



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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State Auditor

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MISSISSIPPI DELTA COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2003

MISSISSIPPI DELTA COMMUNITY COLLEGE

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MISSISSIPPI DELTA COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MISSISSIPPI DELTA COMMUNITY COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Board of Trustees of Mississippi Delta Community College
P.O. Box 668
Moorhead, MS 38761

We have audited the accompanying financial statements of Mississippi Delta Community College as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of Mississippi Delta Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Delta Community College, as of June 30, 2003, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, Mississippi Delta Community College adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; and related pronouncements for the year ended June 30, 2003.

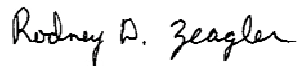
In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2004, on our consideration of Mississippi Delta Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mississippi Delta Community College's basic financial statements. The 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

July 9, 2004

MISSISSIPPI DELTA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Overview of the Financial Statements

The College's financial report consists of two sections - Management's Discussion and Analysis, which is required supplementary information (this section), and the basic financial statements including the notes to the financial statements. The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These financial statements differ significantly, in both form and the accounting principles used, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the College as a whole. **The Statement of Net Assets** presents the financial position at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities is one measure of financial health or position, while the change in net assets is a useful indicator of whether the financial condition is improving or deteriorating. Over time, increases or decreases in the College's net assets can be useful in assessing whether its financial health is improving.

The **Statement of Revenues, Expenses and Changes in Net Assets** presents the operating results, as well as non-operating revenues and expenses. In general terms, operating revenues are received for providing goods and services and operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues. Non-operating revenues are those received for which goods and services are not provided as an exchange transaction. For example, State Appropriation revenues are classified as non-operating because the State Legislature provides them, without the Legislature receiving commensurate goods or services in return. Due to this classification treatment, the College's financial statements typically depict an overall operating loss. Other revenue sources include gifts, grants and appropriations restricted for capital purposes.

The **Statement of Cash Flows** provides another perspective on the results of operations. This statement provides detailed information about the cash sources and uses. Additional details concerning this statement are explained later in this report.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Other non-financial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the College.

Statement of Net Assets

Net assets are divided into three major categories:

Invested in capital assets, net of debt - represents the equity in property, plant and equipment owned by the System.

Restricted net assets - represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements.

Unrestricted net assets - represent those assets that are available for any lawful purpose.

From the data presented, readers of the Statement of Net Assets are able to determine the following:

- the assets available to continue the operations of the College
- the liabilities of the College which include the amount owed vendors and lending institutions, and
- the net assets that are available for expenditure by the College.

Current assets total \$7,105,693 and consist primarily of cash and cash equivalents, short-term investments and net receivables. Current liabilities total \$824,131 and consist primarily of accounts payable and accrued liabilities, deferred revenues, and short-term bond/note obligations.

Non-current assets total \$17,757,385 and include depreciated capital assets of \$17,559,230. Other non-current assets include cash and investments that are restricted externally by endowment arrangements, or internally by management so as to maximize investment earnings.

Non-current liabilities total \$439,108 and include dormitory room deposits and notes payable with contractual maturities greater than one year.

MISSISSIPPI DELTA COMMUNITY COLLEGE Management's Discussion and Analysis

Restricted non-expendable net assets total \$10,000 and consist of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to the principal.

Restricted expendable net assets total \$1,741,258 and include resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

A summarized listing of Mississippi Delta Community College's assets, liabilities and net assets at June 30, 2003, is shown below.

Statement of Net Assets

Assets	June 30, 2003
Current assets	\$ 7,105,693
Capital assets	\$ 17,559,230
Other assets	<u>\$ 198,155</u>
Total assets	<u>\$ 24,863,078</u>
 Liabilities	
Current liabilities	\$ 824,131
Non-current liabilities	<u>\$ 439,108</u>
Total liabilities	<u>\$ 1,263,239</u>
 Net Assets	
Invested in capital assets, net of debt	\$ 17,105,220
Restricted - nonexpendable	\$ 10,000
Restricted - expendable	\$ 1,741,258
Unrestricted	<u>\$ 4,743,361</u>
Total net assets	<u>\$ 23,599,839</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
Management's Discussion and Analysis

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) displays information on how the College's assets changed as a result of current year operations. This statement presents the System's operating and non-operating revenues and expenditures.

