



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

JONES COUNTY JUNIOR COLLEGE

Ellisville, Mississippi

Audited Financial Statements

Years Ended June 30, 2008 and 2007

JONES COUNTY JUNIOR COLLEGE

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
AUDITED FINANCIAL STATEMENTS	15
Statements of Net Assets	17
Statements of Revenues, Expenses and Changes in Net Assets	19
Statements of Cash Flows.....	21
Notes to Financial Statements.....	24
SUPPLEMENTARY INFORMATION	40
Schedule of Expenditures of Federal Awards.....	42
REPORTS ON COMPLIANCE AND INTERNAL CONTROL.....	45
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	47
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	49
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	51
Independent Auditor's Report on Compliance with State Laws and Regulations	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	54

JONES COUNTY JUNIOR COLLEGE

FINANCIAL AUDIT REPORT

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the accompanying financial statements of Jones County Junior College (the "College") as of and for the year ended June 30, 2008. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Jones County Junior College as of June 30, 2007, were audited by other auditors whose report dated May 21, 2008 expressed an unqualified opinion on those statements. We did not audit the financial statements of the discretely presented component unit, Jones County Junior College Foundation, which represents 11 percent, 12 percent and 5 percent, respectively, of the assets, net assets, and revenues of the basic financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion in so far as it relates to the amounts included for the Jones County Junior College Foundation, is based on the report of the other auditors.

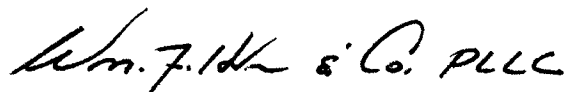
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Jones County Junior College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the entities, as of June 30, 2008 and 2007, and the respective changes in their financial position and their cash flows for the years 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 18, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 5 through 14, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Wm. F. Ith & Co. PLLC". The signature is written in a cursive, flowing style.

Laurel, Mississippi
June 18, 2009

JONES COUNTY JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

This section of the Jones County Junior College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal years ended June 30, 2008 and 2007. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management. Financial information for the component unit is reported separately from the financial information presented for Jones County Junior College. Complete financial statements for the component unit are available from the Business Department at the College upon request.

Using this Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities.

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Reporting the College's Financial Activities

Statements of Net Assets

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

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

Condensed Statements of Net Assets

	2008	2007
Assets		
Current assets (net)	\$ 11,903,999	\$ 14,826,919
Non-current assets		
Capital, net	47,035,062	46,874,485
Other	7,969,849	6,938,091
Total assets	<u>\$ 66,908,910</u>	<u>\$ 68,639,495</u>
Liabilities		
Current liabilities	4,544,782	4,018,248
Non-current liabilities	167,878	215,844
Total liabilities	<u>\$ 4,712,660</u>	<u>\$ 4,234,092</u>
Net assets		
Invested in capital assets, net	\$ 46,819,219	\$ 46,610,676
Restricted		
Non-expendable	-	509,256
Expendable	8,434,642	7,175,811
Unrestricted	6,942,389	10,109,660
Total net assets	<u>\$ 62,196,250</u>	<u>\$ 64,405,403</u>

The current asset position at June 30, 2008 is \$11,903,999. This represents primarily cash, accounts receivable and investments. Total Accounts Receivable of \$4,779,940 is reported net of Allowance for Doubtful Accounts of \$792,212.

The largest portion of the College's net assets (75 percent) is in the category of "Invested in capital assets" (land, buildings and equipment), less the related debt. The restricted portion of the net assets represents resources subject to external restrictions. Restricted non-expendable net assets consist of endowment gifts with specific restrictions on spending the principal given. Restricted expendable net assets consist of gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, plant funds restricted for capital projects and loan funds.

The following is a breakdown of the restricted net assets:

	2008	2007
Non-expendable endowment funds	\$ -	\$ 509,256
Scholarships	280,870	120,621
Capital projects	7,805,143	6,546,596
Loan funds	19,287	19,198
Other	329,342	489,396
Total restricted net assets	<u>\$ 8,434,642</u>	<u>\$ 7,685,067</u>

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

The remaining net assets are unrestricted and may be used to meet the College's operating obligations as they become due.

