



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

LINDA C. REEVES, CPA
Director, Education Audit Section

MISSISSIPPI DELTA COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2004

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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

President and Board of Trustees
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, 2004, 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 did not audit the financial statements of the Mississippi Delta Community College Development Foundation, Inc., a discretely presented component unit of Mississippi Delta Community College which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by an other auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

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. The financial statements of the Mississippi Delta Community College Development Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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 and the report of the other auditor, provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mississippi Delta Community College and of its discretely presented component unit, as of June 30, 2004, 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. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, for the year ended June 30, 2004, which requires reporting as component units those organizations that raise and hold economic resources for the direct benefit of the college or its constituents.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 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 by us 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



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 9, 2005

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*.

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. 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.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

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 \$6,697,885 and consist primarily of cash and cash equivalents, short-term investments and net receivables. Current liabilities total \$762,194 and consist primarily of accounts payable and accrued liabilities, deferred revenues, and short-term note obligations.

Non-current assets total \$16,923,919 and include depreciated capital assets of \$16,693,153. 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 \$364,032 and include dormitory room deposits and notes payable with contractual maturities greater than one year.

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.

MISSISSIPPI DELTA COMMUNITY COLLEGE Management's Discussion and Analysis

Restricted expendable net assets total \$1,923,117 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, and June 30, 2004, is shown below.

Statement of Net Assets				
Assets	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Current assets	\$ 7,105,693	\$ 6,697,885	\$ (407,808)	-5.8%
Capital assets	\$ 17,559,230	\$16,693,153	\$ (866,077)	-5.0%
Other assets	<u>\$ 198,155</u>	<u>\$ 230,766</u>	<u>\$ 32,611</u>	16.5%
Total assets	<u>\$ 24,863,078</u>	<u>\$23,621,804</u>	<u>\$(1,241,274)</u>	- 5.0%
Liabilities				
Current liabilities	\$ 824,131	\$ 762,194	\$ (61,937)	- 7.6%
Non-current liabilities	<u>\$ 439,108</u>	<u>\$ 364,032</u>	<u>\$ (75,076)</u>	-17.1%
Total liabilities	<u>\$ 1,263,239</u>	<u>\$ 1,126,226</u>	<u>\$ (137,013)</u>	- 10.9%
Net Assets				
Invested in capital assets, net of debt	\$ 17,105,220	\$16,310,315	\$ (794,905)	- 4.7%
Restricted – nonexpendable	\$ 10,000	\$ 10,000	\$ 0	
Restricted - expendable	\$ 1,741,258	\$ 1,923,117	\$ 181,859	10.5%
Unrestricted	<u>\$ 4,743,361</u>	<u>\$ 4,252,146</u>	<u>\$ (491,215)</u>	-10.4%
Total net assets	<u>\$ 23,599,839</u>	<u>\$22,495,578</u>	<u>\$(1,104,261)</u>	- 4.7%

MISSISSIPPI DELTA COMMUNITY COLLEGE
Managements 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, 2004 indicates a net operating loss of \$12,010,332. The net loss does not include the 2004 effects of non-operating items - state appropriations, gifts, or net investment earnings.

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Operating revenues	\$ 14,339,440	\$ 15,027,404	\$ 687,964	4.8%
Operating expenses	\$ <u>(26,236,062)</u>	\$ <u>(27,037,736)</u>	\$ (801,674)	- 3.1%
Operating income (loss)	\$ (11,896,622)	(12,010,332)	\$ (113,710)	-1.0%
Non-operating revenues (expense)	\$ <u>10,718,816</u>	\$ <u>10,925,842</u>	\$ <u>207,026</u>	2.0%
Income (loss) before other revenues, expenses, gains or losses	\$ (1,177,806)	\$(1,084,490)	\$ 93,316	8.0%
Other revenues, expenses, gains or losses	\$ <u>151,515</u>	\$ <u>(4,744)</u>	\$ <u>(156,259)</u>	-103.2%
Change in net assets	\$ (1,026,291)	\$(1,089,234)	\$ (62,943)	- 6.2%
Net assets at beginning of the year restated	\$ 24,626,130	\$23,584,812	\$(1,041,318)	-4.3%
Net assets at the end of the year	\$ <u>23,599,839</u>	\$ <u>22,495,578</u>	\$ <u>(1,104,261)</u>	-4.7%

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Revenues

Operating revenues for the College totaled \$15,027,404 at June 30, 2004. The following chart summarizes the revenues into major categories.