The consolidated SRECNA at June 30, 2003 indicates a net operating loss of \$11,896,622. The net loss does not include the 2003 effects of non-operating items - state appropriations, gifts, or net investment earnings.

Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2003
Operating revenues	\$ 14,339,440
Operating expenses	\$ <u>(26,236,062)</u>
Operating income (loss)	\$ (11,896,622)
Non-operating revenues (expense)	\$ <u>10,718,816</u>
Income (loss) before other revenues, expenses, gains or losses	\$ (1,177,806)
Other revenues, expenses, gains or losses	\$ <u>151,515</u>
Change in net assets	\$ (1,026,291)
Net assets at beginning of the year restated	\$ 36,525,431
Cumulating effects of changes in accounting principle	(11,899,088)
Prior period adjustment	\$ <u>(213)</u>
Net assets at the end of the year	\$ <u>23,599,839</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Revenues

Operating revenues for the College totaled \$14,339,440 at June 30, 2003. The following chart summarizes the revenues into major categories.

	June 30, 2003	Percentage
Tuition and Fees (net)	\$ 640,019	4.5%
Grants and Contracts	\$ 12,040,518	83.9%
Auxiliary Enterprises (net)	\$ 1,177,228	8.2%
Other Revenues	<u>\$ 481,675</u>	<u>3.4%</u>
Total Operating Revenues	<u>\$ 14,339,440</u>	100.0%

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Expenses

Total operating expenses for the College amounted to \$26,236,062 for the year ended June 30, 2003. Shown in the table below is a summary of the operating expenses by major object categories.

Operating Expenses	June 30, 2003	Percent
Salaries & Wages	11,630,616	44.3
Fringe Benefits	2,636,730	10.1
Travel	310,536	1.2
Contractual Services	3,397,216	12.9
Utilities	718,212	2.7
Scholarships & Fellowships	3,246,952	12.4
Commodities	2,529,132	9.7
Depreciation Expense	782,938	3.0
Other Operating Expense	<u>983,730</u>	3.7
Total Operating Expense	<u>\$ 26,236,062</u>	<u>100.0%</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
Management's Discussion and Analysis

As an alternative presentation model, Mississippi Delta's fiscal year 2003 operating expenses are shown below by major function category. Functional classifications are the traditional categories that colleges have used. They represent the type of programs and services that the colleges provide.

<u>Function</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$12,305,084	46.9
Academic Support	557,006	2.1
Student Services	1,338,976	5.1
Institutional Support	1,892,197	7.2
Operation of Plant	3,178,273	12.1
Student Aid	3,394,145	12.9
Auxiliary Enterprises	2,537,641	9.7
Depreciation	782,938	3.0
Other	<u>249,802</u>	1.0
 Total Operating Expenditures	 <u>\$26,236,062</u>	 100.0

MISSISSIPPI DELTA COMMUNITY COLLEGE
Management's Discussion and Analysis

Capital Asset and Debt Administration

At June 30, 2003, Mississippi Delta Community College had invested in a broad range of capital assets. These assets are comprised of land, buildings and improvements, equipment, and library books. They are stated net of accumulated depreciation. See the following table.

Capital Asset Summary

	June 30, 2003
Capital assets not being depreciated	<u>\$ 269,248</u>
Depreciable capital assets:	
Improvements other than buildings	1,409,274
Buildings	23,361,419
Equipment	4,658,372
Library Books	<u>701,177</u>
Total depreciable capital assets	<u>\$ 30,130,242</u>
Total cost of capital assets	30,399,490
Less accumulated depreciation	(12,840,260)
Capital assets, net	<u>\$ 17,559,230</u>

Non-depreciated capital assets totaled \$269,248. This amount represents the value of land at June 30, 2003.

At June 30, 2003, Mississippi Delta Community College had \$454,010 in notes payable. This represents \$71,172 due within twelve months and \$382,838 due later than one year.

MISSISSIPPI DELTA COMMUNITY COLLEGE Management's Discussion and Analysis

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The Statement of Cash Flows also helps users assess:

- The ability to generate future net cash flows,
- The ability to meet obligations as they come due, and
- A need for external financing.

