



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

RAMONA HILL, CPA
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Director, Education Audit Section

JONES COUNTY JUNIOR COLLEGE

Audited Financial Statements
For the Year Ended June 30, 1998

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

FINANCIAL AUDIT REPORT

JONES COUNTY JUNIOR COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

May 5, 1999

Dr. Ronald Whitehead, President
and Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the general purpose financial statements of Jones County Junior College as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Jones County Junior College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Jones County Junior College as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 1999 on our consideration of Jones County Junior College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

JONES COUNTY JUNIOR COLLEGE

AUDITED FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE
Balance Sheet
June 30, 1998
(With Comparative Figures at June 30, 1997)

Exhibit A

ASSETS	Current Year	Prior Year	LIABILITIES AND FUND BALANCES	Current Year	Prior Year
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 4)	\$ 9,665,745	8,130,059	Accounts payable and accrued expenses	\$ 1,673,343	1,310,571
Accounts receivable:			Deposits refundable	19,125	20,575
Students, less allowance of			Deferred credits	276,853	279,457
\$86,000 (1998) and			Fund balances:		
\$84,800 (1997)	52,557	37,890	Unallocated		
Other	665,646	588,275	General	8,062,278	7,243,058
Inventories	445,294	572,737	Auxiliary	797,643	475,300
Total Current Unrestricted Funds	<u>10,829,242</u>	<u>9,328,961</u>	Total Current Unrestricted Funds	<u>10,829,242</u>	<u>9,328,961</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)	232,524	134,832	Accounts payable and accrued expenses	148,004	43,490
Other accounts receivable	717,428	393,292	Fund balance:		
Total Current Restricted Funds	<u>949,952</u>	<u>528,124</u>	Allocated	801,948	484,634
Total Current Funds	<u>\$ 11,779,194</u>	<u>9,857,085</u>	Total Current Restricted Funds	<u>949,952</u>	<u>528,124</u>
			Total Current Funds	<u>\$ 11,779,194</u>	<u>9,857,085</u>
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 11,635	11,138	Fund balances:		
Notes receivable:			Federal	\$ 1,897	1,819
Federal student loans, less allowance of			Institution	15,272	14,958
\$14,267 (1998) and (1997) (Note 5)	403	1,318			
Institutional student loans (Note 5)	5,131	4,321			
Total Loan Funds	<u>\$ 17,169</u>	<u>16,777</u>	Total Loan Funds	<u>\$ 17,169</u>	<u>16,777</u>
Endowment and Similar Funds			Endowment and Similar Funds		
Cash and other deposits (Note 4)	\$ 305,072	295,349	Fund balances:		
Investments		4,628	Endowment	\$ 305,072	300,171
Other accounts receivable		194			
Total Endowment & Similar Funds	<u>\$ 305,072</u>	<u>300,171</u>	Total Endowment & Similar Funds	<u>\$ 305,072</u>	<u>300,171</u>

Plant Funds			Plant Funds				
Cash and other deposits (Note 4)	\$	2,947,553	2,793,572	Accounts payable	\$	295,606	8,006
Other accounts receivable		35,509	345,484	Obligations under capital leases			13,341
Land		202,900	202,900	Fund balances:			
Improvements other than buildings		2,744,627	1,780,944	Unexpended		2,687,456	3,131,050
Buildings		27,430,654	23,454,371	Net investment in plant		41,258,073	35,879,990
Furniture, machinery and equipment		6,254,778	5,308,126				
Books and films		1,691,693	1,575,329				
Assets under capital leases			40,690				
Construction in progress (Note 7)		<u>2,933,421</u>	<u>3,530,971</u>				
Total Plant Funds	\$	<u>44,241,135</u>	<u>39,032,387</u>	Total Plant Funds	\$	<u>44,241,135</u>	<u>39,032,387</u>
Agency Funds			Agency Funds				
Cash and other deposits (Note 4)	\$	83,765	84,871	Due to depositors	\$	84,238	85,366
Due from depositors		<u>473</u>	<u>495</u>				
Total Agency Funds	\$	<u>84,238</u>	<u>85,366</u>	Total Agency Funds	\$	<u>84,238</u>	<u>85,366</u>