Statements of Revenues, Expenses and Changes in Net Assets

The statements of revenues, expenses and changes in net assets present the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies State appropriations and gifts as non-operating revenues. The College's dependency on State aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

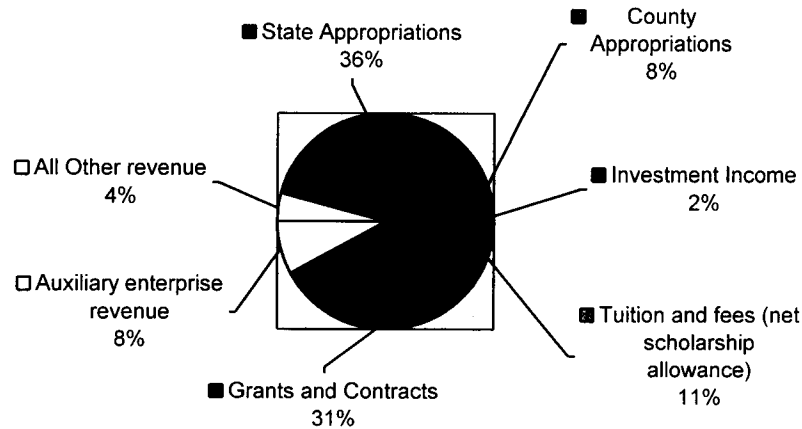
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	June 30		Percent Change
	2008	2007	
Operating revenues			
Tuition and fees (net)	\$ 4,776,612	\$ 3,497,964	36.55 %
Grants and contracts	13,389,101	16,257,158	(17.64)
Sales and service	122,737	136,480	(10.07)
Auxiliary enterprises	3,494,571	3,144,740	11.12
Other operating revenues	540,526	538,927	00.30
Total operating revenues	22,323,547	23,575,269	(5.31)
Operating expenses	45,597,328	42,199,535	8.05
Operating loss	(23,273,781)	(18,624,266)	24.96
Non-operating revenues			
State appropriations	15,580,363	14,081,575	10.64
County appropriations	2,074,378	1,979,732	4.78
Gifts	23,484	35,704	(34.23)
Investment income, net	674,197	876,250	(23.06)
Other non-operating revenues	1,107,818	27,638	3,809.31
Net non-operating revenues	19,460,240	17,000,899	14.47
Loss before other revenues	(3,813,541)	(1,623,367)	134.92
Capital appropriations	1,604,388	1,958,700	(18.09)
Change in net assets	(2,209,153)	335,333	
Net assets at beginning of year	64,405,403	64,070,070	
Net assets at end of year	\$ 62,196,250	\$ 64,405,403	

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

Total Revenue by Source

2008



In fiscal year 2008, operating revenues totaled \$22.3 million and non-operating revenues totaled \$19.4 million. The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues. The College's largest source of non-operating revenue is the State of Mississippi appropriation and state capital aid for the purchase, construction, renovation, and repair of capital assets.

Total operating loss for the fiscal year 2008 was \$23,273,781. Because the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

Observations regarding the changes in operating and non-operating revenues follow.

Operating Revenues

- **Tuition and fees (net)** reflect an increase in 2008 of \$1,278,648. This is a result of decreased tuition discounting. Tuition discounting is calculated from student financial aid awards and related student refunds. Financial Aid in fiscal year 2007 was elevated by aid related to Hurricane Katrina relief.
- **Grants and contracts revenue** decreased in 2008 by \$2,868,057 due to elevated federal student aid grants in 2007 related to Hurricane Katrina relief.

Grants and contracts revenue includes all federal and state restricted revenues made available by government agencies, as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when eligibility criteria have been met.

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2008 and 2007:

	2008	2007
Federal sources		
Department of Education	\$ 8,460,113	\$ 11,620,596
Department of Agriculture	40,325	101,185
Department of Labor	979,324	695,048
National Science Foundation	65,972	31,569
Department of Health	1,821	8,179
NASA	69,885	58,608
Department of Defense	-	50,135
Small Business Administration	65,450	65,172
Department of Homeland Security	3,279	1,813
Total federal sources	<u>9,686,169</u>	<u>12,632,305</u>
State sources		
Mississippi Department of Education	412,594	396,732
State Board of Community and Junior Colleges	3,180,435	2,918,604
Mississippi Small Business Development	-	7,800
Total state sources	<u>3,593,029</u>	<u>3,323,136</u>
Other sources	<u>109,903</u>	<u>301,717</u>
Total sources	<u>\$ 13,389,101</u>	<u>\$ 16,287,158</u>

- **Auxiliary enterprises revenue**, net of fee discount, consists of enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. Auxiliary enterprises include the following:

	2008	
	Fee Discount	Result of Operations, Net
Bookstore	\$ 727,713	\$ 2,434,934
Food services	506,076	660,123
Housing	305,502	399,514
Total	<u>\$ 1,539,291</u>	<u>\$ 3,494,571</u>

JONES COUNTY JUNIOR COLLEGE**Management's Discussion and Analysis**

June 30, 2008 and 2007

	2007	
	Fee Discount	Result of Operations, Net
Bookstore	\$ 934,084	\$ 2,074,739
Food services	480,500	665,497
Housing	299,620	404,504
Total	\$ 1,714,204	\$ 3,144,740

Auxiliary revenue increased in fiscal year 2008 by \$349,831. This is a result of decreased tuition discounting. Tuition discounting is calculated from student financial aid awards and related student refunds. Financial Aid in fiscal year 2007 was elevated by aid related to Hurricane Katrina relief.

Auxiliary revenue increased in fiscal year 2007 by \$824,313, attributable to a reduction in fee discounting. Fee discounting is calculated from student financial aid awards and related student refunds. Refunds to students rose sharply in fiscal year 2007 due to Hurricane Katrina refunds processed in July and August 2006.

Non-Operating Revenues

Other non-operating revenue in 2008 reflects insurance proceeds from storm damage to buildings and facilities.

Operating Expenses

Operating expenses, including depreciation of \$1,949,394, totaled \$45,597,328. Of this total \$18,985,648 or 42 percent was for instruction.

	2008	2007	Percent Change
Expenses by object			
Salaries and wages	\$ 19,575,095	\$ 17,835,887	9.75 %
Fringe benefits	5,586,590	5,010,304	11.50
Travel	922,219	575,913	60.13
Contractual services	4,567,747	3,728,779	22.50
Utilities	1,443,050	1,288,370	12.01
Scholarships and fellowships	4,586,450	6,171,443	(25.68)
Commodities	5,549,380	4,688,861	18.35
Depreciation expense	1,949,394	1,822,232	6.98
Other operating expense	1,417,403	1,077,746	31.52
Total	\$ 45,597,328	\$ 42,199,535	

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

	2008	2007
Expenses by function		
Instruction	\$ 18,985,648	\$ 17,292,280
Academic support	1,003,452	1,142,422
Student services	3,925,128	3,576,363
Institutional support	5,700,035	4,179,187
Operations and maintenance of plant	4,111,587	3,692,881
Student financial aid	4,515,593	6,152,407
Auxiliary enterprises	4,897,153	4,335,163
Depreciation	1,949,394	1,822,232
Endowment operations	509,338	6,600
Total operating expenses by function	<u>\$ 45,597,328</u>	<u>\$ 42,199,535</u>

Expenditures in 2008 increased from 2007 by \$3,397,793. Of that amount, \$2.3 million can be seen in Salaries, Wages and Benefits. College employees received a minimum 5% pay increase in 2008. Increases in other operating costs, including utility costs and insurance premiums also contributed to the increase in 2008.

Statement of Cash Flows

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

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

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

Condensed Statement of Cash Flows (Direct Method)

Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Cash and cash equivalents provided by (used by)		
Operating activities	\$ (22,708,163)	\$ (14,627,929)
Non-capital financing activities	18,733,776	16,226,062
Capital and related financing activities	(272,978)	(384,999)
Investing activities	2,531,387	805,328
Net increase (decrease) in cash and cash equivalents	(1,715,978)	2,018,462
Cash and cash equivalents, beginning of year	9,067,094	7,048,632
Cash and cash equivalents, end of year	<u>\$ 7,351,116</u>	<u>\$ 9,067,094</u>

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2008 and 2007

The major sources of funds included in operating activities include student tuition and fees, \$3,884,593; auxiliary enterprises, \$3,341,107; and grants and contracts, \$12,112,168. The major uses of funds were payments made to employees, \$12,933,771; to suppliers, \$23,823,439; and to students, \$4,586,450.

The largest inflow of cash in the non-capital financing activities group is the state appropriation of \$15,502,336 and county appropriation of \$2,095,876.

Significant Capital Asset Transactions

In fiscal year 2008, the fine arts auditorium renovation was completed. This project modernized sound and lighting. Total cost of the project was \$361,000. Renovations began in the D.O. Thoms, Sr., Physical Education Building. This project will create the Bobcat Fitness Center. Completion is expected in 2009 with a total cost of \$400,000.

In fiscal year 2007, the Advanced Technology Center was completed with total construction costs of \$9,172,559. The project was funded by state bonds. The College also completed Hurricane Katrina repair projects. Those totaled \$1,110,535 and were added to the value of buildings. Renovations began on the M. P. Bush Fine Arts Building.

