



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

MERIDIAN COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 1999

MERIDIAN COMMUNITY COLLEGE

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT 1
 Independent Auditor's Report on the General Purpose Financial Statements and Supplemental
 Information 3

AUDITED FINANCIAL STATEMENTS 5
 Balance Sheet 6
 Statement of Changes in Fund Balances 8
 Statement of Current Fund Revenues, Expenditures and Other Changes 10
 Summary of Significant Accounting Policies 11
 Notes to Financial Statements 14

SUPPLEMENTAL INFORMATION 21
 Schedule of Expenditures of Federal Awards 22

REPORTS ON COMPLIANCE AND INTERNAL CONTROL 25
 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 27
 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 29

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 31

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 35

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

October 20, 1999

Dr. Scott Elliott, 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, 1999, 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, 1999, 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 October 20, 1999 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, 1999
(With Comparative Figures at June 30, 1998)

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)	\$ 1,571,500	934,292	Accounts payable and accrued expenses	\$ 324,240	376,529
Accounts receivable:			Accrued leave (Note 3)	234,502	210,724
State appropriation	118,752		Deposits refundable	31,390	24,160
Students, less allowance of			Due to other funds	10,000	10,000
\$423,879 (1999) and			Deferred credits		2,220
\$317,457 (1998)	73,979	94,451	Fund balances:		
Other	214,853	143,747	Unallocated		
Notes receivable	20,000	27,500	General	2,126,712	1,669,095
Inventories	291,154	232,358	Auxiliary	359,189	284,560
Prepaid items and deferred charges	130,445	20,378			
Due from other funds	665,350	1,124,562			
Total Current Unrestricted Funds	3,086,033	2,577,288	Total Current Unrestricted Funds	3,086,033	2,577,288
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	198,225	257,192	Accounts payable and accrued expenses	6,820	22,575
Other accounts receivable	519,728	765,782	Accrued leave (Note 3)	27,116	19,835
			Due to other funds	519,728	765,782
			Deferred credits	97,813	152,042
			Fund balance:		
			Allocated	66,476	62,740
Total Current Restricted Funds	717,953	1,022,974	Total Current Restricted Funds	717,953	1,022,974
Total Current Funds	\$ 3,803,986	3,600,262	Total Current Funds	\$ 3,803,986	3,600,262
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 1,919	1,919	Fund balances:		
Notes receivable:			Federal	\$ 1,919	1,919
Federal student loans, less allowance of					
\$22,530 (1999) and					
\$22,530 (1998) (Note 5)					
Total Loan Funds	\$ 1,919	1,919	Total Loan Funds	\$ 1,919	1,919

Plant Funds		
Cash and other deposits (Note 4)	\$ 375,503	680,626
Accounts receivable - state appropriation	34,567	226,072
Other accounts receivable	15,997	21,653
Due from other funds	10,000	10,000
Land	228,479	228,479
Improvements other than buildings	2,354,316	2,315,064
Buildings	18,361,307	18,084,834
Furniture, machinery and equipment	4,185,710	4,058,470
Books and films	1,097,436	1,060,341
Construction in progress (Note 8)	27,300	39,276

Total Plant Funds	\$ <u>26,690,615</u>	<u>26,724,815</u>
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Agency Funds		
Cash and other deposits (Note 4)	\$ 104,669	84,973
Due from depositors	24,007	34,273

Total Agency Funds	\$ <u>128,676</u>	<u>119,246</u>
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Plant Funds		
Due to other funds	\$ 145,622	358,780
Notes payable (Note 6)	4,130,000	4,105,000
Bonds payable (Note 6)	2,585,000	2,860,000
Fund balances:		
Unexpended	1,298	1,297
Retirement of indebtedness	289,147	578,274
Net investment in plant	19,539,548	18,821,464

Total Plant Funds	\$ <u>26,690,615</u>	<u>26,724,815</u>
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Agency Funds		
Due to depositors	\$ 128,676	119,246

Total Agency Funds	\$ <u>128,676</u>	<u>119,246</u>
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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, 1999