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year Ended June 30, 2003

	<u>Amount</u>
Cash and Cash Equivalents Provided (Used) by:	
Operating Activities	(11,324,808)
Noncapital Financing Activities	10,950,577
Capital and Related Financing Activities	(516,612)
Investing Activities	<u>690,523</u>
Net decrease in Cash and Cash Equivalents	(200,320)
Cash and Cash Equivalents - Beginning of the Year	<u>2,142,788</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 1,942,468</u>

The major sources of funds included in the operating activities include student tuition and fees, \$497,835, auxiliary enterprises, \$1,119,984, and grants and contracts, \$11,642,623. The major uses of funds were payments made to employees, \$14,262,899, to suppliers, \$5,604,979 and to students for financial aid, \$4,645,543.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$8,523,576.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Economic Outlook

Cumulating decreases in State appropriations since the Fiscal Year 2000 total \$1,554,489. These decreases have challenged Mississippi Delta Community College's ability to provide excellent service and products to students, faculty, and staff. Due to the loss in state funding Mississippi Delta Community College increased tuition and fees by 12% in Fiscal Year 2003. In addition to tuition increases, management is also seeking financial funds from federal agencies in order to help bridge the gap left by the downturn in state support.

Mississippi Delta Community College staff and management are continuing to develop plans to reduce costs and generate new sources of revenue while providing an excellent college experience for our vocational, technical, and academic students.

MISSISSIPPI DELTA COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

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MISSISSIPPI DELTA COMMUNITY COLLEGE
Statement of Net Assets
June 30, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,942,468
Short-term investments	3,400,000
Accounts receivables, net	1,184,819
Inventories	394,361
Prepaid expenses	<u>184,045</u>

Total Current Assets 7,105,693

Noncurrent assets:

Endowment investments	10,000
Other long-term investments	188,155
Capital assets, net of accumulated depreciation	<u>17,559,230</u>

Total Noncurrent Assets 17,757,385

Total Assets 24,863,078

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	588,454
Deferred revenues	94,859
Long-term liabilities - current portion	71,172
Other current liabilities	<u>69,646</u>

Total Current Liabilities 824,131

Noncurrent liabilities:

Deposits refundable	56,270
Long-term liabilities	<u>382,838</u>

Total Noncurrent Liabilities 439,108

Total Liabilities 1,263,239

NET ASSETS

Invested in capital assets, net of related debt 17,105,220

Restricted for:

Nonexpendable:

Scholarships and fellowships 10,000

Expendable:

Scholarships and fellowships 95,213

Capital projects 1,594,032

Other purposes 52,013

Unrestricted 4,743,361

Total Net Assets \$ 23,599,839

The notes to the financial statements are an integral part of this statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$4,481,949)	\$ 640,019
Federal grants and contracts	9,957,256
State grants and contracts	2,081,562
Nongovernmental grants and contracts	1,700
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$118,047)	160,411
Food services (net of scholarship allowances of \$213,426)	544,541
Bookstore (net of scholarship allowances of \$1,067,118)	472,276
Other operating revenues	<u>481,675</u>
 Total Operating Revenues	 <u>14,339,440</u>
Operating Expenses:	
Salaries and wages	11,630,616
Fringe benefits	2,636,730
Travel	310,536
Contractual services	3,397,216
Utilities	718,212
Scholarships and fellowships	3,246,952
Commodities	2,529,132
Depreciation expense	782,938
Other operating expense	<u>983,730</u>
 Total Operating Expenses	 <u>26,236,062</u>
 Operating Income (Loss)	 <u>(11,896,622)</u>
Nonoperating Revenues (Expenses):	
State appropriations	8,202,166
Local appropriations	2,444,255
Investment income	93,298
Interest expense on capital asset-related debt	(24,303)
Other nonoperating revenues (expenses)	<u>3,400</u>
 Total Net Nonoperating Revenues (Expenses)	 <u>10,718,816</u>
 Income (Loss) before Other Revenues, Expenses, Gains and Losses	 <u>(1,177,806)</u>
 State appropriations restricted for capital purposes	 141,515
Additions to permanent endowments	<u>10,000</u>
 Change in Net Assets	 <u>(1,026,291)</u>

Net Assets:	
Net Assets - Beginning of Year, as Originally Reported	36,525,431
Cumulative effects of changes in accounting principle Prior period adjustments	(11,899,088) <u>(213)</u>
Net Assets - Beginning of Year, as Restated	<u>24,626,130</u>
Net Assets - End of Year	\$ <u><u>23,599,839</u></u>