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Tuition and Fees (net)	\$ 640,019	\$ 1,203,813	\$563,794	88.1%
Grants and Contracts	\$ 12,040,518	\$12,117,911	\$ 77,393	.7%
Auxiliary Enterprises (net)	\$ 1,177,228	\$ 1,276,307	\$ 99,079	8.5%
Other Revenues	<u>\$ 481,675</u>	<u>\$ 429,373</u>	<u>\$(52,302)</u>	-11.0%
Total Operating Revenues	<u>\$ 14,339,440</u>	<u>\$15,027,404</u>	<u>\$687,964</u>	4.8%

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Expenses

Total operating expenses for the College amounted to \$27,037,736 for the year ended June 30, 2004. Shown in the table below is a summary of the operating expenses by major object categories.

<u>Operating Expenses</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Salaries & Wages	\$11,630,616	\$12,292,465	\$ 661,849	5.7%
Fringe Benefits	\$ 2,636,730	\$ 2,801,249	\$ 164,519	6.3%
Travel	\$ 310,536	\$ 406,867	\$ 96,331	31.1%
Contractual Services	\$ 3,397,216	\$ 3,338,173	\$ (59,043)	-1.8%
Utilities	\$ 718,212	\$ 786,268	\$ 68,056	9.5%
Scholarships & Fellowships	\$ 3,246,952	\$ 3,340,986	\$ 94,034	2.9%
Commodities	\$ 2,529,132	\$ 2,300,425	\$ (228,707)	-9.1%
Depreciation Expense	\$ 782,938	\$ 1,052,355	\$ 269,417	34.5%
Other Operating Expense	\$ <u>983,730</u>	\$ <u>718,948</u>	\$ <u>(264,782)</u>	-27.0%
Total Operating Expense	\$ <u>26,236,062</u>	\$ <u>27,037,736</u>	\$ <u>801,674</u>	3.1%

MISSISSIPPI DELTA COMMUNITY COLLEGE Management's Discussion and Analysis

As an alternative presentation model, Mississippi Delta's fiscal year 2004 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>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Instruction	\$12,305,084	\$12,722,637	\$ 417,553	3.4%
Academic Support	\$ 557,006	\$ 578,703	\$ 21,697	3.9%
Student Services	\$ 1,338,976	\$ 1,701,286	\$ 362,310	27.1%
Institutional Support	\$ 1,892,197	\$ 2,470,529	\$ 578,332	30.6%
Operation of Plant	\$ 3,178,273	\$ 2,554,710	\$(623,563)	-19.7%
Student Aid	\$ 3,394,145	\$ 3,334,173	\$ (59,972)	-1.8%
Auxiliary Enterprises	\$ 2,537,641	\$ 2,623,343	\$ 85,702	3.4%
Depreciation	\$ 782,938	\$ 1,052,355	\$ 269,417	34.5%
Other	<u>\$ 249,802</u>	<u>\$ 0</u>	<u>\$(249,802)</u>	-100.0%
 Total Operating Expenditures	 <u>\$26,236,062</u>	 <u>\$27,037,736</u>	 <u>\$ 801,674</u>	 3.1%

MISSISSIPPI DELTA COMMUNITY COLLEGE Management's Discussion and Analysis

Capital Asset and Debt Administration

At June 30, 2004, 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

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Capital assets not being depreciated	\$ <u>269,248</u>	\$ <u>276,919</u>	\$ <u>7,671</u>	2.9%
Depreciable capital assets:				
Improvements other than buildings	\$ 1,409,274	\$ 1,409,274	0	0
Buildings	\$ 23,361,419	\$ 23,361,419	0	0
Equipment	\$ 4,658,372	\$ 4,525,868	\$(132,504)	-2.9%
Library Books	\$ <u>701,177</u>	\$ <u>718,011</u>	\$ <u>16,834</u>	2.4%
Total depreciable capital assets	\$ <u>30,130,242</u>	\$ <u>30,014,572</u>	\$ <u>(115,670)</u>	-.4%
Total cost of capital assets	\$30,399,490	\$ 30,291,491	\$(107,999)	-.4%
Less accumulated depreciation	\$ <u>(12,840,260)</u>	\$ <u>(13,598,338)</u>	\$ <u>758,078</u>	5.9%
Capital assets, net	\$ <u>17,559,230</u>	\$ <u>16,693,153</u>	\$ <u>(866,077)</u>	-5.0%