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	\$ 2,859,360		2,859,360				
State appropriations	8,506,030	567,370	9,073,400		584,760		
Local appropriations	989,435	104,307	1,093,742			573,775	
Federal grants and contracts	16,982	3,507,340	3,524,322				
State grants and contracts	1,043,429	914,327	1,957,756				
Local grants and contracts		4,462	4,462				
Private gifts, grants & contracts	72,114	176,437	248,551				
Investment income	95,614	9,036	104,650		1	10,748	
Proceeds from notes (Note 12)						3,322,547	
Additions to plant facilities							634,640
Retirement of indebtedness							350,000
Sales and services of educational activities	92,098	8,200	100,298				
Sales and services of auxiliary activities	2,264,685		2,264,685				
Other	152,917	15,119	168,036				
Total Rev. & Other Additions	16,092,664	5,306,598	21,399,262		584,761	3,907,070	984,640
Expenditures & Other Deductions							
Educational and general:							
Instruction	6,310,636	1,881,122	8,191,758				
Academic support	993,102	611,688	1,604,790				
Student services	1,999,305	482,157	2,481,462				
Institutional support	1,607,720	25,101	1,632,821				
Operation & maint. of plant	1,564,168	493	1,564,661				
Student aid	431,260	2,648,173	3,079,433				
Total Educational and General	12,906,191	5,648,734	18,554,925				
Auxiliary	1,954,895	32,051	1,986,946				
Payment to refund debt (Note 12)						3,475,318	
Loss on refunding of debt (Note 12)							100,000
Repairs and maintenance Expended for plant facilities					294,777		
Plant assets sold or retired					289,983		166,556
Retirement of indebtedness						350,000	
Interest on indebtedness						383,834	
Provision for uncollectible accts.	106,422		106,422				
Provision for accrued leave	23,778	7,281	31,059				
Other						170,973	
Total Expenditures and Other Deductions	14,991,286	5,688,066	20,679,352		584,760	4,380,125	266,556

Transfers - Additions (Deductions)

Mandatory:							
Principal and interest	(162,275)		(162,275)			162,275	
Restricted fund matching	<u>(385,204)</u>	<u>385,204</u>	<u>(162,275)</u>			<u>162,275</u>	
Total Mandatory	<u>(547,479)</u>	<u>385,204</u>	<u>(162,275)</u>			<u>162,275</u>	
Other:							
Other	<u>(21,653)</u>		<u>(21,653)</u>			<u>21,653</u>	
Total Other	<u>(21,653)</u>		<u>(21,653)</u>			<u>21,653</u>	
Total Transfers	<u>(569,132)</u>	<u>385,204</u>	<u>(183,928)</u>			<u>183,928</u>	
Net Increase (Decr.) for Year	532,246	3,736	535,982		1	(289,127)	718,084
Fund Balance at Beg. of Year As Previously Reported	<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>
Fund Balance at End of Year	<u>\$ 2,485,901</u>	<u>66,476</u>	<u>2,552,377</u>	<u>1,919</u>	<u>1,298</u>	<u>289,147</u>	<u>19,539,548</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, 1999
(With Comparative Figures for the Year Ended June 30, 1998)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 2,859,360		2,859,360	2,968,275
State appropriations	8,506,030	567,370	9,073,400	8,662,110
Local appropriations	989,435	104,307	1,093,742	993,657
Federal grants and contracts	16,982	3,507,340	3,524,322	3,216,477
State grants and contracts	1,043,429	903,310	1,946,739	1,718,403
Local grants and contracts		4,462	4,462	114,484
Private gifts, grants and contracts	72,114	176,437	248,551	268,159
Investment income	95,614	9,036	104,650	60,553
Sales and services of educational activities	92,098	8,200	100,298	111,142
Sales and services of auxiliary activities	2,264,685		2,264,685	2,339,519
Decrease in provision for accrued leave				9,640
Other	152,917	15,119	168,036	113,480
Total Revenues and Other Additions	<u>16,092,664</u>	<u>5,295,581</u>	<u>21,388,245</u>	<u>20,575,899</u>
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	6,310,636	1,881,122	8,191,758	7,995,532
Academic support	993,102	611,688	1,604,790	1,292,821
Student services	1,999,305	482,157	2,481,462	2,219,505
Institutional support	1,607,720	25,101	1,632,821	1,554,321
Oper. & maintenance of plant	1,564,168	493	1,564,661	1,509,160
Student aid	431,260	2,648,173	3,079,433	2,990,824
Total Educational and General Expenditures	<u>12,906,191</u>	<u>5,648,734</u>	<u>18,554,925</u>	<u>17,562,163</u>
Mandatory transfers:				
Principal and interest				26,374
Restricted fund matching	385,204	(385,204)		
Total Educational and General	<u>13,291,395</u>	<u>5,263,530</u>	<u>18,554,925</u>	<u>17,588,537</u>
Auxiliary enterprises:				
Expenditures	1,954,895	32,051	1,986,946	2,011,217
Mandatory transfers:				
Principal and interest	162,275		162,275	292,456
Total Auxiliary Enterprises	<u>2,117,170</u>	<u>32,051</u>	<u>2,149,221</u>	<u>2,303,673</u>
Total Expenditures and Mandatory Transfers	<u>15,408,565</u>	<u>5,295,581</u>	<u>20,704,146</u>	<u>19,892,210</u>
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		11,017	11,017	5,601
Other	(21,653)		(21,653)	
Provision for uncollectible accounts	(106,422)		(106,422)	(43,817)
Provision for accrued leave	(23,778)	(7,281)	(31,059)	
Total Other Transfers - Additions (Deductions)	<u>(151,853)</u>	<u>3,736</u>	<u>(148,117)</u>	<u>(38,216)</u>
Net Change in Fund Balance	\$ <u>532,246</u>	<u>3,736</u>	<u>535,982</u>	<u>645,473</u>