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

JONES COUNTY JUNIOR COLLEGE
Statement of Changes in Fund Balances
For the Year Ended June 30, 1998

Exhibit B

	Current Funds			Loan Funds	Endowment and Similar Funds	Plant Funds	
	Unrestricted	Restricted	Total			Unexpended	Investment in Plant
Revenues and Other Additions							
Tuition and fees	\$ 4,084,415		4,084,415				
State appropriations	13,719,994		13,719,994			2,678,875	
Local appropriations	1,459,488		1,459,488			1,024,844	
Federal grants and contracts	543,435	5,441,378	5,984,813				
State grants and contracts	1,764,492	658,316	2,422,808				
Private gifts, grants & contracts		91,669	91,669				
Investment income	486,459	5,288	491,747	392	17,615	130,666	
Additions to plant facilities							5,678,289
Retirement of indebtedness							13,341
Sales and services of educational activities	128,390		128,390				
Sales and services of auxiliary activities	2,772,913		2,772,913				
Other	363,996		363,996			7,453	
Total Rev. & Other Additions	<u>25,323,582</u>	<u>6,196,651</u>	<u>31,520,233</u>	<u>392</u>	<u>17,615</u>	<u>3,841,838</u>	<u>5,691,630</u>
Expenditures & Other Deductions							
Educational and general:							
Instruction	12,163,461	1,714,074	13,877,535				
Academic support	1,139,796	24,046	1,163,842				
Student services	2,543,304	245,622	2,788,926				
Institutional support	2,425,189	18,887	2,444,076				
Operation & maintenance of plant	1,845,623	9,698	1,855,321				
Student aid	700,610	4,649,448	5,350,058		12,714		
Total Educational and General	<u>20,817,983</u>	<u>6,661,775</u>	<u>27,479,758</u>		<u>12,714</u>		
Auxiliary	2,799,627	10,319	2,809,946				
Repairs and maintenance						48,165	
Expended for plant facilities						4,237,267	
Plant assets sold or retired							313,547
Provision for uncollectible accounts	1,200		1,200				
Other		58,452	58,452				
Total Expenditures and Other Deductions	<u>23,618,810</u>	<u>6,730,546</u>	<u>30,349,356</u>		<u>12,714</u>	<u>4,285,432</u>	<u>313,547</u>
Transfers - Additions (Deductions)							
Mandatory:							
Restricted fund matching	<u>(47,643)</u>	<u>47,643</u>					
Total Mandatory	<u>(47,643)</u>	<u>47,643</u>					

Other:							
Other	<u>(803,566)</u>	<u>803,566</u>					
Total Other	<u>(803,566)</u>	<u>803,566</u>					
Total Transfers	<u>(851,209)</u>	<u>851,209</u>					
Net Increase (Decr.) for Year	<u>853,563</u>	<u>317,314</u>	<u>1,170,877</u>	<u>392</u>	<u>4,901</u>	<u>(443,594)</u>	<u>5,378,083</u>
Fund Balance at Beg. of Year							
As Previously Reported	7,718,358	484,634	8,202,992	16,777	300,171	3,131,050	35,879,990
Adjustments (Note 3)	<u>288,000</u>		<u>288,000</u>				
Restated	<u>8,006,358</u>	<u>484,634</u>	<u>8,490,992</u>	<u>16,777</u>	<u>300,171</u>	<u>3,131,050</u>	<u>35,879,990</u>
Fund Balance at End of Year	<u>\$ 8,859,921</u>	<u>801,948</u>	<u>9,661,869</u>	<u>17,169</u>	<u>305,072</u>	<u>2,687,456</u>	<u>41,258,073</u>