At June 30, 2004, Mississippi Delta Community College had \$382,838 in notes payable. This represents \$74,776 due within twelve months and \$308,062 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)

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>Percent Change</u>
Cash and Cash Equivalents				
Provided (Used) by:				
Operating Activities	\$(11,324,808)	\$(11,180,447)	\$ 144,361	-.1%
Noncapital Financing Activities Capital and Related	\$ 10,950,577	\$ 10,918,443	\$ (32,134)	-.29%
Financing Activities	\$ (516,612)	\$ (271,648)	\$244,964	47.4%
Investing Activities	<u>\$ 690,523</u>	<u>\$ 1,042,540</u>	<u>\$352,017</u>	50.9%
Net decrease in Cash and Cash Equivalents	\$ (200,320)	\$ 508,888	\$709,208	354%
Cash and Cash Equivalents - Beginning of the Year	<u>\$ 2,142,788</u>	<u>\$1,942,468</u>	<u>\$(200,320)</u>	-9.4%
Cash and Cash Equivalents - End of the Year	<u>\$ 1,942,468</u>	<u>\$ 2,451,356</u>	<u>\$508,888</u>	26.2%

The major sources of funds included in the operating activities include student tuition and fees, \$1,074,746 auxiliary enterprises, \$1,251,010, and grants and contracts, \$12,200,422. The major uses of funds were payments made to employees, \$15,093,714 to suppliers, \$6,561,123 and to students for financial aid, \$3,340,986.

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$8,512,164.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Management's Discussion and Analysis

Economic Outlook

Cumulating decreases in State appropriations since the Fiscal Year 2000 total \$1,355,738. 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 7% in Fiscal Year 2004. 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, 2004

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,451,356
Short-term investments	2,400,000
Accounts receivables, net	1,186,913
Inventories	481,924
Prepaid expenses	<u>177,692</u>

Total Current Assets 6,697,885

Noncurrent assets:

Endowment investments	10,000
Other long-term investments	220,766
Capital assets, net of accumulated depreciation	<u>16,693,153</u>

Total Noncurrent Assets 16,923,919

Total Assets 23,621,804

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	533,407
Deferred revenues	87,236
Long-term liabilities - current portion	74,776
Other current liabilities	<u>66,775</u>

Total Current Liabilities 762,194

Noncurrent liabilities:

Deposits refundable	55,970
Long-term liabilities	<u>308,062</u>

Total Noncurrent Liabilities 364,032

Total Liabilities 1,126,226

NET ASSETS

Invested in capital assets, net of related debt 16,310,315

Restricted for:

Nonexpendable:

Scholarships and fellowships 10,000

Expendable:

Scholarships and fellowships 100,486

Capital projects 1,770,563

Other purposes 52,068

Unrestricted: 4,252,146

Total Net Assets \$ 22,495,578

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

MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS:	
Cash	\$ 301,310.11
Certificate of Deposit	92,651.42
Marketable securities	602,424.51
Property and equipment	<u>.00</u>
Total assets	<u>\$ 996,386.04</u>
LIABILITIES	<u>\$.00</u>
NET ASSETS:	
Unrestricted	287,751.33
Temporarily restricted	<u>708,634.71</u>
Total net assets	<u>996,386.04</u>
Total liabilities and net assets	<u>\$ 996,386.04</u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

