



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

PHIL BRYANT
State Auditor

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

BRENT BALLARD, CPA
Director, Education Audit Section

JONES COUNTY JUNIOR COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2002

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

June 9, 2003

Dr. Ronald Whitehead, President and Board of Trustees
Jones County Junior College
Ellisville, MS 39437

We have audited the general purpose financial statements of Jones County Junior College as of and for the year ended June 30, 2002, 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 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 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.

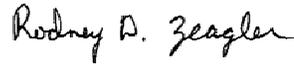
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Jones County Junior College as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



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

JONES COUNTY JUNIOR COLLEGE

AUDITED FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE
Balance Sheet
June 30, 2002
(With Comparative Figures at June 30, 2001)

Exhibit A

	<u>Current Year</u>	<u>Prior Year</u>		<u>Current Year</u>	<u>Prior Year</u>
ASSETS			LIABILITIES AND FUND BALANCES		
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 4)	\$ 7,479,543	9,134,563	Accounts payable and accrued expenses	\$ 2,106,000	2,566,816
Accounts receivable:			Accrued leave (Note 2)	143,431	
Students, less allowance of			Deposits refundable	50,550	68,100
\$146,000 (2002) and			Deferred credits	310,175	137,707
\$112,001 (2001)	273,758	156,852	Fund balances:		
Other	964,090	696,159	Unallocated		
Inventories	432,248	452,210	General	7,538,823	8,444,307
Prepaid items and deferred charges	477,044	604,234	Auxiliary	886,275	886,275
Due from other funds	<u>1,408,571</u>	<u>1,059,187</u>	Total Current Unrestricted Funds	<u>11,035,254</u>	<u>12,103,205</u>
Total Current Unrestricted Funds	<u>11,035,254</u>	<u>12,103,205</u>			
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 4)		27,654	Accounts payable and accrued expenses	314,523	174,910
Other accounts receivable	2,374,520	1,870,945	Accrued leave (Note 2)	3,418	
			Due to other funds	1,408,571	1,059,187
			Deferred credits		19,711
			Fund balance:		
			Allocated	<u>648,008</u>	<u>644,791</u>
Total Current Restricted Funds	<u>2,374,520</u>	<u>1,898,599</u>	Total Current Restricted Funds	<u>2,374,520</u>	<u>1,898,599</u>
Total Current Funds	<u>\$ 13,409,774</u>	<u>14,001,804</u>	Total Current Funds	<u>\$ 13,409,774</u>	<u>14,001,804</u>
Loan Funds			Loan Funds		
Cash and other deposits (Note 4)	\$ 14,765	14,313	Fund balances:		
Notes receivable:			Federal	\$ 18,636	18,334
Federal student loans, less allowance of					
\$14,267 (2002) and					
\$14,267 (2001) (Note 5)	<u>3,871</u>	<u>4,021</u>			
Total Loan Funds	<u>\$ 18,636</u>	<u>18,334</u>	Total Loan Funds	<u>\$ 18,636</u>	<u>18,334</u>
Endowment and Similar Funds			Endowment and Similar Funds		
Cash and other deposits (Note 4)	\$ 522,059	520,384	Fund balances:		
Accounts receivable - other	<u>4,167</u>	<u>9,332</u>	Endowment	\$ 526,226	529,716
Total Endowment & Similar Funds	<u>\$ 526,226</u>	<u>529,716</u>	Total Endowment & Similar Funds	<u>\$ 526,226</u>	<u>529,716</u>

JONES COUNTY JUNIOR COLLEGE
Statement of Changes in Fund Balances
For the Year Ended June 30, 2002