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

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

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 4,084,415		4,084,415	3,712,888
State appropriations	13,719,994		13,719,994	12,116,540
Local appropriations	1,459,488		1,459,488	1,382,762
Federal grants and contracts	543,435	5,441,378	5,984,813	4,950,514
State grants and contracts	1,764,492	1,086,116	2,850,608	2,658,599
Private gifts, grants and contracts		91,669	91,669	67,742
Investment income	486,459	5,288	491,747	413,293
Sales and services of educational activities	128,390		128,390	126,780
Sales and services of auxiliary activities	2,772,913		2,772,913	2,685,059
Decrease in allowance for doubtful accounts				24,733
Other	363,996		363,996	269,407
Total Revenues and Other Additions	25,323,582	6,624,451	31,948,033	28,408,317
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	12,163,461	1,714,074	13,877,535	12,137,541
Academic support	1,139,796	24,046	1,163,842	1,179,680
Student services	2,543,304	245,622	2,788,926	2,578,782
Institutional support	2,425,189	18,887	2,444,076	1,864,054
Operation & maintenance of plant	1,845,623	9,698	1,855,321	1,597,569
Student aid	700,610	4,649,448	5,350,058	4,863,090
Total Educational and General Expenditures	20,817,983	6,661,775	27,479,758	24,220,716
Mandatory transfers:				
Restricted fund matching	46,282	(46,282)		
Total Educational and General	20,864,265	6,615,493	27,479,758	24,220,716
Auxiliary enterprises:				
Expenditures	2,799,627	10,319	2,809,946	2,490,758
Mandatory transfers:				
Restricted fund matching	1,361	(1,361)		
Total Auxiliary Enterprises	2,800,988	8,958	2,809,946	2,490,758
Total Expenditures and Mandatory Transfers	23,665,253	6,624,451	30,289,704	26,711,474
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		(427,800)	(427,800)	(433,755)
Other	(803,566)	803,566		
Provision for uncollectible accounts	(1,200)		(1,200)	
Other		(58,452)	(58,452)	
Total Other Transfers - Additions (Deductions)	(804,766)	317,314	(487,452)	(433,755)
Net Change in Fund Balance	\$ 853,563	317,314	1,170,877	1,263,088

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

JONES COUNTY JUNIOR COLLEGE

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

The significant accounting policies followed by Jones County Junior College are described below to enhance the usefulness of the financial statements to the reader.

(1) Basis of Accounting.

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

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

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

Gifts, grants and pledges are generally recorded when received or when billable.

Investments are recorded at cost if purchased or if acquired by gift at fair market value at the time of donation.

Property, buildings and equipment are stated at cost at the date of acquisition or fair market value at date of donation. Improvements made as part of repair and renovation projects are capitalized based upon institution estimates which approximate cost. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the institution, are capitalized.

Merchandise for resale inventories and consumable supply inventories are stated at cost, with cost being determined principally by the first-in, first-out method.

All revenues and related expenditures incurred in connection with summer sessions are reported within the fiscal year in which the summer sessions are predominantly conducted.

Service activities at the institution are those activities which provide general services benefiting many funds. Service activities include duplicating services. Such activities are maintained during the fiscal year as Auxiliary Funds for management purposes. These activities' expenditures are allocated to other funds based upon a user charge system. At fiscal year-end, any over or under allocation made during the year is closed to institutional support in the Current Unrestricted Fund.

JONES COUNTY JUNIOR COLLEGE

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

(2) Fund Accounting.

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the institution are maintained in accordance with the principles of "fund accounting". This accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

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

Current Funds consist of the following:

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

Other funds consist of the following:

- A. The Loan Funds are used to account for loans to students. Resources to provide loans are derived primarily from the federal government. Provisions of the federal loan program stipulate that:
 - 1. The institution's matching share is one-third of the federal contributions.
 - 2. A portion of the loan principal and interest (maximum of 30% per year) will be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.
- B. Endowment Funds are subject to the restrictions of donor gift instruments and only the income is to be utilized.
- C. The Plant Funds which are used to account for the transactions relating to institution physical properties include:
 - 1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties.

JONES COUNTY JUNIOR COLLEGE

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

2. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress as well as any associated liabilities.
- D. Agency Funds account for assets held by the institution as custodian or fiscal agent for others. Consequently, the transactions of this fund do not affect the statement of changes in fund balances.

JONES COUNTY JUNIOR COLLEGE

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

(1) Appropriations - General Operations.

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

(2) Accrued Leave.

Because the institution does not provide for the accumulation of sick leave or vacation beyond one fiscal year, no liability has been accrued in the financial statements.

(3) Prior Period Adjustment.