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, 1999

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 in accordance with Governmental Accounting Standards Board Statement Number 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

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.

MERIDIAN COMMUNITY COLLEGE

Summary of Significant Accounting Policies
For the Year Ended June 30, 1999

(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 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.

MERIDIAN COMMUNITY COLLEGE

Summary of Significant Accounting Policies
For the Year Ended June 30, 1999

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, 1999

(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 and is included as a blended component unit in the general purpose financial statements.

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 construction and financing 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; 12 days per year for ten to 14 years of service; 14 days per year for 15 to 19 years of service and 16 days per year for over 20 years of service. There is no requirement that annual leave be taken. At termination, these employees are paid for up to 30 days of accumulated annual leave. The liability for accrued leave at June 30, 1999, as reported in the Current Funds, was \$261,618.

(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, 1999, was \$2,251,816 and the depository balance was \$2,920,058. The carrying amount and the depository balance of Public Improvement Corporation's cash and other deposits at June 30, 1999, was \$79,431, which is included in the amounts above. The portion of depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$257,308. The amount of \$2,554,911 was collateralized with securities held by a pledging financial institution's trust department or agent but not in the institution's name and \$28,408 was uninsured or uncollateralized.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1999

(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, 1999:

	Interest Rates		Unpaid Balance 6-30-99
Perkins student loans	3%	\$	<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 6-30-99
A. Bonded Debt.				
General Obligation Bonds:				
Limited-tax school bonds, Series 1988	\$ 2,000,000	6.3% - 9%	2003	\$ 755,000
Limited-tax school bonds, Series 1994	<u>2,250,000</u>	5.1% - 6.5%	2009	<u>1,830,000</u>
Total Bonded Debt	<u>\$ 4,250,000</u>			<u>\$ 2,585,000</u>
B. Notes.				
Educational facilities notes, Series 1991	\$ 1,300,000	5% - 6.6%	2006	\$ 850,000
Student housing facility refunding project notes, dated 7/1/1998	<u>3,280,000</u>	4% - 5.5%	2018	<u>3,280,000</u>
Total Notes	<u>\$ 4,580,000</u>			<u>\$ 4,130,000</u>

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1999

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

Year Ending June 30	Total	Bonds	Notes
2000	\$ 836,076	438,152	397,924
2001	836,008	437,801	398,207
2002	835,028	437,191	397,837
2003	832,801	440,754	392,047
2004	616,887	221,500	395,387
Later years	<u>5,565,085</u>	<u>1,308,538</u>	<u>4,256,547</u>
Total	9,521,885	3,283,936	6,237,949
Less: Amounts Representing Interest	<u>2,806,885</u>	<u>698,936</u>	<u>2,107,949</u>
Total at Present Value	<u>\$ 6,715,000</u>	<u>2,585,000</u>	<u>4,130,000</u>

(7) Operating Leases.