Operating Revenues:	
Tuition and fees (net of scholarship allowances of \$4,263,167)	\$ 1,203,813
Federal grants and contracts	10,139,882
State grants and contracts	1,959,356
Nongovernmental grants and contracts	18,673
Auxiliary enterprises:	
Student housing (net of scholarship allowances of \$114,763)	175,541
Food services (net of scholarship allowances of \$212,438)	662,958
Bookstore (net of scholarship allowances of \$1,274,315)	437,808
Other auxiliary revenues	<u>429,373</u>
Total Operating Revenues	<u>15,027,404</u>
Operating Expenses:	
Salaries and wages	12,292,465
Fringe benefits	2,801,249
Travel	406,867
Contractual services	3,338,173
Utilities	786,268
Scholarships and fellowships	3,340,986
Commodities	2,300,425
Depreciation expense	1,052,355
Other operating expense	<u>718,948</u>
Total Operating Expenses	<u>27,037,736</u>
Operating Income (Loss)	<u>(12,010,332)</u>
Nonoperating Revenues (Expenses):	
State appropriations	8,467,982
Local appropriations	2,435,681
Investment income	68,852
Interest expense on capital asset-related debt	(20,873)
Other Non-Operating Expense	<u>(25,800)</u>
Total Net Nonoperating Revenues (Expenses)	<u>10,925,842</u>
Income (Loss) before Other Revenues, Expenses, Gains and Losses	<u>(1,084,490)</u>
Other additions (deletions), net	<u>(4,744)</u>
Change in Net Assets	<u>(1,089,234)</u>
Net Assets:	
Net Assets - Beginning of Year, as Originally Reported	23,599,839
Prior period adjustments	<u>(15,027)</u>
Net Assets - Beginning of Year, as Restated	<u>23,584,812</u>
Net Assets - End of Year	<u>\$ 22,495,578</u>

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

MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Unrestricted Net Assets:	
Unrestricted revenues and gains:	
Contributions	\$ 21,670.81
Investment income – interest	1,113.47
– dividends	3,779.51
– realized capital gains	117.35
– Net appreciation in fair value of investments	<u>46,342.84</u>
Total unrestricted revenues and gains	73,023.98
Net assets released from restrictions:	
Restrictions satisfied by payments	<u>70,493.29</u>
Total unrestricted revenue, gains and other support	143,517.27
Expenses:	
Program services:	
Scholarships	21,947.00
Instructional programs	49,294.76
Athletics	8,920.45
Supporting services:	
Management and general	<u>2,797.03</u>
Total expenses	<u>82,959.24</u>
Increase in unrestricted net assets	<u>60,558.03</u>
Temporarily restricted net assets:	
Contributions	64,232.78
Investment income – interest	7,207.92
– dividends	3,531.48
– realized capital gains	109.65
– Net appreciation in fair value of investments	43,302.54
Net assets released from restrictions:	
Restrictions satisfied by payments	<u>-70,493.29</u>
Increase in temporarily restricted net assets	<u>47,891.08</u>
Increase in net assets	108,449.11
NET ASSETS AT BEGINNING OF YEAR	<u>887,936.93</u>
NET ASSETS AT END OF YEAR	<u>\$ 996,386.04</u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flows from Operating Activities:	
Tuition and fees	\$ 1,074,746
Grants and contracts	12,200,422
Payments to suppliers	(5,774,855)
Payments to employees for salaries and benefits	(15,093,714)
Payments for utilities	(786,268)
Payments for scholarships and fellowships	(3,340,986)
Auxiliary enterprise charges:	
Student housing	175,241
Food services	662,958
Bookstore	412,811
Other receipts (payments)	<u>(710,802)</u>
Net Cash Provided (Used) by Operating Activities	<u>(11,180,447)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	8,512,164
Local appropriations	2,409,149
Agency funds transactions - receipts	252,020
Agency funds transactions - payments	<u>(254,890)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,918,443</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid for capital assets	(191,021)
Capital appropriations received	11,418
Principal paid on capital debt	(71,172)
Interest paid on capital debt	<u>(20,873)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(271,648)</u>
Cash Flows from Investing Activities:	
Proceeds from sales and maturities of investments	3,400,000
Interest received on investments	42,540
Purchases of investments	<u>(2,400,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,042,540</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>508,888</u>
Cash and Cash Equivalents - Beginning of the Year	<u>1,942,468</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,451,356</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, 2004

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

Operating income (loss)	\$ <u>(12,010,332)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,052,355
Other	(15,027)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(66,134)
Inventories	(87,563)
Prepaid expenses	6,353
Increase (decrease) in liabilities:	
Accounts payables and accrued liabilities	(55,047)
Deferred revenues	(7,623)
Deposits refundable	(300)
Other liabilities	<u>2,871</u>
Total adjustments	<u>829,885</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(11,180,447)</u></u>

MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

Operating Activities:	
Increase in net assets	\$ 108,449.11
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gains on investments	-89,645.38
Realized gain on sale of investments	<u>-227.00</u>
Net cash provided by operating activities	<u>18,576.73</u>
Investing Activities:	
Certificate of deposit redeemed	\$ 158,203.00
Reinvested interest earned in certificates of deposit	-5,174.80
Reinvested dividends earned on mutual funds	-7,264.38
Proceeds from sales of securities	159,964.31
Purchases of securities	<u>-152,500.00</u>
Net cash provided by investing activities	<u>153,228.13</u>
Net increase in cash and cash equivalents	171,804.86
Cash and cash equivalents at beginning of year	<u>129,505.25</u>
Cash and cash equivalents at end of year	<u>\$ 301,310.11</u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Total</u>
	<u>Scholarships</u>	<u>Instructional Programs</u>	<u>Athletics</u>	
Student scholarships - M.D.C.C.	\$ 21,947.00	\$	\$	\$ 21,947.00
Supplies		260.00	3,040.82	3,300.82
Equipment maintenance			1,171.63	1,171.63
Travel			300.00	300.00
New furnishings and equipment		49,034.76	4,408.00	53,442.76
Investment management fees			2,797.03	2,797.03
Totals	<u>\$ 21,947.00</u>	<u>\$ 49,294.76</u>	<u>\$ 8,920.45</u>	<u>\$ 82,959.24</u>

See Notes to Financial Statements.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2004

(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 in early 1926, with the first freshman class enrolling in September of that 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 public community colleges. The legal authority for the establishment of a 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.

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, the Mississippi Delta Community College Development Foundation, Inc. (the "Foundation") is deemed a component unit of the institution and is included as a discretely presented component unit in the financial statements. The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to Mississippi Delta Community College (college) in support of its programs.

During the year ended June 30, 2004, the Foundation distributed \$23,605 to the college.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2004

- 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 - of Public College and Universities*, issued in June and November, 1999, respectively. The college 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. **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 (5) 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.
- L. **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.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements For the Year Ended June 30, 2004

- M. Compensated Absences - The 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.
- 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.
- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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 allocation 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 and funds held in federal loan programs.
- The unrestricted net asset balance of \$4,252,146 at June 30, 2004, includes \$2,700 for catfish inventory and a remaining amount of \$4,249,446.
- S. Changes in Accounting Standards - Mississippi Delta Community College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14*, in the current fiscal year as required. The provisions of this new standard have been incorporated into the financial statements and accompanying notes as a discrete presentation.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(2) Prior Period Adjustments.

For the year ended June 30, 2004, the college recorded prior period adjustments of \$15,027.

(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.

- 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, 2004</u>
Endowment investments	\$ 10,000
Other long-term investments	<u>220,766</u>
Total	<u>\$ 230,766</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. |

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

The following table summarizes the categorization of investments at June 30, 2004:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Not Categorized</u>	<u>Fair Value</u>
Investments:					
Equity securities	\$ 3,083				3,083
Mutual funds				227,683	227,683
Total Investments	\$ <u>3,083</u>	<u>0</u>	<u>0</u>	<u>227,683</u>	<u>230,766</u>

(4) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2004:

Student tuition	\$	286,950
Auxiliary enterprises and other operating activities		98,753
Federal, state, and private grants and contracts		559,296
State appropriations		223,111
Local appropriations		76,652
Other		<u>40,824</u>
Total Accounts Receivable		1,285,586
Less allowance for doubtful accounts		<u>98,673</u>
Net Accounts Receivable	\$	<u>1,186,913</u>