Exhibit B

	<u>Current Funds</u>			Loan Funds	Endowment and Similar Funds	<u>Plant Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>			<u>Unexpended</u>	<u>Investment in Plant</u>
Revenues and Other Additions							
Tuition and fees	\$ 5,905,558		5,905,558				
State appropriations	13,549,118		13,549,118			114,760	
Local appropriations	1,618,338		1,618,338			1,132,050	
Federal grants and contracts	14,093	8,968,705	8,982,798				
State grants and contracts	1,921,526	784,560	2,706,086				
Private gifts, grants & contracts	225,894	12,039	237,933		109		
Investment income	380,049	2,048	382,097	302	13,545	257,621	
Additions to plant facilities							1,875,327
Retirement of indebtedness							123,582
Sales and services of educational activities	120,518		120,518				
Sales and services of auxiliary activities	4,198,487		4,198,487				
Other	505,659	11,104	516,763			46,873	
Total Rev. & Other Additions	<u>28,439,240</u>	<u>9,778,456</u>	<u>38,217,696</u>	<u>302</u>	<u>13,654</u>	<u>1,551,304</u>	<u>1,998,909</u>
Expenditures & Other Deductions							
Educational and general:							
Instruction	13,313,025	2,269,044	15,582,069				
Academic support	1,227,074	21,199	1,248,273				
Student services	2,688,040	35,820	2,723,860				
Institutional support	3,961,459	13,202	3,974,661				
Operation & maint. of plant	2,164,454	5,090	2,169,544				
Student aid	1,133,248	7,618,647	8,751,895		17,144		
Total Educational and General	<u>24,487,300</u>	<u>9,963,002</u>	<u>34,450,302</u>		<u>17,144</u>		
Auxiliary	3,488,300	513	3,488,813				
Repairs and maintenance						113,645	
Expended for plant facilities						1,228,258	
Plant assets sold or retired							187,979
Retirement of indebtedness						123,582	
Provision for uncollectible accts.	33,999		33,999				
Provision for accrued leave	143,431	3,418	146,849				
Total Expenditures and Other Deductions	<u>28,153,030</u>	<u>9,966,933</u>	<u>38,119,963</u>		<u>17,144</u>	<u>1,465,485</u>	<u>187,979</u>

Transfers - Additions (Deductions)

Other:							
Building projects						1,000,000	
Other	<u>(1,191,694)</u>	<u>191,694</u>	<u>(1,000,000)</u>				
Total Other	<u>(1,191,694)</u>	<u>191,694</u>	<u>(1,000,000)</u>			<u>1,000,000</u>	
Total Transfers	<u>(1,191,694)</u>	<u>191,694</u>	<u>(1,000,000)</u>			<u>1,000,000</u>	
Net Increase (Decr.) for Year	<u>(905,484)</u>	<u>3,217</u>	<u>(902,267)</u>	<u>302</u>	<u>(3,490)</u>	<u>1,085,819</u>	<u>1,810,930</u>
Fund Balance at Beg. of Year							
As Previously Reported	9,330,582	644,791	9,975,373	18,334	529,716	7,367,073	54,959,409
Adjustment (Note 3)							<u>(8,435,476)</u>
Restated	<u>9,330,582</u>	<u>644,791</u>	<u>9,975,373</u>	<u>18,334</u>	<u>529,716</u>	<u>7,367,073</u>	<u>46,523,933</u>
Fund Balance at End of Year	\$ <u>8,425,098</u>	<u>648,008</u>	<u>9,073,106</u>	<u>18,636</u>	<u>526,226</u>	<u>8,452,892</u>	<u>48,334,863</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, 2002
(With Comparative Figures for the Year Ended June 30, 2001)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
Tuition and fees	\$ 5,905,558		5,905,558	4,727,239
State appropriations	13,549,118		13,549,118	15,423,191
Local appropriations	1,618,338		1,618,338	1,568,529
Federal grants and contracts	14,093	8,968,705	8,982,798	6,988,215
State grants and contracts	1,921,526	784,560	2,706,086	2,786,653
Private gifts, grants and contracts	225,894	12,039	237,933	33,832
Investment income	380,049	2,048	382,097	710,115
Sales and services of educational activities	120,518		120,518	132,041
Sales and services of auxiliary activities	4,198,487		4,198,487	3,487,523
Other	505,659	11,104	516,763	456,612
Total Revenues and Other Additions	28,439,240	9,778,456	38,217,696	36,313,950
Expenditures & Mandatory Transfers				
Educational and general:				
Instruction	13,313,025	2,083,985	15,397,010	16,101,503
Academic support	1,227,074	21,199	1,248,273	1,224,643
Student services	2,688,040	35,820	2,723,860	2,669,340
Institutional support	3,961,459	13,202	3,974,661	2,878,693
Operation and maintenance of plant	2,164,454	5,090	2,169,544	2,317,138
Student aid	1,133,248	7,618,647	8,751,895	6,746,221
Total Educational and General	24,487,300	9,777,943	34,265,243	31,937,538
Auxiliary enterprises:				
Expenditures	3,488,300	513	3,488,813	3,070,550
Total Auxiliary Enterprises	3,488,300	513	3,488,813	3,070,550
Total Expenditures and Mandatory Transfers	27,975,600	9,778,456	37,754,056	35,008,088
Other Transfers - Additions (Deductions)				
Excess restricted receipts over expenditures & mandatory transfers				
Other	(1,191,694)	191,694	(1,000,000)	(3,002,627)
Provision for uncollectible accounts	(33,999)		(33,999)	(38,001)
Provision for accrued leave	(143,431)	(3,418)	(146,849)	
Total Other Transfers - Additions (Deductions)	(1,369,124)	3,217	(1,365,907)	(3,036,665)
Net Change in Fund Balance	\$ (905,484)	3,217	(902,267)	(1,730,803)

