



STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR

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MERIDIAN COMMUNITY COLLEGE

Audited Financial Statements  
For the Year Ended June 30, 2003



MERIDIAN COMMUNITY COLLEGE

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MERIDIAN COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

MERIDIAN COMMUNITY COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the accompanying financial statements of Meridian 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 Meridian 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 Meridian 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, Meridian 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.

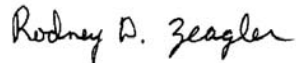
In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2004, on our consideration of Meridian Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That 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 17, 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 Meridian 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

March 29, 2004

MERIDIAN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Meridian Community College**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

This section of the Meridian Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2003. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. Since this is a transition year for this format, only one year of financial data is presented. In future years, a comparative analysis will be presented. The financial statements, footnotes, and this discussion are the responsibility of management.

**Using the Annual Report**

This 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.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These Statements present financial information in a form similar to that use by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state appropriations and gifts as nonoperating revenues. The College's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

**Condensed Statement of Net Assets**

June 30, 2003

	<u>Amount</u>	<u>Percent</u>
<b>Assets</b>		
Current Assets	\$ 7,215,535	26.29
Noncurrent Assets:		
Capital, Net	20,198,799	73.60
Other	<u>31,419</u>	<u>.11</u>
Total Assets	<u>27,445,753</u>	<u>100.00</u>
<b>Liabilities</b>		
Current Liabilities	1,192,681	16.57
Noncurrent Liabilities	<u>6,004,353</u>	<u>83.43</u>
Total Liabilities	<u>7,197,034</u>	<u>100.00</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net	14,014,783	69.21
Restricted:		
Expendable	787,308	3.88
Unrestricted	<u>5,450,628</u>	<u>26.91</u>
Total Net Assets	<u>\$ 20,248,719</u>	<u>100.00</u>

**Assets**

**Current Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$2,791,096 at June 30, 2003.

**Accounts Receivable**

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$1,941,481 at June 30, 2003.

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**Inventories**

The College maintains inventories of resale merchandise within the college bookstore. Books, student supplies, sportswear, gift items and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$350,895 at June 30, 2003.

**Noncurrent assets**

**Other Long-term Investments**

The other long-term investments are funds held in a certificate of deposit that matures at a time past the next fiscal year. These funds are held in this certificate of deposit to meet the requirements for an unemployment compensation fund. Unemployment claims are paid out of unrestricted funds of the college. This account is simply maintained for legal compliance purposes. The amount of other long-term investments at June 30, 2003 totaled \$31,419.

**Capital Assets, Net**

Capital assets, net, consist of land, improvements, buildings, equipment, historical library holdings, construction in progress, and assets under capital lease at June 30, 2003. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$20,198,799 at June 30, 2003.

**Liabilities**

**Current Liabilities**

**Accounts Payable and Accrued Liabilities**

Accounts Payable and accrued liabilities represent amounts due at June 30, 2003 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$516,979 at June 30, 2003.

**Deferred Revenue**

Deferred revenue represents revenue that was received by the College during the fiscal year, but the College did not expend the funds by the end of the June 30, 2003 fiscal year. The deferred revenue totaled \$121,538 at June 30, 2003.

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**Annual Leave Liabilities – Current Portion**

Annual leave liabilities-current portion represents the portion of accrued compensated balances that would be payable by the end of the June 30, 2004 fiscal year. The amount of the current portion of compensated absences at June 30, 2003 was \$24,095.

**Long-Term Liabilities-Current Portion**

Long-term liabilities-current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2004 fiscal year. The amount of the current portion of long-term debt at June 30, 2003 was \$530,069.

**Noncurrent Liabilities**

**Deposits**

Deposits represents the deposits paid by students for reservation for and possible damage to a dorm room for the future semester and also the deposits held for others such as individuals or organizations for which the college acts as custodian. The housing deposits are payable to the student upon checkout at the end of the semester. The custodial deposits are payable upon the request of the individual or organization. The amount of deposits totaled \$23,650 at June 30, 2003.

**Accrued Leave**

This liability consists of accrued compensated balances that represent the amount payable to employees for earned but unpaid vacation. The total amount of the noncurrent portion of accrued compensated balances was \$322,756 at June 30, 2003.