The institution recorded a prior period adjustment of \$288,000 to the Auxiliary Fund balance for prior year vendor credits not taken until the current fiscal year.

(4) Cash and Other Deposits.

For financial statement purposes, cash and other deposits are represented by demand accounts and time deposits such as savings accounts, certificates of deposit and money market funds. Also included in this account are imprest cash accounts held by the institution. The carrying amount of the institution's cash and other deposits at June 30, 1998, was \$13,246,294 and the depository balance, including accrued interest of \$56,190, was \$12,095,020. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution or its agent was \$404,600. The amount of \$11,690,420 was collateralized with securities held by a pledging financial institution's trust department or agent but not in the institution's name.

(5) Notes Receivable From Students.

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

	Interest Rates		Unpaid Balance 6-30-98
Perkins student loans	3% to 5%	\$	3,752
Nursing student loans	3% to 6%		10,918
Institution loans	0%		5,131
Total Notes Receivable			19,801
Less: Allowance for Doubtful Accounts			14,267
Net Notes Receivable		\$	5,534

JONES COUNTY JUNIOR COLLEGE

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

(6) Operating Leases.

Leased property under operating leases is composed of mats and five copiers. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30	Amount
1999	\$ 51,019
2000	48,192
2001	42,354
Total Minimum Payments Required	\$ 141,565

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, 1998, was \$8,190.

(7) Construction Commitments and Financing.

The institution has contracted for the construction of the following projects:

Project	Cost to Complete
State Funds	
Vocational - Technical Building addition	\$ 1,038,684
Wayne Hall Dormitory addition	2,357,107
Local Funds	
Meat processing	278,509
Wayne Hall Dormitory addition	34,467
Student Union	986,008
Total	\$ 4,694,775

(8) Pension Plan.

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

JONES COUNTY JUNIOR COLLEGE

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 1998, 1997 and 1996 were \$1,264,435, \$1,168,028 and \$1,135,494, respectively, equal to the required contributions for each year.

(9) Foundation.

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

Assets	Amount
Cash and investments	\$ 37,990
Investments	2,179,237
Equipment	56,145
Donated assets	4,500
Total Assets	\$ 2,277,872
<u>Liabilities and Fund Balances</u>	
	\$
Unrestricted	312,967
Restricted	1,964,905
Total Liabilities and Fund Balances	\$ 2,277,872

(10) Year 2000.

The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of Jones County Junior College's programs that have dates and/or time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could cause those application systems to fail or make miscalculations or cause disruptions of operations, including among other things, a temporary inability to process transactions or engage in normal business activities. For the year-ended June 30, 1998, the college has committed significant resources in the amount of \$100,500 to make the computer application systems and electronic equipment year 2000 compliant.

The college has identified the computer application systems and equipment that are mission-critical (i.e., critical to conducting operations). The applications systems affect primarily general education, financial and personnel aspects of the Jones County Junior College's operations.

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

JONES COUNTY JUNIOR COLLEGE

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

Awareness Stage—When the organization establishes a budget and project plan (for example, a timeline or chart noting major tasks and due dates) for dealing with the year 2000 issue.

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

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

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

The mission-critical equipment and application systems for Jones County Junior College and the corresponding stage of completion for becoming year 2000 compliant are listed below:

<u>Equipment/Application</u>	<u>Stage of Completion</u>			
	<u>Awareness</u>	<u>Assessment</u>	<u>Remediation</u>	<u>Validation/Testing</u>
IBM AS400				X
Financial				X
Student Services				X
Payroll		X		