Leased property under operating leases is composed of a computer software lease with MLC Group, Inc. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30	Amount
2000	\$ 57,303
2001	57,303
2002	57,303
2003	57,303
2004	<u>57,303</u>
Total Minimum Payments Required	<u>\$ 286,515</u>

The total rental expense for the operating lease for the fiscal year ending June 30, 1999, was \$61,558.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1999

(8) Construction Commitments and Financing.

The institution has contracted for the construction of the following:

Project	Cost to Complete
State Funds	
Ivy Hall renovation	\$ 2,048,247
Total	\$ 2,048,247

(9) Pension Plan.

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

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, 1999, 1998 and 1997 were \$915,293, \$873,806 and \$817,051, respectively, equal to the required contributions for each year.

(10) Foundation.

Meridian Community College Foundation, Inc. is an independent corporation formed for the purpose of receiving funds for the sole benefit of the institution. Following is a summary of the foundation's financial position at June 30, 1999, which amounts are not included in the financial statements of the institution:

Assets	Amount
Cash	\$ 89,732
Investments	5,403,264
Accounts receivable	3,306
Prepaid expense	2,500
Construction in progress	67,694
Land	126,120
Equipment	6,746
Other assets	30,391
Total Assets	\$ 5,729,753

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1999

Liabilities and Fund Balances		Amount
Accounts payable	\$	8,329
Annuity liability		75,358
Notes payable		47,000
Fund balances:		
Unrestricted		203,060
Restricted		5,396,006
		5,396,006
Total Liabilities and Fund Balances	\$	5,729,753

(11) 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 Meridian Community Colleges programs that have dates and/or time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could cause those application systems to fail or make miscalculations or cause disruptions of operations, including among other things, a temporary inability to process transactions or engage in normal business activity. For the year ending June 30, 1999, no significant amount of resources has been committed to make the computer application systems and electronic equipment year 2000 compliant.

The college has identified the computer application systems and equipment that are mission-critical (i.e., critical to conducting operations). The application systems affect primarily general education, financial and personnel aspects of Meridian Community Colleges operations.

The following stages have been identified by the Governmental Accounting Standards Board (GASB) Technical Bulletin 99-1 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.

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.

MERIDIAN COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 1999

The mission-critical application systems and equipment for Meridian Community College and their stage of completion is as follows:

<u>Equipment/Application</u>	<u>Stages of Completion</u>			
	<u>Awareness</u>	<u>Assessment</u>	<u>Remediation</u>	<u>Validation/Testing</u>
IBM AS 400				X
Financial			X	
Student Services			X	
Payroll			X	
Network			X	

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.

(12) Refunding Debt.

On July 1, 1998, Meridian Community College entered into a promissory note for \$3,280,000 at a premium of \$42,547 with a weighted average interest rate of 5.06 percent with the Mississippi Development Bank to advance refund \$3,180,000 of outstanding 1993 Certificates of Participation. The net proceeds of \$3,157,318 (after the payment of \$165,229 in issuance cost) and \$318,000 previously held in the prior Debt Service Fund 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 are considered to be defeased and the liability for those certificates has been removed from the Investment in Plant Fund in fiscal year 1999.

The college advance refunded the 1993 Series Certificates to reduce the annual debt requirements over the next fifteen years and to enable the revenue from the apartment complex to meet those requirements. The new note was issued for a period of 20 years, whereas the original issue had 15 years remaining. Therefore, this refunding of debt resulted in a cash flow loss of \$146,485 and an economic loss of \$104,102, which is the difference between the present value of the debt service payments on the old and new debt.