**Long-Term Liabilities**

This liability consists of long-term debt for outstanding bonds, notes, and capital leases. The total amount of the noncurrent portion of long-term debt was \$5,657,947 at June 30, 2003.

**Net Assets**

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2003 were \$20,248,719.

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**Analysis of Net Assets**

Restricted expendable net assets consist of unemployment funds, grants from third party agencies with expenditure restrictions, local appropriations restricted for capital projects or debt retirement and loan funds.

The following is a breakdown of the restricted net assets:

	<u>Amount</u>
Unemployment Funds	\$ 31,419
Capital Projects	64,828
Grants and Contracts	57,274
Loan Funds	1,919
Debt Obligations	<u>631,868</u>
 Total Restricted Net Assets	 <u>\$787,308</u>

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities.

The following is a breakdown of the unrestricted net assets:

	<u>Amount</u>
Unrestricted General Fund	\$ 4,173,999
Unrestricted Designated Funds	279,060
Unrestricted Auxiliary Funds	<u>997,569</u>
 Total Unrestricted Net Assets	 <u>\$ 5,450,628</u>

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**  
For the year ended June 30, 2003

	<u>Amount</u>
<b>Operating Revenues:</b>	
Tuition and Fees	\$ 2,037,364
Grants and Contracts	9,815,328
Auxiliary Enterprises	3,027,894
Other Operating Revenues	163,405
 Total Operating Revenues	 15,043,991
 Operating Expenses	 24,356,890
 Operating Loss	 (9,312,899)
<b>Nonoperating Revenues:</b>	
State Appropriations	8,300,254
Local Appropriations	1,390,657
Noncapital Gifts	60,742
Investment Income, Net	78,182
Other Nonoperating Expenses	(222,853)
 Net Nonoperating Revenues	 9,606,982
 Income Before Other Revenues	 294,083
State Appropriations restricted for Capital Purposes	1,081,987
Local Appropriations restricted for Capital Purposes	712,382
Other Additions (deletions), net	(277,993)
 Total Other Revenues	 1,516,376
 Total Increase in Net Assets	 1,810,459
<b>Net Assets</b>	
Net Assets at Beginning of Year, as Restated	18,438,260
 Net Assets at End of Year	 \$20,248,719

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

Total operating loss for the fiscal year 2003 was \$9,312,899. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning this year and going forward, the College will show a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2003 were \$14,353,270. Tuition and fees were \$2,037,364. The tuition discount was \$3,149,577. Operating expenses, including depreciation of \$725,231, totaled \$24,356,890.

**Revenues**

**Operating Revenues**

**Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$5,186,941. The tuition discount for the 2003 fiscal year was \$3,149,577.

**Grants and Contracts**

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2003:

	<u>Amount</u>
Federal	\$ 7,126,410
State	2,025,046
Private	663,872
Total All Sources	<u>\$ 9,815,328</u>

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**Sales and Services from Educational Activities**

Other operating revenues consist of income from educational activities that totaled \$108,265 for the 2003 fiscal year.

**Sales and Services, Net**

Auxiliary enterprises include the College bookstore, food services and housing.

**Operating Expenses**

Operating expenses totaling \$24,356,890 include salaries and benefits of \$10,879,958, utilities of \$512,896, supplies of \$2,175,955, services of \$2,408,469, and depreciation of \$725,231.

	<u>Amount</u>
Expenses by Function:	
Instruction	\$ 9,010,283
Instructional Support	2,249,400
Student Services	2,201,469
Institutional Support	2,468,429
Operations and Maintenance of Plant	1,957,940
Student Financial Aid	3,233,024
Auxiliary Enterprises	2,511,114
Depreciation	725,231
Total Operating Expenses by Function	<u>\$ 24,356,890</u>

**Nonoperating Revenues (Expenses)**

**State Appropriations**

The College's largest source of nonoperating revenue is the State of Mississippi appropriation. The College received \$9,382,241 for 2002-2003 fiscal year, of which \$8,300,254 was for operations. State appropriations for capital projects of \$1,081,987 were paid on behalf of the College during the 2003 fiscal year.

**Local Appropriations**

The College also receives revenue from the city of Meridian and Lauderdale county. The College received \$2,103,039 for the 2003 fiscal year from the local government of which \$1,390,657 was for operating purposes and \$712,382 for capital projects or retirement of debt.