(5) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2004, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 269,248			269,248
Construction in progress		7,671		7,671
Total Nondepreciable Capital Assets	<u>269,248</u>	<u>7,671</u>	<u>0</u>	<u>276,919</u>
Depreciable Capital Assets:				
Improvements other than buildings	1,409,274			1,409,274
Buildings	23,361,419			23,361,419
Equipment	4,658,372	166,516	(299,020)	4,525,868
Library books	<u>701,177</u>	<u>16,834</u>		<u>718,011</u>
Total Depreciable Capital Assets	<u>30,130,242</u>	<u>183,350</u>	<u>(299,020)</u>	<u>30,014,572</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Improvements other than buildings	(766,941)	(31,114)		(798,055)
Buildings	(7,886,143)	(461,817)		(8,347,960)
Equipment	(3,562,175)	(540,300)	294,277	(3,808,198)
Library books	<u>(625,001)</u>	<u>(19,124)</u>		<u>(644,125)</u>
Total Accumulated Depreciation	<u>(12,840,260)</u>	<u>(1,052,355)</u>	<u>294,277</u>	<u>(13,598,338)</u>
Total Depreciable Capital Assets, Net	<u>17,289,982</u>	<u>(869,005)</u>	<u>(4,743)</u>	<u>16,416,234</u>
Capital Assets, Net	<u>\$ 17,559,230</u>	<u>(861,334)</u>	<u>(4,743)</u>	<u>16,693,153</u>

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:

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>	<u>Capitalization Threshold</u>
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

(6) 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, 2004.

Information regarding original issue amounts, interest rates and maturity dates for notes payable included in the long-term liabilities balance at June 30, 2004, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Other Long-term Liabilities								
Deposits refundable				\$ 56,270		300	55,970	
Notes payable	\$ <u>724,844</u>	4.95%	2009	<u>454,010</u>		<u>71,172</u>	<u>382,838</u>	<u>74,776</u>
Total Other Long-term Liabilities				<u>510,280</u>	<u>0</u>	<u>71,472</u>	<u>438,808</u>	<u>74,776</u>
Total				\$ <u>510,280</u>	<u>0</u>	<u>71,472</u>	<u>438,808</u>	<u>74,776</u>
Due within one year							<u>74,776</u>	
Total Long-term Liabilities							\$ <u>364,032</u>	

	Notes Payable	Interest	Total
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	60,239	1,124	61,363
Totals	\$ <u>382,838</u>	<u>46,705</u>	<u>429,543</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(7) Natural Classifications with Functional Classifications.

The college's operating expenses by functional classification were as follows for the year ended June 30, 2004:

<u>Functional Classification</u>	<u>Salaries & Wages</u>	<u>Fringe Benefits</u>	<u>Travel</u>	<u>Contractual Services</u>	<u>Utilities</u>	<u>Scholarships & Fellowships</u>	<u>Commodities</u>	<u>Depreciation Expense</u>	<u>Other</u>	<u>Total</u>
Instruction	\$ 8,617,442	1,919,570	253,600	907,586	77,051	6,813	619,681		320,894	12,722,637
Academic support	396,772	91,441	2,212	21,527			16,771		49,980	578,703
Student services	1,032,577	219,427	104,196	234,036			105,647		5,403	1,701,286
Institutional support	1,315,747	319,968	45,986	452,772			87,032		249,024	2,470,529
Operation of plant	737,838	200,647	873	813,641	530,365		177,699		93,647	2,554,710
Student aid						3,334,173				3,334,173
Auxiliary enterprises	192,089	50,196		908,611	178,852		1,293,595			2,623,343
Depreciation								1,052,355		1,052,355
Total Operating Expenses	\$ <u>12,292,465</u>	<u>2,801,249</u>	<u>406,867</u>	<u>3,338,173</u>	<u>786,268</u>	<u>3,340,986</u>	<u>2,300,425</u>	<u>1,052,355</u>	<u>718,948</u>	<u>27,037,736</u>

MISSISSIPPI DELTA COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2004

(8) Construction Commitments and Financing.

The college has contracted for a construction project as of June 30, 2004. Estimated costs to complete the project and the source of anticipated funding is presented below:

Project Title	Total Costs to Complete	Funded by			
		Federal Sources	State Sources	Institutional Funds	Other
Student Services Building	\$ 850,000		850,000		
Total	\$ 850,000	0	850,000	0	0

(9) Pension Plan.

Plan description - 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, 2004, 2003 and 2002 were \$1,111,632, \$1,057,624 and \$1,000,644, respectively, equal to the required contributions for each year.