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, 1999

<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		\$ 2,390,619
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		51,887
Federal Family Education Loan Program (FFEL)	(1) 84.032		724,037
Federal Work-study Program (FWS)	84.033		116,688
Pass-through program from:			
Board of Trustees of Institutions of Higher Learning - State Student Incentive Grant Program (SSIG)	84.069		2,166
Total U.S. Department of Education			<u>3,285,397</u>
Veterans' Benefits Administration:			
Veterans' Aid Administrative Cost	64.UNKNOWN		766
Total Veterans' Benefits Administration			<u>766</u>
Total Student Financial Aid			<u>3,286,163</u>
Other Programs:			
U.S. Department of Education:			
Pass-through programs from:			
State Department of Education - Adult Education - State Grant Program	84.002		207,334
State Department of Education - Vocational Education Basic Grants to States	84.048	EV048A700248	237,216
State Department of Education - Tech-Prep Education	84.243	E-V243A60095	90,519
Total U.S. Department of Education			<u>535,069</u>
U.S. Department of Agriculture:			
Pass-through program from:			
Mississippi Community College Foundation - Mississippi Rural Health Corp. Program Cooperative Extension Service	10.500		117,168
Total U.S. Department of Agriculture			<u>117,168</u>
Small Business Administration:			
Pass-through program from:			
University of Mississippi - Small Business Development Center	59.037		28,614
Total Small Business Administration			<u>28,614</u>

U.S. Department of Defense:			
Pass-through program from:			
MS Contract Procurement Center - Procurement Technical Assistance for Business Firms	12.002		32,413
Total U.S. Department of Defense			<u>32,413</u>
U.S. Department of Labor:			
Pass-through programs from:			
State Department of Education - Job Training Partnership Act	17.250		35,909
Mississippi Employment Security Commission - Individual Referrals	17.250		28,263
State Department of Education - JTPA - Title IIA	17.250	L-799551TA31	125,604
Total U.S. Department of Labor			<u>189,776</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		17,957
Total U.S. Department of Justice			<u>17,957</u>
Total Other Programs			<u>945,997</u>
Total Expenditures of Federal Awards			\$ <u><u>4,232,160</u></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

October 20, 1999

Dr. Scott Elliott, 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, 1999, and have issued our report thereon dated October 20, 1999. 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 a certain matter involving the internal control over financial reporting 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 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 condition is described in the accompanying Schedule of Findings and Questioned Costs as item #99-1.

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, we do not believe the finding referred to above to be a material weakness.

This report is intended solely for the information and use of management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

October 20, 1999

Dr. Scott Elliott, 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, 1999. 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, 1999.

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 solely for the information and use of management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

October 20, 1999

Dr. Scott Elliott, 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, 1999, and have issued our report thereon dated October 20, 1999. 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 solely for the information and use of management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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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, 1999

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, a reportable condition in internal control was disclosed by the audit of the general purpose financial statements. The reportable condition described in Finding 99-1 is not considered to be a material weakness.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under Section _____.510(a) of OMB Circular A-133.
7. The major 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: Finding Relating to the Financial Statements

99-1.

Finding

During our review of Meridian Community College's EDP controls, the following was noted:

- A. The institution does not have written policies and procedures for its computer center operations for updating table changes, recovery from abnormal terminations, security over data processing facility, and requesting and assigning passwords.
- B. The college does not restrict access to the various business office applications within the business office by allowing all business office employees access to all business office applications.
- C. Automated logs or journals are not used to monitor access made by users to the computer, its applications, and the documentation of those applications.

MERIDIAN COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1999

Recommendation

We recommend the following:

- A. Written policies and procedures for the computer center operations should be established for updating table changes, recovery from abnormal terminations, security over data processing facilities, and requesting and assigning passwords.
- B. Access for employees of the business office should be limited to those applications with which they have job responsibilities.
- C. Automated logs or journals (history log) should be used to monitor access made by users to the computer, its applications, and the documentation of those applications.

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.