The notes to the financial statements are an integral part of this statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2003

Cash Flows from Operating Activities:	
Tuition and fees	\$ 497,835
Grants and contracts	11,642,623
Payments to suppliers	(5,604,979)
Payments to employees for salaries and benefits	(14,262,899)
Payments for utilities	(531,602)
Payments for scholarships and fellowships	(4,645,543)
Auxiliary enterprise charges:	
Student housing	159,227
Food services	539,696
Bookstore	421,061
Other receipts	485,063
Other payments	<u>(25,290)</u>
Net Cash Provided (Used) by Operating Activities	<u>(11,324,808)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	8,523,576
Local appropriations	2,408,112
Private gifts for endowment purposes	10,000
Other sources	319,823
Other uses	<u>(310,934)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,950,577</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid for capital assets	(549,627)
Capital appropriations received	125,059
Principal paid on capital debt and leases	(67,741)
Interest paid on capital debt and leases	<u>(24,303)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(516,612)</u>
Cash Flows from Investing Activities:	
Proceeds from sales and maturities of investments	5,600,000
Interest received on investments	90,523
Purchases of investments	<u>(5,000,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>690,523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(200,320)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>2,142,788</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,942,468</u>

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Operating income (loss)	\$	<u>(11,896,622)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		782,938
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net		(432,313)
Inventories		(86,117)
Prepaid expenses		6,816
Other assets		3,401
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities		217,766
Deferred revenues		82,317
Deposits refundable		(2,780)
Other liabilities		<u>(214)</u>
Total Adjustments		<u>571,814</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(11,324,808)</u></u>

The notes to the financial statements are an integral part of this statement.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2003

(1) Summary of Significant Accounting Policies.

- A. Reporting Entity - Sunflower Agriculture High School was established at Moorhead, Mississippi, in 1911. Sunflower Junior College was founded in conjunction with the Agriculture High School early in 1926, with the first freshman class enrolling in September of the same year. The college was fully accredited as a two-year junior college in April 1928, by the Accrediting Commission of the Senior Colleges of Mississippi. It was admitted to full membership in the Southern Association of Colleges and Schools in December 1930, and is now a member of the American Association of Community and Junior Colleges. The name of the school was officially changed from Sunflower Junior College to Mississippi Delta Junior College at the beginning of the 1960-1961 session. On July 1, 1989, the name was changed to its present name of Mississippi Delta Community College. Mississippi Delta Community College is one of Mississippi's 15 community colleges. The legal authority for the establishment of Mississippi Delta Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Mississippi Delta Community College is governed by a 18-member board of trustees, selected by the board of supervisors of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, Mississippi Delta Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

- B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.
- C. Basis of Accounting - The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.
- D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2003

- F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.
- G. Inventories - Inventories consist of a bookstore and catfish. Merchandise for resale inventories are stated at cost, with cost being determined by the first-in, first-out ("FIFO") basis. Catfish inventory is valued at the anticipated net realizable value.
- H. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. Mrs. James W. Lucas, Jr., of Jackson, Mississippi established the James W. Lucas, Jr., scholarship award in memory of her late husband. She donated \$10,000 with the restriction that only the income earned on the principal is to be utilized. It provides one \$150 scholarship per semester when income is available.
- I. Other Long-term Investments - The college accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Assets.
- J. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 7 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.
- K. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and faculty rent received prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- L. Compensated Absences - Mississippi Delta Community College does not provide for the accumulation of leave beyond one year. Therefore, no accrual for compensated absences has been recorded in the financial statements.
- M. Unemployment Compensation - Mississippi Delta Community College has elected to reimburse the Mississippi Employment Security Commission for unemployment benefits paid to former employees of the college. The college must maintain a fund balance of at least 2% of the first \$7,000 of qualifying wages per employee in a separate fund for reimbursement purposes.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

- N. Classification of Revenues - The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.

- O. State Appropriations - Mississippi Delta 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. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- P. Local Appropriations - Mississippi Delta Community College receives funds from taxes levied by the counties in the district for general support, maintenance and capital improvements.
- Q. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). All aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.
- R. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes.