**Noncapital Gifts**

This consists of donations of equipment made to the College. The gifts totaled \$60,742 at June 30, 2003.

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**Investment Income, Net**

This includes the interest income from the cash in the bank accounts. \$78,182 was earned during the 2003 fiscal year.

**Other Nonoperating Expenses**

This consists of deletions of fixed assets that were discarded during the 2003 fiscal year. The total of these deletions amounted to (\$222,853).

**Other Revenues**

**State Appropriations for Capital Purposes**

\$1,081,987 is the amount of revenue received from the State of Mississippi to purchase, construct, renovate, or repair capital assets during the 2003 fiscal year.

**Local Appropriations for Capital Purposes**

This includes revenue received from the City of Meridian for capital projects during the fiscal year. The amount of this revenue totaled \$712,382 for the 2003 fiscal year.

**Meridian Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2003**

**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	\$ (8,924,048)
Noncapital Financing Activities	9,526,605
Capital and Related Financing Activities	(850,004)
Investing Activities	46,763
Net Increase in Cash and Cash Equivalents	(200,684)
Cash and Cash Equivalents – Beginning of the Year	2,991,780
Cash and Cash Equivalents – End of the Year	\$ 2,791,096

The major sources of funds included in operating activities include student tuition and fees, \$1,673,746, auxiliary enterprises, \$3,352,578, and grants and contracts, \$8,847,594. The major uses of funds were payments made to employees, \$13,687,403 and to scholarships and fellowships \$3,122,942 and to suppliers, \$2,201,520 for materials and to suppliers, \$2,386,354 for services.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$8,124,159. In addition, the college received \$1,390,657 from the City of Meridian and Lauderdale County.

**Significant Capital Asset Transactions**

The College engaged in transactions regarding capital assets during the 2003 fiscal year. The College made improvements to the exterior of College Crossing Apartments totaling \$503,674 and added a trailer for much needed classroom space for \$52,833. In addition, \$25,278 was spent to improve the condition of our tennis courts and \$81,637 was spent to add an additional parking lot along the front of campus. In addition, we entered into a master lease program with the State of Mississippi to provide funds for energy

**Meridian Community College**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2003**

improvements, which included replacement of both interior and exterior lighting, and replacement of a boiler.

**Factors Impacting Future Periods**

There are a number of issues that are directly impacting the community college system as a whole. The continuing decline of state revenues and therefore, state funding is the main issue which will continue to have an impact on our financial position. This is occurring at the same time we are experiencing an increase in enrollment and increases in compensation for quality faculty personnel and utility cost.

One of internal considerations with each year's budget is the desire to refrain from tuition increases as we consider this to be one of the barriers to college education for our local residents. However, with continuing increases in expenditures and decreases in state funding, there may be little choice for the college administration if we wish to expand programs, add new programs and continue to meet our mission.

In addition to operating challenges, our need for deferred maintenance funds and new construction for the increases in enrollment continue to challenge our ability to maintain reserve funds. These expenditures will continue to increase as our buildings age.

Meridian Community College enjoys strong support from the local community both in individual and business support of our foundation and in local support for expansion and addition of existing programs. This support has helped the college to weather the decreases in state funding and yet continue to serve the citizens of Meridian, Lauderdale County and East Mississippi.

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MERIDIAN COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

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MERIDIAN COMMUNITY COLLEGE  
Statement of Net Assets  
June 30, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,791,096
Short-term investments	2,000,000
Accounts receivables, net	1,941,481
Inventories	350,895
Prepaid expenses	<u>132,063</u>

Total Current Assets 7,215,535

Noncurrent assets:

Other long-term investments	31,419
Student notes receivable, net	0
Capital assets, net of accumulated depreciation	<u>20,198,799</u>

Total Noncurrent Assets 20,230,218

Total Assets 27,445,753

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	516,979
Deferred revenues	121,538
Accrued leave liabilities - current portion	24,095
Long-term liabilities - current portion	<u>530,069</u>

Total Current Liabilities 1,192,681

Noncurrent liabilities:

Deposits refundable	23,650
Accrued leave liabilities	322,756
Long-term liabilities	<u>5,657,947</u>

