



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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MERIDIAN COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 1998

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MERIDIAN COMMUNITY COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

November 6, 1998

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

We have audited the general purpose financial statements of Meridian Community College as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Meridian Community College'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 Meridian Community College as of June 30, 1998, 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 November 6, 1998 on our consideration of Meridian Community College'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

MERIDIAN COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

MERIDIAN COMMUNITY COLLEGE
Balance Sheet
June 30, 1998
(With Comparative Figures at June 30, 1997)

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)	\$ 934,292	361,089	Accounts payable and accrued expenses	\$ 376,529	356,903
Accounts receivable:			Accrued leave (Note 3)	210,724	214,134
State appropriation		141,338	Deposits refundable	24,160	23,050
Students, less allowance of			Due to other funds	10,000	
\$317,457 (1998) and			Deferred credits	2,220	1,110
\$273,640 (1997)	94,451	41,849	Fund balances:		
Other	143,747	117,874	Unallocated		
Notes receivable	27,500	35,000	General	1,669,095	1,088,268
Inventories	232,358	221,168	Auxiliary	284,560	225,515
Prepaid items and deferred charges	20,378	1,901			
Due from other funds	1,124,562	988,761			
Total Current Unrestricted Funds	<u>2,577,288</u>	<u>1,908,980</u>	Total Current Unrestricted Funds	<u>2,577,288</u>	<u>1,908,980</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	257,192	159,658	Accounts payable and accrued expenses	22,575	28,395
Other accounts receivable	765,782	689,876	Accrued leave (Note 3)	19,835	26,065
			Due to other funds	765,782	689,876
			Deferred credits	152,042	48,059
			Fund balance:		
			Allocated	62,740	57,139
Total Current Restricted Funds	<u>1,022,974</u>	<u>849,534</u>	Total Current Restricted Funds	<u>1,022,974</u>	<u>849,534</u>
Total Current Funds	<u>\$ 3,600,262</u>	<u>2,758,514</u>	Total Current Funds	<u>\$ 3,600,262</u>	<u>2,758,514</u>
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 1,919	1,098	Fund balances:		
Notes receivable:			Federal	\$ 1,919	1,098
Federal student loans, less allowance of					
\$22,530 (1998) and					
\$22,980 (1997) (Note 5)	0	0			
Total Loan Funds	<u>\$ 1,919</u>	<u>1,098</u>	Total Loan Funds	<u>\$ 1,919</u>	<u>1,098</u>

Plant Funds		
Cash and other deposits (Note 4)	\$ 680,626	644,496
Accounts receivable - state appropriations	226,072	218,570
Other accounts receivable	21,653	20,336
Due from other funds	10,000	
Land	228,479	228,479
Improvements other than buildings	2,315,064	2,315,064
Buildings	18,084,834	14,639,709
Furniture, machinery and equipment	4,058,470	3,804,958
Books and films	1,060,341	939,479
Assets under capital leases		222,425
Construction in progress	39,276	2,152,708
Total Plant Funds	<u>\$ 26,724,815</u>	<u>25,186,224</u>
Agency Funds		
Cash and other deposits (Note 4)	\$ 84,973	265,009
Due from depositors	34,273	22,342
Total Agency Funds	<u>\$ 119,246</u>	<u>287,351</u>

Plant Funds		
Accounts payable	\$ 32,109	
Due to other funds	358,780	298,885
Notes payable (Note 6)	4,105,000	4,285,000
Bonds payable (Note 6)	2,860,000	3,120,000
Obligations under capital leases		30,241
Fund balances:		
Unexpended	1,297	2,242
Retirement of indebtedness	578,274	550,166
Net investment in plant	18,821,464	16,867,581
Total Plant Funds	<u>\$ 26,724,815</u>	<u>25,186,224</u>
Agency Funds		
Due to depositors	\$ 119,246	287,351
Total Agency Funds	<u>\$ 119,246</u>	<u>287,351</u>

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

MERIDIAN COMMUNITY COLLEGE
Statement of Changes in Fund Balances
For the Year Ended June 30, 1998