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MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

The Mississippi Delta Community College Development Foundation, Inc. was incorporated on April 5, 1989. The Organization is a tax exempt non-profit corporation within the meaning of Internal Revenue Code Section 501(c)(3). The major purpose of the Organization is to raise funds for capital improvements and to provide student scholarships at Mississippi Delta Community College.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based in prior years' experience and management's analysis of specific promises made.

There were no unconditional promises to give at June 30, 2004.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting. Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the organization in accordance with its bylaws. Restricted net assets represent resources restricted by the donor to be used for specific purposes designated by the donor.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Cont'd)

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Administrative Expenses

Substantially all administrative operating expenses of the Organization are paid by Mississippi Delta Community College.

NOTE 2 – RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

Capital campaign – Harper & Horton buildings	\$ 332,954.06
Student scholarships	287,058.52
Athletic programs	10,050.37
Campus scoreboards, marquees	75,974.88
Various academic and administration departments	<u>2,596.88</u>
Total	<u>\$ 708,634.71</u>

The Organization had no permanently restricted net assets at June 30, 2004.

MISSISSIPPI DELTA COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 - INVESTMENTS:

Short-term investments held by the Organization at June 30, 2004 consist of the following:

	Fair Market Value <u>June 30, 2004</u>
Bank certificate of deposit	\$ <u>92,651.42</u>
Marketable Securities - Mutual Funds:	
Artisan Mid-Cap Fund	68,712.90
Calvert Income Fund	30,565.98
Cohen & Steers Equity Income Fund	31,303.83
Delaware Management Business Trust	
Small Cap Growth Fund	48,510.22
Eaton Vance Income Fund of Boston	18,230.64
Evergreen International Equity Fund	45,469.60
Heritage Series Trust Growth Equity Fund	77,077.93
Janus Investments Small Cap Value Fund	48,032.47
Janus Investments Mid Cap Value Fund	70,649.00
Nations International Value Fund	49,107.33
Pimco Total Return Fund	30,509.56
Selected American Shares Fund	<u>84,255.05</u>
Total Mutual Funds	<u>602,424.51</u>
Total Investments	<u>\$ 695,075.93</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2004:

	Unrestricted	Temporarily Restricted	Total
Interest income	\$ 1,113.47	\$ 7,207.92	\$ 8,321.39
Dividend income	3,779.51	3,531.48	7,310.99
Realized capital gains	117.35	109.65	227.00
Unrealized capital gains	<u>46,342.84</u>	<u>43,302.54</u>	<u>89,645.38</u>
Total investment return	<u>\$ 51,353.17</u>	<u>\$ 54,151.59</u>	<u>\$ 105,504.76</u>

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Half cost of personal computer shared with MDCC	
Alumni Association	\$ 1,455.00
Accumulated depreciation	<u>-1,455.00</u>
Total	<u>\$.00</u>