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, 2002

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

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

Merchandise for resale inventories and consumable supply inventories are stated at cost, with cost being determined principally by the retail 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 benefitting 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, 2002

(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 and Similar 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.
 - 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, 2002

(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.

Full-time employees earn monthly vacation leave at a rate of 6.67 hours for employees scheduled for 8 hours per day; 6.25 hours for employees scheduled for 7.50 hours per day; 6.04 hours for employees scheduled for 7.25 hours per day; 5.83 hours for employees scheduled for 7.00 hours per day; 5.42 hours for employees scheduled for 6.50 hours per day; 5.21 hours for employees scheduled for 6.25 hours per day. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 10 days of accumulated annual leave. The liability for accrued leave at June 30, 2002, as reported in the Current Funds, was \$146,849.

(3) Prior Period Adjustment.

For the year ended June 30, 2002, a prior period adjustment was recorded in the Investment in Plant Fund for \$8,435,476 to write off assets under the threshold amounts. As detailed in Note 12, all previously reported assets below the threshold amounts have been deleted for financial statement reporting purposes. The institution maintains a subsidiary ledger detailing these assets for fiscal accountability purposes.

(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, 2002, was \$16,489,779, and the depository balance, including accrued interest of \$198,561, was \$18,064,328.

The collateral for public entities' deposits in financial institutions is now 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 entity'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 those 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.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2002

(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, 2002:

	<u>Interest Rates</u>	<u>Unpaid Balance June 30, 2002</u>
Perkins student loans	3% to 5%	\$ 3,527
Nursing student loans	3% to 6%	10,917
Institution loans	0%	<u>3,694</u>
Total Notes Receivable		18,138
Less: Allowance for Doubtful Accounts		<u>14,267</u>
Net Notes Receivable		<u>\$ 3,871</u>

(6) Long-term Debt.

The institution has long-term obligations of the following:

<u>Description and Purpose</u>	<u>Original Issue</u>	<u>Annual Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Owed at June 30, 2002</u>
Note payable				
PeopleSoft note	\$ <u>700,000</u>	5.86%	3-31-06	\$ <u>576,418</u>
Total Note	\$ <u>700,000</u>			\$ <u>576,418</u>

The total original issue amount of this note was \$1,336,059.

This note consists of \$700,000 for the cost of the software which is carried as a liability in the Investment in Plant Fund. The remaining \$636,059 represents initial training and maintenance service contract, and is included in the accounts payable and accrued expenses of the Current Unrestricted Fund.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2002

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

Year Ending June 30	<u>Total</u>	<u>Notes</u>
2003	\$ 165,830	165,830
2004	165,830	165,830
2005	165,830	165,830
2006	<u>165,830</u>	<u>165,830</u>
Total	663,320	663,320
Less: Amounts Representing Interest	<u>86,902</u>	<u>86,902</u>
Total at Present Value	<u>\$ 576,418</u>	<u>576,418</u>

The proceeds from this note were used to purchase software and a service contract for the software. Jones County Junior College chose to capitalize the portion of the note that related to the software at an amount of \$700,000.

(7) Operating Leases.

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

Year Ending June 30	<u>Amount</u>
2003	\$ 44,725
2004	<u>1,800</u>
Total Minimum Payments Required	<u>\$ 46,525</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2002, was \$66,582.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2002

(8) Construction Commitments and Financing.

The institution has contracted for the construction of the following:

Project	Cost to Complete
State Fund	
Southpoint Advanced Technology Center	\$ 5,998,968
Local Fund	
Roofing project	371,859
Stadium	2,676,449
 Total	 \$ 9,047,276

(9) Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The institution's contributions to PERS for the years ending June 30, 2002, 2001 and 2000 were \$1,382,976, \$1,532,315 and \$1,498,512, respectively, equal to the required contributions for each year.