Exhibit B

	Current Funds			Loan Funds	Plant Funds		
	Unrestricted	Restricted	Total		Unexpended	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions							
Tuition and fees	\$ 2,968,275		2,968,275				
State appropriations	8,349,536	312,574	8,662,110		1,739,563		
Local appropriations	993,657		993,657			578,083	
Federal grants and contracts	15,925	3,200,552	3,216,477				
State grants and contracts	964,026	759,978	1,724,004				
Local grants and contracts		114,484	114,484				
Private gifts, grants & contracts	39,273	228,886	268,159				
Investment income	54,697	5,856	60,553			25,012	
Interest on loans receivable				371			
Additions to plant facilities							1,987,550
Retirement of indebtedness							470,241
Sales and services of educational activities	99,951	11,191	111,142				
Sales and services of auxiliary activities	2,339,519		2,339,519				
Decrease in provision for accrued leave	3,410	6,230	9,640				
Decrease in N/R - federal allowance				450			
Other	94,428	19,052	113,480				
Total Rev. & Other Additions	<u>15,922,697</u>	<u>4,658,803</u>	<u>20,581,500</u>	<u>821</u>	<u>1,739,563</u>	<u>603,095</u>	<u>2,457,791</u>
Expenditures & Other Deductions							
Educational and general:							
Instruction	5,993,469	2,002,063	7,995,532				
Academic support	1,045,758	247,063	1,292,821				
Student services	1,988,756	230,749	2,219,505				
Institutional support	1,538,687	15,634	1,554,321				
Operation & maintenance of plant	1,507,347	1,813	1,509,160				
Student aid	442,461	2,548,363	2,990,824				
Total Educational and General	<u>12,516,478</u>	<u>5,045,685</u>	<u>17,562,163</u>				
Auxiliary	1,987,916	23,301	2,011,217				
Repairs and maintenance					82,951		
Expended for plant facilities					1,657,557		
Plant assets sold or retired							503,908
Retirement of indebtedness						470,241	
Interest on indebtedness						418,100	
Provision for uncollectible accounts	43,817		43,817				
Other						5,476	
Total Expenditures and Other Deductions	<u>14,548,211</u>	<u>5,068,986</u>	<u>19,617,197</u>		<u>1,740,508</u>	<u>893,817</u>	<u>503,908</u>

Transfers - Additions (Deductions)							
Mandatory:							
Principal and interest	(318,830)		(318,830)			318,830	
Restricted fund matching	<u>(415,784)</u>	<u>415,784</u>	<u>(318,830)</u>			<u>318,830</u>	
Total Mandatory	<u>(734,614)</u>	<u>415,784</u>	<u>(318,830)</u>			<u>318,830</u>	
Total Transfers	<u>(734,614)</u>	<u>415,784</u>	<u>(318,830)</u>			<u>318,830</u>	
Net Increase (Decr.) for Year	<u>639,872</u>	<u>5,601</u>	<u>645,473</u>	<u>821</u>	<u>(945)</u>	<u>28,108</u>	<u>1,953,883</u>
Fund Balance at Beg. of Year As Previously Reported	<u>1,313,783</u>	<u>57,139</u>	<u>1,370,922</u>	<u>1,098</u>	<u>2,242</u>	<u>550,166</u>	<u>16,867,581</u>
Fund Balance at End of Year	<u>\$ 1,953,655</u>	<u>62,740</u>	<u>2,016,395</u>	<u>1,919</u>	<u>1,297</u>	<u>578,274</u>	<u>18,821,464</u>