Total Noncurrent Liabilities 6,004,353

Total Liabilities 7,197,034

NET ASSETS

Invested in capital assets, net of related debt 14,010,783

Restricted for:

Expendable:

Scholarships and fellowships	57,274
Capital projects	64,828
Debt service	631,868
Loans	1,919
Other purposes	31,419

Unrestricted 5,450,628

Total Net Assets \$ 20,248,719

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

MERIDIAN 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 \$3,149,577)	\$ 2,037,364
Federal grants and contracts	7,126,410
State grants and contracts	2,025,046
Nongovernmental grants and contracts	663,872
Sales and services of educational departments	108,265
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$30,010)	559,856
Food services (net of scholarship allowances of \$45,015)	439,378
Bookstore	2,016,146
Other auxiliary revenues	12,514
Other operating revenues	<u>55,140</u>
 Total Operating Revenues	 <u>15,043,991</u>
Operating Expenses:	
Salaries and wages	10,879,958
Fringe benefits	2,638,499
Travel	273,187
Contractual services	2,408,469
Utilities	512,896
Scholarships and fellowships	3,813,663
Commodities	2,175,955
Depreciation expense	725,231
Other operating expense	<u>929,032</u>
 Total Operating Expenses	 <u>24,356,890</u>
 Operating Income (Loss)	 <u>(9,312,899)</u>
Nonoperating Revenues (Expenses):	
State appropriations	8,300,254
Local appropriations	1,390,657
Gifts	60,742
Investment income	78,182
Other nonoperating revenues (expenses)	<u>(222,853)</u>
 Total Net Nonoperating Revenues (Expenses)	 <u>9,606,982</u>
 Income (Loss) before Other Revenues, Expenses, Gains and Losses	 <u>294,083</u>
Capital grants and gifts	
State appropriations restricted for capital purposes	1,081,987
Local appropriations restricted for capital purposes	712,382
Other additions (deletions), net	<u>(277,993)</u>
 Change in Net Assets	 <u>1,810,459</u>

Net Assets:	
Net Assets - Beginning of Year, as Originally Reported	27,077,263
Cumulative effects of changes in accounting principle	<u>(8,639,003)</u>
Net Assets - Beginning of Year, as Restated	<u>18,438,260</u>
Net Assets - End of Year	\$ <u><u>20,248,719</u></u>

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

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

Cash Flows from Operating Activities:	
Tuition and fees	\$ 1,673,746
Grants and contracts	8,847,594
Sales and services of educational departments	108,265
Payments to suppliers	(2,201,520)
Payments to employees for salaries and benefits	(13,687,403)
Payments to contractual services	(2,386,354)
Payments to travel	(272,933)
Payments to other expenses	(782,088)
Payments for utilities	(512,896)
Payments for scholarships and fellowships	(3,122,942)
Auxiliary enterprise charges:	
Student housing	556,684
Food services	439,378
Bookstore	2,344,002
Other auxiliary enterprises	12,514
Other receipts (payments)	<u>59,905</u>
Net Cash Provided (Used) by Operating Activities	<u>(8,924,048)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	8,124,159
Local appropriations	1,390,657
Agency transfers-in	592,812
Agency transfers-out	(581,023)
Federal loan program receipts	1,863,526
Federal loan program disbursements	<u>(1,863,526)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,526,605</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital debt	3,379,239
Cash paid for capital assets	(3,291,476)
Capital appropriations received	1,794,370
Principal paid on capital debt and leases	(604,283)
Interest paid on capital debt and leases	(222,854)
Other uses	<u>(1,905,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(850,004)</u>
Cash Flows from Investing Activities:	
Proceeds from sales and maturities of investments	1,000,000
Interest received on investments	78,182
Purchases of investments	<u>(1,031,419)</u>
Net Cash Provided (Used) by Investing Activities	<u>46,763</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(200,684)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>2,991,780</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,791,096</u></u>

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

Operating income (loss)	\$ <u>(9,312,899)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	725,231
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	151,210
Inventories	(25,565)
Prepaid expenses	(6,140)
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(185,965)
Deferred revenues	(312,276)
Deposits refundable	(3,172)
Accrued leave liability	<u>45,528</u>
Total adjustments	<u>388,851</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(8,924,048)</u></u>
Noncash Investing, Capital and Financing Activities:	
Gain on refinancing debt	\$ <u>86,798</u>
Total	\$ <u><u>86,798</u></u>

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

## MERIDIAN COMMUNITY COLLEGE

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

(1) Summary of Significant Accounting Policies.