(10) 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, 2002, which amounts are not included in the financial statements of the institution:

Assets	Amount
Cash and investments	\$ 66,342
Investments	4,222,080
Contributions receivable, net	1,004,448
Property and equipment, net	14,143
Collection items	4,500
 Total Assets	 \$ 5,311,513

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2002

Fund Balances	Amount
Current Funds	
Unrestricted	\$ 1,279,905
Restricted	4,031,608
Total Liabilities and Fund Balances	\$ 5,311,513

(11) GASB's Statement 34/35.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement Number 34, titled *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35 titled, *Management's Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. Certain significant changes will be required upon implementation of this statement. The institution will implement the new reporting model as required by Statement 34 for the fiscal year beginning July 1, 2002.

The new reporting model will consist of the following significant changes:

- A. A "Management Discussion and Analysis" (MD&A), which will provide an analysis of the district's overall financial position and results of operations.
- B. Financial statements will be prepared and presented as a business-type activity using the economic resources measurement focus and the accrual basis of accounting.
- C. The financial statements will consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

(12) Change in Thresholds of Fixed Asset Reporting.

In preparation of the Governmental Accounting Standards Board's Statement 34 requirements, the thresholds for reporting general fixed assets have been modified. The following schedule details those modifications.

	Previous Threshold Amounts	Threshold Amounts at June 30, 2002
Land	\$ 0	0
Buildings	500	50,000
Improvements other than buildings	500	25,000
Furniture, machinery and equipment	500	5,000
Leased property under capital leases	500	*

(*) The threshold amount will correspond with the amounts for the asset classifications as listed above.

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, 2002

<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 PELL Grant Program	84.063		\$ 6,909,597
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		260,962
Federal Family Educational Loan Program (FFEL)	{ 1 } 84.032		1,413,635
Federal Work-study Program (FWS)	84.033		160,362
Pass-through program from:			
Board of Trustees of Institutions of Higher Learning - Leveraging Educational Assistance Partnership (LEAP)	84.069		3,846
Total U.S. Department of Education			<u>8,748,402</u>
Total Student Financial Aid			<u>8,748,402</u>
Other Programs:			
<u>U.S. Department of Education</u>			
Civic Grant - Domestic - We the People	84.929A		1,317
Civic Grant - International - Civitas	84.304A		480
Pass-through Programs From:			
State Department of Education - Adult Education - State Grant Program	84.002		265,413
State Department of Education - Vocational Education Basic Grant	84.048		450,278
State Department of Education - Tech-prep Education	84.243		125,776
Total U.S. Department of Education			<u>843,264</u>
<u>U.S. Department of Agriculture</u>			
Pass-through Program From:			
Mississippi Community College Foundation - Mississippi Rural Health Corp. Program - Cooperative Extension Service	10.500		19,600
Total U.S. Department of Agriculture			<u>19,600</u>
<u>Small Business Administration</u>			
Pass-through Program From:			
University of Mississippi - Small Business Development Center	59.037		81,013
Total Small Business Administration			<u>81,013</u>
<u>National Science Foundation</u>			
Education and Human Resources	47.076		634,573
Total National Science Foundation			<u>634,573</u>

JONES COUNTY JUNIOR COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2002

<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>Department of Labor</u>			
Trade Adjustment Assistance	17.245		25,116
Workforce Investment Act	17.267		95,182
Total Department of Labor			<u>120,298</u>
<u>Department of Defense</u>			
Pass-through Program From:			
University of Southern Mississippi - Next Generation			
Internet Grant & Meteorology Grant	12.300		66,854
Total Department of Defense			<u>66,854</u>
Total Other Programs			<u>1,765,602</u>
Total Expenditures of Federal Awards			\$ <u><u>10,514,004</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 exceptions:

- {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*

June 9, 2003

Dr. Ronald Whitehead, President and Board of Trustees
Jones County Junior College
Ellisville, MS 39437

We have audited the general purpose financial statements of Jones County Junior College as of and for the year ended June 30, 2002, and have issued our report thereon dated June 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the institution in a separate letter dated June 9, 2003, which is included in this report.