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SUPPLEMENTAL INFORMATION

MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<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		\$ 187,202
Federal Work-study Program (FWS)	84.033		177,891
Federal Pell Grant Program	84.063		<u>7,605,685</u>
Total U. S. Department of Education			<u>7,970,778</u>
Total Student Financial Aid Cluster			<u>7,970,778</u>
Other Programs:			
<u>U.S. Department of Agriculture</u>			
Rural Business Enterprise Grant	10.769		<u>210,539</u>
Total U.S. Department of Agriculture			<u>210,539</u>
<u>U. S. Department of Labor</u>			
Pass-through programs from:			
Mississippi Development Authority - Trade Adjustment Assistance Workers (TAA)	17.245		25,208
Mississippi Development Authority - Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261		<u>93,390</u>
Total			<u>118,598</u>
Pass-through program from:			
Mississippi State School Board for Community & Junior Colleges - WIA District Counselor Grant	17.255		<u>61,191</u>
WIA Cluster:			
Pass-through programs from:			
Mississippi Development Authority - WIA Adult Program	17.258		342,888
Mississippi Development Authority - WIA Dislocated Worker	17.260		110,276
Pass-through programs from:			
South Delta Planning District - Small Business Research Center	17.258		101,195
South Delta Planning District - WIA Counselor Grant	17.260		<u>39,444</u>
Total WIA Cluster			<u>593,803</u>
Total U. S. Department of Labor			<u>773,592</u>
<u>National Aeronautics and Space Administration</u>			
Pass through program from:			
University of Mississippi - Aerospace Education Services Program	43.001		<u>3,667</u>
Total National Aeronautics and Space Administration			<u>3,667</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>National Science Foundation</u>			
Pass through program from:			
University of Mississippi - Education and Human Resources	47.076		<u>91,426</u>
Total National Science Foundation			<u>91,426</u>
<u>Veterans Administration</u>			
Post Vietnam Era Veterans Educational Assistance	64.120		<u>592</u>
Total Veterans Administration			<u>592</u>
<u>U.S. Department of Education</u>			
Higher Education Institutional Aid - Strengthening Institutions Program	84.031A		102,550
Pass-through programs from:			
Mississippi State Board for Community & Junior Colleges - Adult Basic Education - State Grant Program	84.002		383,908
Mississippi Department of Education - Vocational Education - Basic Grants to States	84.048		264,678
Mississippi Department of Education - Tech-Prep Education	84.243		101,521
Pass-through Program from:			
State of Mississippi Institutions of Higher Learning Leveraging Educational Assistance Partnership Act (LEAP)	84.069		<u>3,059</u>
Total U.S. Department of Education			<u>855,716</u>
<u>U.S. Department of Health and Human Services</u>			
Rural Health Research Centers	93.155		<u>111,252</u>
Total U.S. Department of Health and Human Services			<u>111,252</u>
Total Other Programs			<u>2,046,784</u>
Total Expenditures of Federal Awards			<u>\$ 10,017,562</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 INTERNAL CONTROL AND COMPLIANCE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

President and Board of Trustees
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, 2004, as listed in the table of contents and have issued our report thereon dated July 9, 2005. We did not audit the financial statements of the discretely presented component unit, Mississippi Delta Community College Development Foundation, Inc. which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by an other auditor whose report thereon has been furnished to us. This report, insofar as it relates to the amounts included for the above mentioned entity, is based solely on the report of the other auditor. 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. The financial statements of the Mississippi Delta Community College Development Foundation, Inc., audited by an other auditor, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the institution's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-1.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the finding referred to above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the institution's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the institution, 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



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 9, 2005



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

President and Board of Trustees
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, 2004. The institution's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the institution's compliance with those requirements.

In our opinion, Mississippi 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, 2004.

Internal Control Over Compliance

The management of 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 institution 's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 institution, 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



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 9, 2005

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

President and Board of Trustees
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, 2004, and have issued our report thereon dated July 9, 2005. We did not audit the financial statements of the discretely presented component unit, Mississippi Delta Community College Development Foundation, Inc., which represents 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by an other auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor. 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. The financial statements of the Mississippi Delta Community College Development Foundation, Inc., audited by an other auditor, were not audited in accordance with *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 institution, 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 black ink.

PHIL BRYANT
State Auditor

Handwritten signature of William R. Doss in black ink.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 9, 2005

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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, 2004

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? | Yes |

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: | \$300,527 |
| 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? | No |

MISSISSIPPI DELTA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 2: Financial Statement Findings

Reportable Condition Not Considered to Be A Material Weakness

2004-1. Finding

While testing the existence of equipment, we noted six items out of 25 tested were not at the location that was specified on the college's equipment inventory printout. We also noted that transfer forms documenting the change of location of equipment were not being used on a consistent basis.

Recommendation

The institution should strengthen its controls over the use of equipment transfer forms in order to document the location of its fixed assets.

MISSISSIPPI DELTA COMMUNITY COLLEGE

AUDITEE'S CORRECTIVE ACTION PLAN

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MISSISSIPPI DELTA CORRECTION ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2004

As required by Section____.315(b) of OMB Circular A-133, Mississippi Delta Community College has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2004:

Finding Corrective Action Plan Detail

- 2004-1
- a. Donald L. Garrett
Vice-President of Business Services
662-246-6316
 - b. The Mississippi Delta Community College Business Office has been using deletion/relocation forms for several years. In order to strengthen our control on deletions and relocations of equipment, our instructors and staff employees have been advised of the importance in filling out these forms correctly and on a timely basis. Constant monitoring of inventory by Deans and Vice-Presidents will help to maintain the correctness of inventory in their respective areas.
 - c. January 17, 2006