- A. Reporting Entity - Meridian Community College was founded in 1937 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Meridian Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Meridian Community College is locally-governed by a five-member board of trustees, appointed by the Mayor of the City of Meridian. Each board member is appointed for a five-year term. In addition, Meridian 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.

In accordance with Governmental Accounting Standards Board Statement No. 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 financial statements. The Corporation is a nonprofit corporation incorporated in the State of Mississippi and was established for the purpose of the construction and financing of the Meridian Community College student apartments.

- 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*; 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.
- 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. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the Statement of Net Assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.

## MERIDIAN COMMUNITY COLLEGE

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

- H. Inventories - Inventories consist of the bookstore. This inventory is generally valued at cost, on the first-in, first-out ("FIFO") basis.
- 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 6 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 certain auxiliary activities 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 - Twelve-month employees earn annual personal leave at a rate of 10 days per year for 0 to 10 years of service, 12 days per year for 10 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 and there is no maximum accumulation. At termination, these employees are paid for up to 30 days of accrued leave. The liability for accrued leave at June 30, 2003, as reported in the Statement of Net Assets is \$346,851 with \$24,095 of this amount estimated as current.
- M. 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.
- 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.
- N. State Appropriations - 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. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a five 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.

## MERIDIAN COMMUNITY COLLEGE

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

- O. 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). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other 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.
- P. 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. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$5,450,628 at June 30, 2003, includes \$279,060 reserved for designations, \$997,568 reserved for auxiliaries, and a remaining amount of \$4,174,000.

#### (2) Accounting Changes.

As a result of the adoption of GASB Statement No. 34, the college was also required to make certain changes in accounting principles, specifically (1) adoption of depreciation on capital assets and (2) adoption of new capitalization thresholds for certain capital assets. Net assets at July 1, 2002, were reduced by \$8,639,003 for the cumulative effect of these changes on years prior to fiscal year 2003.

#### (3) 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.

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.

MERIDIAN COMMUNITY COLLEGE

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

- 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:

	<u>June 30, 2003</u>
Other long-term investments	\$ <u>31,419</u>
Total	\$ <u><u>31,419</u></u>

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:					
Certificates of deposit	\$ <u>31,419</u>				<u>31,419</u>
Total Investments	<u>\$ 31,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,419</u>

MERIDIAN COMMUNITY COLLEGE

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

(4) Accounts Receivable.

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

Student tuition	\$	1,580,755
Federal, state, and private grants and contracts		778,663
State appropriations		176,095
Other		<u>305,665</u>
Total Accounts Receivable		2,841,178
Less allowance for doubtful accounts		<u>899,697</u>
Net Accounts Receivable	\$	<u><u>1,941,481</u></u>

(5) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the college. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the college at June 30, 2003:

	Interest Rates	June 30, 2003	Current Portion	Noncurrent Portion
Perkins student loans	3% to 9%	\$ <u>22,530</u>		<u>22,530</u>
Total Notes Receivable		22,530		22,530
Less allowance for doubtful accounts		<u>22,530</u>		<u>22,530</u>
Net Notes Receivable		\$ <u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