Factors Impacting Future Periods

State appropriations contribute approximately 37 percent of total revenue (excluding capital appropriations). The level of State support is, therefore, one of the key factors influencing the College's financial condition. The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including future increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

JONES COUNTY JUNIOR COLLEGE

AUDITED FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,133,014	\$ 896,669	\$ 5,029,683	\$ 8,480,548	\$ 233,454	\$ 8,714,002
Short-term investments	2,067,137	-	2,067,137	2,259,902	-	2,259,902
Accounts receivable, net of allowances of \$792,212 in 2008 and \$610,572 in 2007	4,779,940	827,351	5,607,291	3,179,418	274,063	3,453,481
Inventories	763,926	-	763,926	720,392	-	720,392
Prepaid expenses	159,982	-	159,982	186,659	-	186,659
Total current assets	11,903,999	1,724,020	13,628,019	14,826,919	507,517	15,334,436
Noncurrent assets						
Restricted cash and cash equivalents	3,218,102	-	3,218,102	586,546	-	586,546
Restricted investments	4,741,227	-	4,741,227	5,830,356	-	5,830,356
Endowment investments	-	6,505,269	6,505,269	510,669	6,129,095	6,639,764
Student notes receivable, net	10,520	-	10,520	10,520	-	10,520
Capital assets, net of accumulated depreciation	47,035,062	201,999	47,237,061	46,874,485	201,999	47,076,484
Total noncurrent assets	55,004,911	6,707,268	61,712,179	53,812,576	6,331,094	60,143,670
Total assets	\$ 66,908,910	\$ 8,431,288	\$ 75,340,198	\$ 68,639,495	\$ 6,838,611	\$ 75,478,106

[illegible]

JONES COUNTY JUNIOR COLLEGE
Statements of Net Assets
June 30, 2008 and 2007

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
NET ASSETS						
Invested in capital assets, net of related debt	\$ 46,819,219	\$ -	\$ 46,819,219	\$ 46,610,676	\$ -	\$ 46,610,676
Restricted for						
Nonexpendable						
Scholarships and fellowships	-	4,279,420	4,279,420	509,256	3,934,042	4,443,298
Expendable						
Scholarships and fellowships	280,870	-	280,870	120,621	-	120,621
Capital projects	7,805,143	-	7,805,143	6,546,596	-	6,546,596
Loans	19,287	-	19,287	19,198	-	19,198
Other purposes	329,342	-	329,342	489,396	-	489,396
Temporarily restricted	-	2,125,652	2,125,652	-	1,663,162	1,663,162
Unrestricted	6,942,389	2,026,216	8,968,605	10,109,660	1,234,685	11,344,345
Total net assets	62,196,250	8,431,288	70,627,538	64,405,403	6,831,889	71,237,292
Total liabilities and net assets	\$ 66,908,910	\$ 8,431,288	\$ 75,340,198	\$ 68,639,495	\$ 6,838,611	\$ 75,478,106

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Operating revenues						
Tuition and fees, net of scholarship allowances of \$4,055,727 in 2008 and \$4,975,198 in 2007	\$ 4,776,612	\$ -	\$ 4,776,612	\$ 3,497,964	\$ -	\$ 3,497,964
Federal grants and contracts	9,686,169	-	9,686,169	12,632,305	-	12,632,305
State grants and contracts	3,593,029	-	3,593,029	3,323,136	-	3,323,136
Nongovernmental grants and contracts	109,903	-	109,903	301,717	-	301,717
Sales and services of educational departments	122,737	-	122,737	136,480	-	136,480
Auxiliary enterprises						
Student housing, net of scholarship allowances of \$305,502 in 2008 and \$299,620 in 2007	399,514	-	399,514	404,504	-	404,504
Food services, net of scholarship allowances of \$506,076 in 2008 and \$480,500 in 2007	660,123	-	660,123	665,497	-	665,497
Bookstore, net of scholarship allowances of \$727,713 in 2008 and \$934,084 in 2007	2,434,934	-	2,434,934	2,074,739	-	2,074,739
Contributions	-	2,554,547	2,554,547	-	701,618	701,618
Net unrealized and realized gains on long-term investments	-	(621,927)	(621,927)	-	345,215	345,215
Investment income	-	470,375	470,375	-	431,300	431,300
Other operating revenues	540,526	-	540,526	538,927	-	538,927
Total operating revenues	22,323,547	2,402,995	24,726,542	23,575,269	1,478,133	25,053,402
Operating expenses						
Salaries and wages	19,575,095	122,303	19,697,398	17,835,887	89,734	17,925,621
Fringe benefits	5,586,590	-	5,586,590	5,010,304	-	5,010,304
Travel	922,219	-	922,219	575,913	-	575,913
Contractual services	4,567,747	-	4,567,747	3,728,779	-	3,728,779
Utilities	1,443,050	57,792	1,500,842	1,288,370	29,749	1,318,119
Scholarships and fellowships	4,586,450	229,900	4,816,350	6,171,443	451,094	6,622,537
Commodities	5,549,380	-	5,549,380	4,688,861	-	4,688,861
Supplies, expenses and other distributions	-	251,792	251,792	-	121,107	121,107
Depreciation expense	1,949,394	-	1,949,394	1,822,232	-	1,822,232
Other operating expense	1,417,403	141,809	1,559,212	1,077,746	275,493	1,353,239
Total operating expenses	45,597,328	803,596	46,400,924	42,199,535	967,177	43,166,712
Net operating revenues (expenses)	(23,273,781)	1,599,399	(21,674,382)	(18,624,266)	510,956	(18,113,310)