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

MERIDIAN COMMUNITY COLLEGE
Statement of Current Fund Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1998
(With Comparative Figures for the Year Ended June 30, 1997)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 2,968,275		2,968,275	2,820,803
State appropriations	8,349,536	312,574	8,662,110	7,196,338
Local appropriations	993,657		993,657	1,086,475
Federal grants and contracts	15,925	3,200,552	3,216,477	2,802,135
State grants and contracts	964,026	754,377	1,718,403	1,703,710
Local grants and contracts		114,484	114,484	10,000
Private gifts, grants and contracts	39,273	228,886	268,159	553,476
Investment income	54,697	5,856	60,553	40,299
Sales and services of educational activities	99,951	11,191	111,142	99,860
Sales and services of auxiliary activities	2,339,519		2,339,519	2,146,711
Decrease in provision for accrued leave	3,410	6,230	9,640	
Other	94,428	19,052	113,480	91,928
Total Revenues and Other Additions	15,922,697	4,653,202	20,575,899	18,551,735
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	5,993,469	2,002,063	7,995,532	7,530,775
Academic support	1,045,758	247,063	1,292,821	1,072,112
Student services	1,988,756	230,749	2,219,505	1,922,020
Institutional support	1,538,687	15,634	1,554,321	1,423,893
Operation & maintenance of plant	1,507,347	1,813	1,509,160	1,374,748
Student aid	442,461	2,548,363	2,990,824	2,594,493
Total Educational and General Expenditures	12,516,478	5,045,685	17,562,163	15,918,041
Mandatory transfers:				
Principal and interest	26,374		26,374	53,088
Restricted fund matching	415,784	(415,784)		
Total Educational and General	12,958,636	4,629,901	17,588,537	15,971,129
Auxiliary enterprises:				
Expenditures	1,987,916	23,301	2,011,217	1,804,674
Mandatory transfers:				
Principal and interest	292,456		292,456	319,094
Total Auxiliary Enterprises	2,280,372	23,301	2,303,673	2,123,768
Total Expenditures and Mandatory Transfers	15,239,008	4,653,202	19,892,210	18,094,897
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		5,601	5,601	10,987
Other				(15,899)
Provision for uncollectible accounts	(43,817)		(43,817)	(31,552)
Provision for accrued leave				(50,776)
Total Other Transfers - Additions (Deductions)	(43,817)	5,601	(38,216)	(87,240)
Net Change in Fund Balance	\$ 639,872	5,601	645,473	369,598

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

MERIDIAN COMMUNITY COLLEGE

Summary of Significant Accounting Policies For the Year Ended June 30, 1998

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

(1) Basis of Accounting.

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

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

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

(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.

MERIDIAN COMMUNITY COLLEGE

Summary of Significant Accounting Policies For the Year Ended June 30, 1998

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

Current Funds consist of the following:

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

Other funds consist of the following:

- A. The Loan Funds are used to account for loans to students. Resources to provide loans are derived primarily from the federal government. Provisions of the federal loan program stipulate that:
 - 1. The institution's matching share is one-third of the federal contributions.
 - 2. A portion of the loan principal and interest (maximum of 30% per year) will be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.
- B. The Plant Funds which are used to account for the transactions relating to institution physical properties include:
 - 1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties.
 - 2. The Retirement of Indebtedness Plant Fund which represents resources held for the retirement of and interest on debt and includes sinking funds established under bond indentures and note and lease amortization payments accumulated, but not yet due.
 - 3. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress as well as any associated liabilities.
- C. Agency Funds account for assets held by the institution as custodian or fiscal agent for others. Consequently, the transactions of this fund do not affect the statement of changes in fund balances.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1998

(1) Financial Reporting Entity.

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

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

(2) Appropriations - General Operations.

Meridian Community College receives funds from the state of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the state of Mississippi. In addition, the institution receives funds from taxes levied by Lauderdale County and the City of Meridian for general support, maintenance and capital improvement.

(3) Accrued Leave.

Twelve-month employees earn annual personal leave at a rate of ten days per year for less than ten years of service, with a maximum accumulation of 20 days; 12 days per year for ten to 14 years of service, with a maximum accumulation of 24 days; 14 days per year for 15 to 19 years of service, with a maximum accumulation of 28 days; and 16 days per year for over 20 years of service, with a maximum accumulation of 32 days. There is no requirement that annual leave be taken. At termination, these employees are paid for up to 30 hours of accumulated annual leave. The liability for accrued leave at June 30, 1998, as reported in the Current Funds, was \$230,559.

(4) Cash and Other Deposits.

For financial statement purposes, cash and other deposits are represented by demand accounts and time deposits such as savings accounts, certificates of deposit and money market funds. Also included in this account are the Public Improvement Corporation's cash accounts and imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 1998, was \$1,959,002 and the depository balance was \$2,309,841. The carrying amount and the depository balance of the Public Improvement Corporation's cash and other deposits at June 30, 1998, was \$392,624. The portion of depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$255,139. The amount of \$1,649,203 was collateralized with securities held by a pledging financial institution's trust department or agent but not in the institution's name, and \$12,875 was uninsured or uncollateralized.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1998

(5) Notes Receivable From Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to 12 months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 1998:

	Unpaid Balance 6-30-98
Perkins student loans	\$ <u>22,530</u>
Total Notes Receivable	22,530
Less: Allowance for Doubtful Accounts	<u>22,530</u>
Net Notes Receivable	\$ <u><u>0</u></u>

(6) Long-term Debt.