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

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

SUPPLEMENTAL INFORMATION

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster			
U.S. Department of Education:			
Federal PELL Grant Program	84.063		\$ 4,079,628
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		161,626
Federal Family Education Loan Program (FFEL)	(1) 84.032		1,418,095
Federal Work-study Program (FWS)	84.033		142,929
State Student Incentive Grant Program (SSIG)	84.069		<u>5,761</u>
Total U.S. Department of Education			<u>5,808,039</u>
Total Student Financial Aid			<u>5,808,039</u>
Other Programs:			
U.S. Department of Education:			
Pass-through Programs From:			
State Department of Education - Adult Education - State Grant Program	84.002		175,185
State Department of Education - Vocational Education Basic Grants to States	84.048	E-V048A60024	520,431
State Department of Education - Tech-Prep Education	84.243	E-V243A60095	<u>85,340</u>
Total U.S. Department of Education			<u>780,956</u>
U.S. Department of Agriculture:			
Pass-through Program From:			
Mississippi Community College Foundation - Mississippi Rural Health Corp. Program Cooperative Extension Service	10.500		<u>152,673</u>
Total U.S. Department of Agriculture			<u>152,673</u>
Small Business Administration:			
Pass-through Program From:			
Small Business Development Center	59.037		<u>39,718</u>
Total Small Business Administration			<u>39,718</u>
National Science Foundation:			
Education and Human Resources	47.076		<u>363,294</u>
Total U.S. Department of Defense			<u>363,294</u>

U.S. Department of Labor:			
Pass-through Programs From:			
Mississippi Employment Security Commission - Individual Referrals	17.250		43,599
State Department of Education - JTPA - Title IIA	17.250	L-799551TA31	<u>148,430</u>
Total U.S. Department of Labor			<u>192,029</u>
U.S. Department of Health and Human Services:			
Child Development Associate Scholarships	93.614		<u>8,496</u>
Total U.S. Department of Health and Human Services			<u>8,496</u>
Total Other Programs			<u>1,537,166</u>
Total Expenditures of Federal Awards			\$ <u><u>7,345,205</u></u>

Notes to Schedule of Expenditures of Federal Awards

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements, with the following exception:

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

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JONES COUNTY JUNIOR COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

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

May 5, 1999

Dr. Ronald Whitehead, President
and Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the general purpose financial statements of Jones County Junior College as of and for the year ended June 30, 1998, and have issued our report thereon dated May 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the institution's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the institution's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 98-2, 98-3, 98-4, 98-5 and 98-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider item 98-2 to be a material weakness.

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



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT

AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 5, 1999

Dr. Ronald Whitehead, President
and Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Compliance

We have audited the compliance of Jones County Junior College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. The institution's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the institution's management. Our responsibility is to express an opinion on the institution's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the institution's compliance with those requirements.

In our opinion, Jones County Junior College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Jones County Junior 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.

We noted a certain matter involving the internal control over compliance 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 compliance that, in our opinion, could adversely affect the institution's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 98-7.

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. Our consideration of the internal control over compliance 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 believe the reportable condition described in the finding referred to above is not a material weakness.

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



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

JONES COUNTY JUNIOR COLLEGE

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

JONES COUNTY JUNIOR COLLEGE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

May 5, 1999

Dr. Ronald Whitehead, President
and Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the general purpose financial statements of Jones County Junior College as of and for the year ended June 30, 1998, and have issued our report thereon dated May 5, 1999. We conducted our audit in accordance with generally accepted auditing standards.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements did not disclose any instances of noncompliance with state laws and regulations.

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

Handwritten signature of Phil Bryant in cursive script.

PHIL BRYANT
State Auditor

Handwritten signature of Ramona Hill in cursive script.

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

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

Section 1: Summary of Auditor's Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. As described in Section 2 of this schedule, reportable conditions in internal control were disclosed by the audit of the general purpose financial statements. The reportable condition described in Finding 98-2 is considered to be a material weakness.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. As described in Section 3 of this schedule, a reportable condition in internal control over major programs was disclosed by the audit. The reportable condition described in Finding 98-7 is not considered to be a material weakness.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed an audit finding which is required to be reported under Section _____.510(a) of OMB Circular A-133. This finding is described in Section 3 of this schedule.
7. The major programs were the Student Financial Aid cluster (CFDA #s 84.007, 84.032, 84.033, 84.063 and 84.069), Vocational Education Basic Grants to States (CFDA #84.048), Education and Human Resources (CFDA #47.076) and Adult Education - State Grant Program (CFDA #84.002).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

98-1. Finding

The following was noted during our test of equipment additions (sample of 25):

1. One purchase was charged to the incorrect object code and incorrectly capitalized.
2. Two purchases were not capitalized properly.
3. One piece of equipment was capitalized for the incorrect amount.
4. One piece of equipment was capitalized twice.
5. Equipment was received by the ordering department resulting in untimely tagging of equipment.