MERIDIAN COMMUNITY COLLEGE

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

(6) 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	\$ 228,479				228,479
Construction in progress	<u>75,872</u>	<u>930,167</u>			<u>1,006,039</u>
Total Nondepreciable Capital Assets	<u>304,351</u>	<u>930,167</u>	<u>0</u>	<u>0</u>	<u>1,234,518</u>
Depreciable Capital Assets:					
Improvements other than buildings	2,432,136	1,581,154		(120,129)	3,893,161
Buildings	20,500,887	557,507		(98,174)	20,960,220
Equipment	1,969,094	251,368	51,919		2,168,543
Library books	<u>1,156,838</u>	<u>37,613</u>	<u>106,163</u>		<u>1,088,288</u>
Total Depreciable Capital Assets	<u>26,058,955</u>	<u>2,427,642</u>	<u>158,082</u>	<u>(218,303)</u>	<u>28,110,212</u>
Less Accumulated Depreciation for:					
Improvements other than buildings	999,852	149,189			1,149,041
Buildings	4,912,360	419,184			5,331,544
Equipment	1,611,914	114,453			1,726,367
Library books	<u>896,574</u>	<u>42,405</u>			<u>938,979</u>
Total Accumulated Depreciation	<u>8,420,700</u>	<u>725,231</u>	<u>0</u>	<u>0</u>	<u>9,145,931</u>
Total Depreciable Capital Assets, Net	<u>17,638,255</u>	<u>1,702,411</u>	<u>158,082</u>	<u>(218,303)</u>	<u>18,964,281</u>
Capital Assets, Net	<u>\$ 17,942,606</u>	<u>2,632,578</u>	<u>158,082</u>	<u>(218,303)</u>	<u>20,198,799</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.

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

MERIDIAN COMMUNITY COLLEGE

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

(7) Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2003. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases 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
<b>Bonded Debt</b>								
Limited-tax school bonds, Series 1998	\$ 2,000,000	6.3% - 9%	2003	\$ 210,000		210,000		
Limited-tax school bonds, Series 1994	2,250,000	5.1% - 6.5%	2009	1,445,000		1,445,000	*	
Limited-tax refunding bonds, Series 2002	1,905,000	1.7% - 3.2%	2009		1,905,000		1,905,000	335,000
<b>Total Bonded Debt</b>				<b>1,655,000</b>	<b>1,905,000</b>	<b>1,655,000</b>	<b>1,905,000</b>	<b>335,000</b>
<b>Notes Payable</b>								
Educational facilities notes, Series 1991	1,300,000	5% - 6.6%	2006	580,000		580,000	* *	
Student housing facility refunding note, Series 1998	3,280,000	4% - 5.5%	2018	2,950,000		115,000	2,835,000	120,000
<b>Total Notes Payable</b>				<b>3,530,000</b>	<b>0</b>	<b>695,000</b>	<b>2,835,000</b>	<b>120,000</b>
<b>Capital Leases</b>								
Copier				8,060		3,555	4,505	3,928
Energy Master lease					1,474,239	30,728	1,443,511	71,141
<b>Total Capital Leases</b>				<b>8,060</b>	<b>1,474,239</b>	<b>34,283</b>	<b>1,448,016</b>	<b>75,069</b>

MERIDIAN COMMUNITY COLLEGE

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

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Int. Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>	<u>Due Within One Year</u>
Other Long-term Liabilities								
Accrued leave liabilities				277,840	69,011		346,851	24,095
Deposits refundable				<u>26,822</u>		<u>3,172</u>	<u>23,650</u>	
Total Other Long-term Liabilities				<u>304,662</u>	<u>69,011</u>	<u>3,172</u>	<u>370,501</u>	<u>24,095</u>
Total				\$ <u>5,497,722</u>	<u>3,448,250</u>	<u>2,387,455</u>	6,558,517	<u>554,164</u>
Due within one year							<u>554,164</u>	
Total Long-term Liabilities							\$ <u>6,004,353</u>	

\* The 1994 bonds deletion amount includes a \$145,000 bond payment and a defeasance payment of \$1,300,000.

\*\* The 1991 notes deletion amount includes a \$100,000 note payment and a defeasance amount of \$480,000.

MERIDIAN COMMUNITY COLLEGE

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

	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 335,000	75,069	120,000	249,447	779,516
2005	325,000	75,138	130,000	234,547	764,685
2006	335,000	78,144	135,000	218,618	766,762
2007	340,000	81,900	140,000	201,007	762,907
2008	210,000	85,837	145,000	183,477	624,314
2009-2013	360,000	495,180	835,000	679,517	2,369,697
2014-2018		556,748	1,080,000	290,671	1,927,419
2019-2023			<u>250,000</u>	<u>6,875</u>	<u>256,875</u>
Totals	<u>\$ 1,905,000</u>	<u>1,448,016</u>	<u>2,835,000</u>	<u>2,064,159</u>	<u>8,252,175</u>

(8) Operating Leases.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2003	\$ <u>114,607</u>
Total Minimum Payments Required	\$ <u><u>114,607</u></u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2003, was \$114,607.