The institution has long-term obligations of the following:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity Date	Amount Owed at 6-30-98
A. Bonded Debt.				
General Obligation Bonds:				
Limited-tax school bonds, Series 1988	\$ 2,000,000	6.3% - 9%	2003	\$ 915,000
Limited-tax school bonds, Series 1994	<u>2,250,000</u>	5.1% - 6.5%	2009	<u>1,945,000</u>
Total Bonded Debt	<u>\$ 4,250,000</u>			<u>\$ 2,860,000</u>
B. Notes.				
Public Improvement Corporation -				
student apartment notes, 1993	\$ 3,385,000	4.75% - 6.75%	2013	\$ 3,180,000
Educational facilities notes, Series 1991	<u>1,300,000</u>	5% - 6.6%	2006	<u>925,000</u>
Total Notes	<u>\$ 4,685,000</u>			<u>\$ 4,105,000</u>

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1998

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

Year Ending June 30	Total	Bonds	Notes
1999	\$ 886,325	441,992	444,333
2000	886,715	438,152	448,563
2001	889,245	437,801	451,444
2002	890,169	437,191	452,978
2003	889,279	440,754	448,525
Later years	<u>5,692,919</u>	<u>1,530,038</u>	<u>4,162,881</u>
Total	10,134,652	3,725,928	6,408,724
Less: Amounts Representing Interest	<u>3,169,652</u>	<u>865,928</u>	<u>2,303,724</u>
Total at Present Value	<u>\$ 6,965,000</u>	<u>2,860,000</u>	<u>4,105,000</u>

(7) Construction Commitments and Financing.

The institution has contracted for the construction of the following:

Project	Cost to Complete
State Funds	
Ivy Hall renovation	\$ <u>71,023</u>
Total	\$ <u><u>71,023</u></u>

(8) Pension Plan.

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

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, 1998, 1997 and 1996 were \$873,806, \$817,051 and \$777,763, respectively, equal to the required contributions for each year.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1998

(9) Foundation.

Meridian Community College Foundation, Inc. is an independent corporation formed for the purpose of receiving funds for the sole benefit of the institution. Following is a summary of the foundation's financial position at June 30, 1998, which amounts are not included in the financial statements of the institution:

<u>Assets</u>	<u>Amount</u>
Cash	\$ 138,732
Investments	4,570,243
Accounts receivable	8,863
Construction in progress	440
Land	52,918
Equipment	6,746
Other assets	<u>26,507</u>
Total Assets	<u>\$ 4,804,449</u>
 <u>Liabilities and Fund Balances</u>	
Accounts payable	\$ 4,198
Annuity liability	78,774
Fund balances:	
Unrestricted	200,693
Restricted	<u>4,520,784</u>
Total Liabilities and Fund Balances	<u>\$ 4,804,449</u>

(10) Year 2000.

The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of the institution's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. No significant amount of resources has been committed to make the computer systems and other electronic equipment year 2000 compliant.

The following stages have been identified by the Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1 as necessary to implement a year 2000 compliant system.

Awareness Stage - Encompasses establishing a budget and project plan (for example, a timeline or chart noting major tasks and due dates) for dealing with the year 2000 issue.

Assessment Stage - When the organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment systems and equipment critical to conducting operations to check for compliance.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 1998

Remediation Stage - When the organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to make the systems or processes year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - When the organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

The institution has performed the following:

1. Determined that the administrative software is the major software system affected by the year 2000 issue and has established a budget and project plan as of the date of this report.
2. Determined that the AS 400 computer hardware and operating system is the major hardware system affected by the year 2000 issue.

The institution is in the Awareness Stage concerning its administrative software and in the Validation/Testing Stage concerning its AS 400 hardware and operating system.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure Meridian Community College is or will be year 2000 ready, that Meridian Community College's efforts will be successful in whole or in part, or that parties with which Meridian Community College does business will be year 2000 ready.

(11) Subsequent Events.

