all changes. This should be completed by an independent committee prior to moving programs into production. The independent committee should include users, programmers/analysts and management staff.

97-16. Finding

As previously reported, the university does not have an Internet firewall system. This increases the risk for potential security violations for the campus-wide computer network.

Recommendation

The university should implement a network firewall solution to alleviate potential Internet security violations.

97-17. Finding

Identification numbers were assigned to cashiers. Because of the lack of security over these identification numbers, the cashiers and cashier management could enter data into the computer system using another cashier's identification number.

Recommendation

The identification numbers should be secured so that no other employee has access to a cashier's number.

Section 3: Findings and Questioned Costs for Federal Awards

97-18. Finding

Program: Federal Perkins Loan Program - 84.038 - Department of Education

Compliance Requirement: Reporting

As previously reported, discrepancies were noted during the examination of the Fiscal Operations Report and Application (FISAP). Part III, Section A, Line 4 - Funds Advanced and Part III, Section A, Line 5 - Loan Principal Collected on the FISAP did not agree with the institution's general ledger or the servicer's FISAP. An adequate reconciliation of these discrepancies was not provided.

Recommendation

The institution's FISAP, the servicer's FISAP and the institution's general ledger should all be reconciled and adjusted in a timely manner in accordance with the student financial aid policy guidelines.