JONES COUNTY JUNIOR COLLEGE

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

Recommendation

Equipment purchases should be reviewed to ensure the expenditure is charged to the correct object code. All charges to equipment object codes should be reviewed to ensure proper capitalization of equipment in a timely manner.

98-2. Finding

The following was noted during our observation of equipment (sample of 50):

1. A periodic inventory of equipment is not being performed by department heads as required by the institution's fixed asset policy.
2. Six pieces of equipment could not be located.
3. The incorrect inventory number was attached to one item.
4. Two different inventory tags were attached to one piece of equipment in two instances.
5. The location was incorrect on the equipment inventory listing for five items.
6. Two items observed could not be located on the inventory subsidiary listing.
7. One piece of equipment was not properly tagged.
8. Several items of equipment that appeared to be obsolete were included on the equipment inventory listing.
9. Some computer equipment observed was located in areas which were not climate-controlled. This could result in damage to the equipment.

Recommendation

A periodic physical inventory should be performed as stated in the institution's fixed asset policy. Inventory tags/numbers should be placed on all equipment owned by the institution. Proper paper work should be completed to document transfers of equipment from one location to another. Obsolete equipment should be removed from the equipment listing. Computer equipment should be stored in areas that are climate-controlled to reduce risk of damage to equipment.

98-3. Finding

We noted the following during our tests of expenditures (sample of 40) and accounts payable:

1. Invoices were not canceled when paid to prevent reuse.
2. In several instances, the required purchase order or requisition was not attached to disbursement package.
3. The date goods were received was not documented in several instances.
4. In several instances, invoices were not dated when received by the business office.

JONES COUNTY JUNIOR COLLEGE

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

5. In two instances, the required requisition was not prepared.
6. One invoice could not be located.
7. In one instance, the required purchase order was not prepared.
8. In four instances, the goods were received by the requisitioner.
9. One payment was made from a statement.

Recommendation

All disbursements should be reviewed to ensure that required requisitions and purchase orders are properly prepared and approved. The institution should pay only from original invoices. Invoices should be marked to identify the date received and canceled to prevent reuse. Goods should be received by someone other than the requisitioner.

98-4. Finding

Jones County Junior College does not have written policies and procedures for their Information Technology Department as recommended in the Control Objectives for Information and Related Technology (CobiT DS12, PO4, DS5, DS4, and PO7) guidelines for the following:

1. Security over the data processing facility.
2. Telecommunications.
3. Access security - includes access to program documentation, systems software, program and job control instructions, data files, applications, passwords, and investigation of access violations.
4. Recovery from abnormal terminations.

It was also noted that employees were not furnished with user documentation (instructional manual) as recommended in the Control Objectives for Information and Related Technology (CobiT PO4) guidelines.

Recommendation

We recommend that Jones County Junior College establish written policies and procedures for their Information Technology Department operations. We further recommend that the college's Information Technology Department and the various other user departments work together to establish written user documentation (instructional manuals).

98-5. Finding

Jones County Junior College does not have smoke and/or heat detectors in the building where the computer room is located as recommended in the Control Objectives for Information and Related Technology (CobiT DS12, PO4) guidelines. The computer room also did not have solid fire resistant doors.

Recommendation

To ensure the safety of people and equipment, we recommend that Jones County Junior College install smoke and/or heat detectors in the building where the computer room is located. We also recommend the college install solid fire resistant doors in the computer room.

98-6. Finding

The institution does not have adequate security for its Internet connection as recommended in the Control Objectives for Information and Related Technology (CobiT DS5.2) guidelines. This has increased its risk for potential security violations for the campus-wide computer network.

Recommendation

We recommend that the college implement better network security solutions to alleviate potential Internet security violations.

Section 3: Findings and Questioned Costs for Federal Awards

98-7. Finding

Program: Student Financial Aid Cluster

Compliance Requirement: Special tests and provisions

The institution did not have procedures in place to properly calculate federal refunds for nine months of the fiscal year-ended June 30, 1998.

Recommendation

The institution should develop procedures to properly calculate federal refunds.