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Nonoperating revenues (expenses)						
State appropriations	\$ 15,580,363	\$ -	\$ 15,580,363	\$ 14,081,575	\$ -	\$ 14,081,575
Local appropriations	2,074,378	-	2,074,378	1,979,732	-	1,979,732
Gifts	23,484	-	23,484	35,704	-	35,704
Investment income	674,197	-	674,197	876,250	-	876,250
Other nonoperating revenues (expenses)	1,107,818	-	1,107,818	27,638	-	27,638
Total nonoperating revenues	19,460,240	-	19,460,240	17,000,899	-	17,000,899
Income (loss) before appropriations restricted for capital purposes	(3,813,541)	1,599,399	(2,214,142)	(1,623,367)	510,956	(1,112,411)
Other revenues						
State appropriation restricted for capital purposes	204,605	-	204,605	508,263	-	508,263
Local appropriations restricted for capital purposes	1,399,783	-	1,399,783	1,387,750	-	1,387,750
Capital gifts	-	-	-	75,000	-	75,000
Other additions (deletions)	-	-	-	(12,313)	-	(12,313)
Total other revenues	1,604,388	-	1,604,388	1,958,700	-	1,958,700
Change in net assets	(2,209,153)	1,599,399	(609,754)	335,333	510,956	846,289
Net assets, beginning of year	64,405,403	6,831,889	71,237,292	64,070,070	6,320,933	70,391,003
Net assets, end of year	\$ 62,196,250	\$ 8,431,288	\$ 70,627,538	\$ 64,405,403	\$ 6,831,889	\$ 71,237,292

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Cash flows from operating activities						
Tuition and fees	\$ 3,884,593	\$ -	\$ 3,884,593	\$ 1,980,935	\$ -	\$ 1,980,935
Grants and contracts	12,112,168	-	12,112,168	18,881,066	-	18,881,066
Contributions	-	2,346,715	2,346,715	-	714,960	714,960
Investment income	-	470,375	470,375	-	431,300	431,300
Sales and services of educational departments	136,321	-	136,321	118,735	-	118,735
Loss on disposal of assets	-	-	-	-	7,471	7,471
Payments to suppliers	(23,823,439)	(407,058)	(24,230,497)	(20,292,603)	(418,977)	(20,711,580)
Payments to employees for salaries and benefits	(12,933,771)	(122,303)	(13,056,074)	(11,590,438)	(89,731)	(11,680,169)
Payments for utilities	(1,429,732)	(57,792)	(1,487,524)	(1,284,945)	(29,749)	(1,314,694)
Payments for scholarships and fellowships	(4,586,450)	(229,900)	(4,816,350)	(6,171,443)	(451,094)	(6,622,537)
Auxiliary enterprise charges						
Student housing	350,763	-	350,763	359,783	-	359,783
Food services	585,302	-	585,302	603,962	-	603,962
Bookstore	2,405,042	-	2,405,042	2,061,664	-	2,061,664
Other receipts	591,040	-	591,040	705,355	-	705,355
Net cash provided by (used by) operating activities	(22,708,163)	2,000,037	(20,708,126)	(14,627,929)	164,180	(14,463,749)
Cash flows from noncapital financing activities						
State appropriations	15,502,336	-	15,502,336	14,178,655	-	14,178,655
Local appropriations	2,095,876	-	2,095,876	1,987,603	-	1,987,603
Gifts and grants for other than capital purposes	18,384	-	18,384	39,122	-	39,122
Private gifts for endowment purposes	-	-	-	82	-	82
Change in contributions restricted for investments in long-term investments	-	(345,456)	(345,456)	-	161,680	161,680
Other sources	1,117,180	-	1,117,180	20,600	-	20,600
Net cash provided by (used by) noncapital financing activities	18,733,776	(345,456)	18,388,320	16,226,062	161,680	16,387,742