MERIDIAN 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:

<u>Functional Classification</u>	<u>Salaries &amp; Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships &amp; Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Other</u>	<u>Total</u>
Instruction	\$ 6,386,515	1,400,809	39,558	305,513		361,025	211,332		305,531	9,010,283
Academic support	1,154,343	263,786	38,497	304,661			86,963		401,150	2,249,400
Student services	1,285,500	292,750	158,806	129,375		219,614	113,409		2,015	2,201,469
Institutional support	1,095,529	411,120	31,745	662,997			66,376		200,662	2,468,429
Operation of plant	700,378	199,346	3,086	322,519	512,896		219,715			1,957,940
Student aid						3,233,024				3,233,024
Auxiliary enterprises	257,693	70,688	1,495	683,404			1,478,160		19,674	2,511,114
Depreciation								725,231		725,231
Total Operating Expenses	<u>\$ 10,879,958</u>	<u>2,638,499</u>	<u>273,187</u>	<u>2,408,469</u>	<u>512,896</u>	<u>3,813,663</u>	<u>2,175,955</u>	<u>725,231</u>	<u>929,032</u>	<u>24,356,890</u>

MERIDIAN COMMUNITY COLLEGE

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

(10) Construction Commitments and Financing.

The college has contracted for various construction projects as of June 30, 2003. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

<u>Project Title</u>	<u>Total Costs to Complete</u>	<u>Funded by</u>			
		<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Funds</u>	<u>Other</u>
Ivy Hall renovation Phase V	\$ 459,932		459,932		
Pool enclosure	<u>876,059</u>		<u>876,059</u>		
Total	\$ <u>1,335,991</u>	<u>0</u>	<u>1,335,991</u>	<u>0</u>	<u>0</u>

(11) Pension Plan.

Plan description - Meridian 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 \$977,279, \$949,797 and \$961,468, respectively, equal to the required contributions for each year.

(12) Foundations and Affiliated Parties.

The Meridian Community College foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of Meridian Community College. The foundation is separately audited and the financial statements of the foundation have not been included in the financial statements of Meridian 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 Meridian 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 audited figures for the year ended June 30, 2003.

MERIDIAN COMMUNITY COLLEGE

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

<u>Assets</u>	<u>Amount</u>
Cash and investments	\$ 156,501
Investments	5,858,848
Accounts receivable	2,752
Construction in progress	76,146
Land	136,274
Other assets	<u>52,297</u>
 Total Assets	 \$ <u><u>6,282,818</u></u>
 <u>Liabilities and Fund Balances</u>	
Accounts payable	\$ 25,392
Annuity liabilities	166,743
Notes payable	50,000
Net assets:	
Unrestricted	246,914
Temporarily restricted	825,712
Permanently restricted	<u>4,968,057</u>
 Total Liabilities and Net Assets	 \$ <u><u>6,282,818</u></u>

(13) Prior-Year Defeasance of Debt.

In prior years, Meridian Community College defeased certain certificates of participation by placing proceeds of the new notes in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the institution's financial statements. At June 30, 2003, \$2,835,000 of certificates outstanding are considered defeased.

(14) Refunding Debt.

On December 17, 2002, Meridian Community College entered into a limited tax refunding bond for \$1,905,000 with interest rate of 2.752 percent to advance refund \$480,000 of outstanding district educational facilities notes, Series 1991, and \$1,300,000 of outstanding limited-tax bonds, Series 1994. Of the total proceeds of \$1,870,773, \$1,829,948 shall be deposited into an escrow fund to be used to purchase certain state and local governmental refunding bonds securities. The remaining \$40,825 was used to pay issuance costs and accrued interest. As a result, the district educational facilities note, Series 1991 and the limited-tax bonds, Series 1994 are considered to be defeased and the liability for the district educational facilities note, Series 1991 and the limited-tax bonds, Series 1994 has been removed from long-term liabilities in fiscal year 2003.