The unrestricted net asset balance of \$4,743,361 at June 30, 2003, includes \$28,500 reserved for catfish inventory and a remaining amount of \$4,714,861.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

(2) Accounting Changes.

As a result of the adoption of GASB Statement No. 34, the college was also required to change accounting principles regarding the adoption of depreciation on capital assets. Net assets at July 1, 2002, were reduced by \$11,899,088 for the cumulative effect of this change on years prior to fiscal year 2003.

(3) Prior Period Adjustments.

For the year ended June 30, 2003, the college recorded other prior period adjustments of \$213.

(4) Cash and Investments.

Policies:

- A. Cash, Cash Equivalents and Short-term Investments - Investment policies as set forth by policy and state statute authorize the college to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. For the year ending June 30, 2003, the college had \$1,942,468 in cash and cash equivalents, and \$3,400,000 in short-term investments.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the college's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

- B. Investments - Investment policies as set forth by policy and state statute also authorize the college to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

The following table summarizes the carrying values of the college's investments reported on the Statement of Net Assets:

	June 30, 2003
Endowment investments	\$ 10,000
Other long-term investments	188,155
Total	\$ <u>198,155</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

In accordance with the GASB Statement No. 3, investments are classified into three categories of custodial risk:

Category 1	Investments that are insured or registered, or securities held by the college or by its agent in the college's name.
Category 2	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the college's name.
Category 3	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the college's name.
Not Categorized	Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The following table summarizes the categorization of investments at June 30, 2003:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Not Categorized</u>	<u>Total Per Bank</u>
Investments:					
Equity securities	\$ 3,272				3,272
Mutual funds				194,883	194,883
Total Investments	\$ <u>3,272</u>	<u>0</u>	<u>0</u>	<u>194,883</u>	<u>198,155</u>

(5) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2003:

Student tuition	\$ 165,506
Auxiliary enterprises and other operating activities	73,756
Federal, state, and private grants and contracts	641,807
State appropriations	272,282
Local appropriations	50,120
Accrued interest	6,299
Other	<u>56,171</u>
Total Accounts Receivable	1,265,941
Less allowance for doubtful accounts	<u>81,122</u>
Net Accounts Receivable	\$ <u>1,184,819</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

(6) Prepaid Expense

Property and vehicle insurance, in the amount of \$184,045, was purchased in the current fiscal year, but will be expensed in the subsequent fiscal year.

(7) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2003, is presented as follows:

	Beginning Balance	Additions	Deletions	Change in Accounting Principle *	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 257,048	12,200			269,248
Construction in progress	930			(930)	
Total Nondepreciable Capital Assets	<u>257,978</u>	<u>12,200</u>	<u>0</u>	<u>(930)</u>	<u>269,248</u>
Depreciable Capital Assets:					
Improvements other than buildings	1,409,274				1,409,274
Buildings	23,287,619	73,800			23,361,419
Equipment	4,050,048	449,160	159,164		4,658,372
Library books	686,710	14,467			701,177
Total Depreciable Capital Assets	<u>29,433,651</u>	<u>537,427</u>	<u>159,164</u>	<u>0</u>	<u>30,130,242</u>
Less Accumulated Depreciation for:					
Improvements other than buildings	(735,827)	(31,114)			(766,941)
Buildings	(7,424,326)	(461,817)			(7,886,143)
Equipment	(3,133,525)	(269,486)	(159,164)		(3,562,175)
Library books	(604,480)	(20,521)			(625,001)
Total Accumulated Depreciation	<u>(11,898,158)</u>	<u>(782,938)</u>	<u>(159,164)</u>	<u>0</u>	<u>(12,840,260)</u>
Total Depreciable Capital Assets, Net	<u>17,535,493</u>	<u>(245,511)</u>	<u>0</u>	<u>0</u>	<u>17,289,982</u>
Capital Assets, Net	<u>\$ 17,793,471</u>	<u>(233,311)</u>	<u>0</u>	<u>(930)</u>	<u>17,559,230</u>

* Because of a change in capitalization standards, a portion of the prior year fixed assets had to be removed from inventory. This reduction in beginning inventory balance is included in the change in accounting principle column.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 years	1 - 10%	5,000
Library books	10 years	0%	0

(8) Long-term Liabilities.

Long-term liabilities of the college consist of notes payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2003.