Internal Control Over Financial Reporting

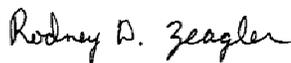
In planning and performing our audit, we considered the institution's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the institution's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 02-1.

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



RODNEY D. ZEAGLER, 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

June 9, 2003

Dr. Ronald Whitehead, President and Board of Trustees
Jones County Junior College
Ellisville, MS 39437

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, 2002. 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, 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, 2002.

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.

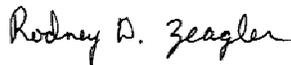
We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance 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 02-2.

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



RODNEY D. ZEAGLER, 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

June 9, 2003

Dr. Ronald Whitehead, President and Board of Trustees
Jones County Junior College
Ellisville, MS 39437

We have audited the general purpose financial statements of Jones County Junior College as of and for the year ended June 30, 2002, and have issued our report thereon dated June 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

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

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

Handwritten signature of Phil Bryant in cursive.

PHIL BRYANT
State Auditor

Handwritten signature of Rodney D. Zeagler in cursive.

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

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, 2002

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the general purpose financial statements: | Unqualified |
| 2. | Material noncompliance relating to the general purpose 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? | Yes |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Student financial aid cluster
CFDA #'s 84.063, 84.007, 84.032, 84.033 and 84.069 | |
| b. | Vocational education - basic grants to states
CFDA #84.048 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

JONES COUNTY JUNIOR COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

Section 2: Financial Statement Findings

Reportable Condition Not Considered to be a Material Weakness

02-1. Finding

The following internal control weaknesses were noted during our examination of fixed asset internal controls.

- A. Twelve fixed asset items could not be located.
- B. Four pieces of equipment were found in a location other than the location listed on the school's fixed asset subsidiary ledger.
- C. Two items were not capitalized for the proper amount.

Recommendation

Policies and procedures should be implemented to correct the above noted weaknesses. At a minimum the college should:

- A. Implement policies and procedures to help insure that all equipment is accounted for.
- B. Record transfers of equipment from one location to another in the subsidiary listing.
- C. Implement procedures to help insure that equipment is recorded in the subsidiary ledger at the proper amount.

Section 3: Federal Award Findings and Questioned Costs

Reportable Condition Not Considered to be a Material Weakness

02-2. Finding

Compliance requirement: Cash management

Program: Federal PELL Grant Program - CFDA #84.063; U.S. Department of Education

The institution did not comply with Title IV financial aid cash management requirements outlined in the *Federal Student Financial Aid Handbook* which requires that the institution can only hold federal money prior to disbursement for three business days.

Recommendation

The institution should implement policies and procedures that would help insure compliance with the federal cash management requirement. Funds drawn down from the U.S. Department of Education should not be held for more than three business days prior to disbursement to students.

JONES COUNTY JUNIOR COLLEGE

AUDITEE'S CORRECTIVE ACTION PLAN

JONES COUNTY JUNIOR COLLEGE

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September 26, 2003

ELLISVILLE, MISSISSIPPI 39437

The Honorable Phil Bryant
State of Mississippi
Office of the State Auditor
3750 I-55 North Frontage Road
Jackson, Mississippi 39211

Subject: Conditions and recommendations for audit, for the year ended June 30, 2002

Dear Mr. Bryant:

As required by Section ____315(b) of OMB Circular 1-133, Jones County Junior College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2002:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
02-1	<ul style="list-style-type: none">a. Candice S. Smith, Accountant, (601) 477-4011b. The institution's fixed assets policy has been re-engineered to utilize the functionality of the new PeopleSoft ERP asset management module. New reporting will improve communication between division chairs and the inventory clerk regarding current location of equipment. Additionally, inventory transfer forms have been made available on the campus website in an effort to encourage timely reporting and recording of transfers. Equipment capitalization amounts are determined at the time of requisition for purchase and verified by the accountant. PeopleSoft passes that information on to asset management.c. New equipment listings for divisions are scheduled for distribution in October 2003. Equipment transfer forms were placed on the website in fall 2002. PeopleSoft purchasing/asset management modules were placed in production in June 2002.
02-2	<ul style="list-style-type: none">a. Candice S. Smith, Accountant, (601) 477-4011b. In order to comply with federal cash management requirements, funds will be drawn no more than three days prior to disbursement on student accounts.c. Fall 2002

Sincerely,

D.L. "Rick" Youngblood, CPA
Dean of Business Affairs

DLY/cs