The college advance refunded the district educational facilities notes, Series 1991 and the limited-tax bonds, Series 1994 to reduce the annual debt requirements over the next six years. The new bond was issued for six years, whereas the original issue for the district educational facilities notes, Series 1991 had three years remaining and the limited-tax bonds, Series 1994 had six years remaining. Therefore, this refunding of debt resulted in a cash flow savings of \$98,485 and an economic gain of \$86,798, which is the difference between the present value of the debt service payments on the old and new debt.

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MERIDIAN COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

MERIDIAN 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>			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 135,513
Federal Family Education Loans (FFEL)	(1) 84.032		1,175,433
Federal Work-study Program (FWS)	84.033		166,768
Federal Pell Grant Program	84.063		5,341,191
Leveraging Educational Assistance Partnership (LEAP)	84.069		<u>3,515</u>
Total U.S. Department of Education			<u>6,822,420</u>
<u>Veterans' Benefits of Administration</u>			
Veterans' Aid Administration Cost	64.Unknown		<u>1,393</u>
Total Veterans' Benefits of Administration			<u>1,393</u>
Total Student Financial Aid Cluster			<u>6,823,813</u>
Other Programs:			
<u>U.S. Department of Agriculture</u>			
Pass-through program from:			
Mississippi Community College Foundation - Mississippi Rural Health Corp. Program - Cooperative Extension Service	10.500		<u>131,051</u>
Total U.S. Department of Agriculture			<u>131,051</u>
<u>U.S. Department of Defense</u>			
Pass-through program from:			
Mississippi Contract Procurement Center Procurement Technical Assistance for Business Firms	12.002		<u>44,672</u>
Total U.S. Department of Defense			<u>44,672</u>
<u>U.S. Department of Labor</u>			
Pass-through programs from:			
State Department of Education - School to Career Grant	17.249	U4403408860	51,400
MS Employment Security Commission - WIA Adult Program	17.258		304,012
MS Employment Security Commission - WIA Dislocated Workers	17.260		153,081
MS Employment Security Commission - Trade Adjustment Assist. (TAA)	17.245		<u>233,628</u>
Total U.S. Department of Labor			<u>742,121</u>
<u>National Aeronautics and Space Administration</u>			
Pass-through program from:			
University of Mississippi - Aerospace Education Services Program	43.001		<u>3,915</u>
Total National Aeronautics and Space Administration			<u>3,915</u>

<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>U.S. Department of Education</u>			
Pass-through programs from:			
State Department of Education - Adult Education - State Grant Program	84.002	EV048A700248	261,220
State Department of Education - Vocational Education Basic Grants to States	84.048	EV243A60095	203,296
State Department of Education - Tech-Prep Education	84.243		68,739
Mississippi State University - Achieve Grants	84.336		<u>19,402</u>
Total U.S. Department of Education			<u>552,657</u>
Total Other Programs			<u>1,474,416</u>
Total Expenditures of Federal Awards			\$ <u><u>8,298,229</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 financial statements, with the following exceptions:

(1) For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

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MERIDIAN 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*

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the financial statements of Meridian 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 March 29, 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*.

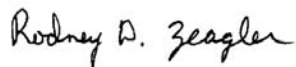
### Internal Control Over Financial Reporting

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 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

March 29, 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

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, 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, 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, 2003.

Internal Control Over Compliance

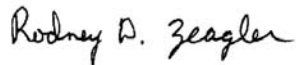
The management of the Meridian Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the college's internal 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

March 29, 2004

MERIDIAN 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

Dr. Scott Elliott, President and Board of Trustees  
Meridian Community College  
Meridian, MS 39307

We have audited the financial statements of Meridian Community College as of and for the year ended June 30, 2003, and have issued our report thereon dated March 29, 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.

PHIL BRYANT  
State Auditor

Handwritten signature of Rodney D. Zeagler in cursive.

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

March 29, 2004

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MERIDIAN COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MERIDIAN 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:<br>CFDA #84.007<br>CFDA #84.032<br>CFDA #84.033<br>CFDA #84.063<br>CFDA #84.069   |             |
| b.  | WIA Adult Program:<br>CFDA #17.258<br>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         |

MERIDIAN 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.

MERIDIAN COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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# MERIDIAN COMMUNITY COLLEGE

Nine Ten Highway 19 North • Meridian, MS 39307-5890

## Auditee's Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2003

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

<u>Finding</u>	<u>Status</u>
2002-1.	Corrective action was taken.