Information regarding original issue amounts, interest rates and maturity dates for notes and included in the long-term liabilities balance at June 30, 2003, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2003	Due Within One Year
Other Long-term Liabilities								
Deposits refundable				\$ 29,050	30,000	2,780	56,270	
Notes payable	\$ <u>724,844</u>	4.95%	02-26-09	521,751		67,741	454,010	71,172
Total Other Long-term Liabilities				<u>550,801</u>	<u>30,000</u>	<u>70,521</u>	<u>510,280</u>	<u>71,172</u>
Total				<u>\$ 550,801</u>	<u>30,000</u>	<u>70,521</u>	<u>510,280</u>	<u>71,172</u>
Due within one year							<u>71,172</u>	
Total Long-term Liabilities						<u>\$ 439,108</u>		

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 71,172	20,873	92,045
2005	74,776	17,269	92,045
2006	78,562	13,483	92,045
2007	82,541	9,504	92,045
2008	86,720	5,325	92,045
2009-2013	<u>60,239</u>	<u>1,124</u>	<u>61,363</u>
Totals	<u>\$ 454,010</u>	<u>67,578</u>	<u>521,588</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

(9) Natural Classifications with Functional Classifications.

The college's operating expenses by functional classification were as follows for the year ended June 30, 2003:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 8,307,458	1,842,790	195,534	687,493	57,824	14,547	575,461		623,977	12,305,084
Academic support	379,319	92,139	1,438	21,588			15,804		46,718	557,006
Student services	754,652	181,200	85,722	207,231			102,075		8,096	1,338,976
Institutional support	1,132,507	280,332	26,503	358,219			66,298		28,338	1,892,197
Operation of plant	741,413	207,529	1,339	1,251,865	506,931		447,421		21,775	3,178,273
Student aid	161,740					3,232,405				3,394,145
Auxiliary enterprises	153,527	32,740		870,820	153,457		1,322,073		5,024	2,537,641
Depreciation								782,938		782,938
Other									249,802	249,802
Total Operating Expenses	\$ <u>11,630,616</u>	<u>2,636,730</u>	<u>310,536</u>	<u>3,397,216</u>	<u>718,212</u>	<u>3,246,952</u>	<u>2,529,132</u>	<u>782,938</u>	<u>983,730</u>	<u>26,236,062</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

(10) Pension Plan.

Plan description - The Mississippi Delta Community College participates in 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 Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the 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 Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2003, 2002 and 2001 were \$1,057,624, \$1,000,644 and \$990,523, respectively, equal to the required contributions for each year.

(11) Foundations and Affiliated Parties.

The Mississippi Delta Community College foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of Mississippi Delta Community College. The foundation is separately audited and the financial statements of the foundation have not been included in the financial statements of Mississippi Delta Community College. Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations Are Component Units*, will become effective for the fiscal year ended June 30, 2004, and will require the foundation's financial statements to be included in the financial statements of Mississippi Delta Community College as a component unit. Following is a summary of the foundation's financial position at June 30, 2003, which amounts are not included in the financial statements of the institution. This summary is based on unaudited financial statements.

<u>Assets</u>	<u>Amount</u>
Cash and investments	\$ 453,695
Investments	<u>434,242</u>
Total Assets	<u>\$ 887,937</u>
 <u>Liabilities and Fund Balances</u>	
Fund balances:	
Unrestricted	\$ 88,339
Restricted	<u>799,598</u>
Total Liabilities and Fund Balances	<u>\$ 887,937</u>

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MISSISSIPPI DELTA COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MISSISSIPPI DELTA COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2003