On July 1, 1998, Meridian Community College issued a promissory note with the Mississippi Development Bank to advance refund \$3,180,000 of outstanding 1993 Certificates of Participation. The net proceeds were used to purchase U.S. Government securities. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 series certificates. As a result, the 1993 series certificates will be considered defeased and the liability for those certificates will be removed from the Investment in Plant Fund in fiscal year 1999.

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MERIDIAN COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster			
U.S. Department of Education:			
Federal PELL Grant Program	84.063		\$ 2,263,735
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		57,602
Federal Family Education Loan Program (FFEL)	(1) 84.032		826,485
Federal Work-study Program (FWS)	84.033		99,557
Pass-through Programs From:			
Board of Trustees of Institutions of Higher Learning - State Student Incentive Grant Program	84.069		3,947
Total U.S. Department of Education			<u>3,251,326</u>
Veterans' Benefits Administration:			
Veterans' Aid Administrative Cost	64.UNKNOWN		822
Total Veterans' Benefits Administration			<u>822</u>
Total Student Financial Aid			<u>3,252,148</u>
Other Programs:			
U.S. Department of Education:			
Pass-through Programs From:			
State Department of Education - Adult Education - State Grant Program	84.002		98,755
State Department of Education - Vocational Education Basic Grants to States	84.048	EV048A700248	271,327
State Department of Education - Tech-Prep Education	84.243	E-V243A60095	82,914
Total U.S. Department of Education			<u>452,996</u>
U.S. Department of Agriculture:			
Pass-through Program From:			
Mississippi Community College Foundation - Mississippi Rural Health Corp Program	10.500		92,691
Total U.S. Department of Agriculture			<u>92,691</u>
Small Business Administration:			
Pass-through Program From:			
University of Mississippi - Small Business Development Center	59.037		35,250
Total Small Business Administration			<u>35,250</u>

U.S. Department of Defense:		
Pass-through Program From:		
MS Contract Procurement Center - Mississippi Procurement Center	12.002	32,483
Total U.S. Department of Defense		<u>32,483</u>
U.S. Department of Labor:		
Pass-through Programs From:		
State Department of Education - Job Training Partnership Act	17.250	28,202
Mississippi Employment Security Commission - Individual Referrals	17.250	39,515
State Department of Education - JTPA - Title IIA	17.250	68,035
Total U.S. Department of Labor		<u>135,752</u>
U.S. Department of Health and Human Services:		
Pass-through Program From:		
State Department of Health - Maternal and Child Health Services Block Grant to States	93.994	25,000
Total U.S. Department of Health and Human Services		<u>25,000</u>
U.S. Department of Justice:		
Public Safety Partnership and Community Policing Grants	16.710	1,541
Total U.S. Department of Justice		<u>1,541</u>
Total Other Programs		<u>775,713</u>
Total Expenditures of Federal Awards		<u>\$ 4,027,861</u>

Notes to Schedule of Expenditures of Federal Awards

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 exception:

- (1) 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 federal lending institutions.

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MERIDIAN COMMUNITY COLLEGE

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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

November 6, 1998

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

We have audited the general purpose financial statements of Meridian Community College as of and for the year ended June 30, 1998, and have issued our report thereon dated November 6, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of Meridian Community College, 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

November 6, 1998

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

Compliance

We have audited the compliance of Meridian Community College 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, 1998. 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, Meridian Community College 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, 1998.

Internal Control Over Compliance

The management of Meridian Community College 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 Meridian Community College, 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

MERIDIAN COMMUNITY COLLEGE

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

MERIDIAN COMMUNITY COLLEGE

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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

November 6, 1998

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

We have audited the general purpose financial statements of Meridian Community College as of and for the year ended June 30, 1998, and have issued our report thereon dated November 6, 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 Meridian Community College. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Phil Bryant in cursive.

PHIL BRYANT
State Auditor

Handwritten signature of Ramona Hill in cursive.

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998

Section 1: Summary of Auditor's Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. The audit of the general purpose financial statements did not disclose any material weaknesses in internal control.
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 program was the Student Financial Aid cluster: CFDA #s 84.007, 84.032, 84.033, 84.063, 84.069 and 64.UNKNOWN.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.
10. There are no prior audit 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

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

Section 3: Findings and Questioned Costs for Federal Awards

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