<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>U.S. Department of Education</u>			
Direct programs:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 147,420
Federal Work-study Program (FWS)	84.033		161,740
Federal Pell Grant Program	84.063		<u>7,315,031</u>
Total U.S. Department of Education			<u>7,624,191</u>
Total Student Financial Aid Cluster			<u>7,624,191</u>
Other Programs:			
<u>U.S. Department of Agriculture</u>			
Rural Business Enterprise Grants	10.769		<u>208,223</u>
Total U.S. Department of Agriculture			<u>208,223</u>
<u>U.S. Department of Labor</u>			
WIA - Cluster:			
Mississippi Development Authority - Adult Program/Dislocated Worker	17.258/17.260		696,067
South Delta Planning District - Small Business Research Center	17.258/17.260		79,856
South Delta Planning District - WIA Counselor Grant	17.258/17.260		<u>16,708</u>
Total WIA Cluster			<u>792,631</u>
Pass-through programs from:			
Mississippi Development Authority - Trade Adjustment Asst. (TAA)	17.245		64,324
Mississippi Development Authority - Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		<u>128,440</u>
Subtotal pass-through programs			<u>192,764</u>
Total U.S. Department of Labor			<u>985,395</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through programs from:			
Mississippi State Board for Community and Junior Colleges - Aerospace Education Services Program	43.001		32,498
University of Mississippi - Aerospace Education Services Program	43.001		<u>2,500</u>
Total National Aeronautics and Space Administration			<u>34,998</u>
<u>National Science Foundation</u>			
Pass-through program from:			
University of Mississippi - Delta Rural Systemic Initiative Program - Education and Human Resources	47.076		<u>74,657</u>
Total National Science Foundation			<u>74,657</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2003

<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>
<u>Small Business Administration</u>			
Pass-through program from:			
University of Mississippi - Small Business Development Center			18,087
Total Small Business Administration			<u>18,087</u>
<u>Veterans' Administration</u>			
Post-Vietnam Era Veterans' Educational Assistance	64.120		609
Total Veterans' Administration			<u>609</u>
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Mississippi State Board for Community & Junior Colleges - Adult Education - State Grant Program	84.002		435,439
Mississippi Department of Education - Vocational Education - Basic Grants to States	84.048		295,820
IHL - Leveraging Educational Assistance Partnership	84.069		3,366
Mississippi Department of Education - Tech-Prep Education	84.243		<u>108,355</u>
Total U.S. Department of Education			<u>842,980</u>
<u>U.S. Department of Health and Human Services</u>			
Rural Health Research Centers	93.155		<u>93,825</u>
Total U.S. Department of Health and Human Services			<u>93,825</u>
Total Other Programs			<u>2,258,774</u>
Total Expenditures of Federal Awards			<u>\$ 9,882,965</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 financial statements.

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MISSISSIPPI DELTA COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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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 FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees of Mississippi Delta Community College
P.O. Box 668
Moorhead, MS 38761

We have audited the financial statements of Mississippi Delta Community College as of and for the year ended June 30, 2003, as listed in the table of contents and have issued our report thereon dated July 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 college's 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*.

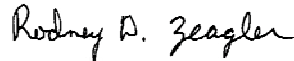
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 basic 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 solely for the information and use of the college, Members of the Legislature, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

July 9, 2004



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

Board of Trustees of Mississippi Delta Community College
P.O. Box 668
Moorhead, MS 38761

Compliance

We have audited the compliance of Mississippi Delta 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, 2003. The college'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 college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 college'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 college's compliance with those requirements.

In our opinion, Mississippi Delta 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, 2003.

Internal Control Over Compliance

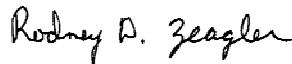
The management of the Mississippi Delta Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the college's 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 the college, Members of the Legislature, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

July 9, 2004

MISSISSIPPI DELTA COMMUNITY COLLEGE

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

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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

Board of Trustees of Mississippi Delta Community College
P.O. Box 668
Moorhead, MS 38761

We have audited the financial statements of Mississippi Delta Community College as of and for the year ended June 30, 2003, and have issued our report thereon dated July 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 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 the college, Members of the Legislature, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Phil Bryant in cursive script.

PHIL BRYANT
State Auditor

Handwritten signature of Rodney D. Zeagler in cursive script.

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

July 9, 2004

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MISSISSIPPI DELTA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Student Financial Aid Cluster
CFDA #84.007
CFDA #84.033
CFDA #84.063 | |
| b. | Adult Basic Education - State Grant Program
CFDA #84.002 | |
| c. | WIA Cluster
CFDA #17.258
CFDA #17.260 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) 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? | Yes |

MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 2: Financial Statement Findings

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: Federal Award Findings and Questioned Costs

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

MISSISSIPPI DELTA COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

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MISSISSIPPI DELTA CORRECTION ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2003

As required by Section____.315(b) of OMB Circular A-133, Mississippi Delta Community College has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2002-1	Corrective action was taken.