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Cash flows from capital and related financing activities						
Cash paid for capital assets	\$ (1,624,795)	\$ -	\$ (1,624,795)	\$ (1,734,059)	\$ -	\$ (1,734,059)
Capital appropriations received	1,399,783	-	1,399,783	1,397,026	-	1,397,026
Principal paid on capital debt and leases	(47,966)	-	(47,966)	(47,966)	-	(47,966)
Net cash used by capital and related financing activities	(272,978)	-	(272,978)	(384,999)	-	(384,999)
Cash flows from investing activities						
Proceeds from sales and maturities of investments	3,807,247	1,347,427	5,154,674	7,550,000	1,637,248	9,187,248
Interest received on investments	724,140	-	724,140	805,328	-	805,328
Purchases of investments	(2,000,000)	(2,338,793)	(4,338,793)	(7,550,000)	(1,865,262)	(9,415,262)
Net cash provided by (used by) investing activities	2,531,387	(991,366)	1,540,021	805,328	(228,014)	577,314
Net increase (decrease) in cash and cash equivalents	(1,715,978)	663,215	(1,052,763)	2,018,462	97,846	2,116,308
Cash and cash equivalents, beginning of year	9,067,094	233,454	9,300,548	7,048,632	135,608	7,184,240
Cash and cash equivalents, end of year	\$ 7,351,116	\$ 896,669	\$ 8,247,785	\$ 9,067,094	\$ 233,454	\$ 9,300,548
Reconciliation of cash and cash equivalents to the statements of net assets						
Cash and cash equivalents classifies as current assets	\$ 4,133,014	\$ 896,669	\$ 5,029,683	\$ 8,480,548	\$ 233,454	\$ 8,714,002
Cash and cash equivalents classifies as noncurrent assets	3,218,102	-	3,218,102	586,546	-	586,546
	\$ 7,351,116	\$ 896,669	\$ 8,247,785	\$ 9,067,094	\$ 233,454	\$ 9,300,548

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008			2007		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities						
Operating income (loss)	\$ (23,273,781)	\$ 1,599,399	\$ (21,674,382)	\$ (18,624,266)	\$ 510,956	\$ (18,113,310)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities						
Bad debt expense	462,212	-	462,212	604,694	-	604,694
Depreciation expense	1,949,394	-	1,949,394	1,822,232	-	1,822,232
Net unrealized and realized gains on long-term investments	-	621,927	621,927	-	(345,215)	(345,215)
Changes in assets and liabilities						
(Increase) decrease in assets	(2,075,093)	(207,832)	(2,282,925)	1,007,429	13,342	1,020,771
Receivables, net	-	(6,735)	(6,735)	-	(9,349)	(9,349)
(Increase) in cash surrender value of life insurance policies and other gains	(43,534)	-	(43,534)	(169,191)	-	(169,191)
Inventories	26,677	-	26,677	(36,969)	-	(36,969)
Prepaid expenses	-	-	-	-	7,471	7,471
Loss on disposal of asset	-	-	-	-	-	-
Increase (decrease) in liabilities						
Accounts payable and accrued liabilities	216,826	(6,722)	210,104	740,212	(13,025)	727,187
Deferred revenues	(11,556)	-	(11,556)	(27,226)	-	(27,226)
Deposits refundable	4,525	-	4,525	12,900	-	12,900
Accrued leave liability	23,647	-	23,647	24,684	-	24,684
Other liabilities	12,520	-	12,520	17,572	-	17,572
Total adjustments	565,618	400,638	966,256	3,996,337	(346,776)	3,649,561
Net cash provided by (used by) operating activities	\$ (22,708,163)	\$ 2,000,037	\$ (20,708,126)	\$ (14,627,929)	\$ 164,180	\$ (14,463,749)

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2008 and 2007

(1) Reporting Entity and Summary of Significant Accounting Policies.

- A. Reporting Entity - Jones County Junior College (the "College") was founded in 1911 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of the College is found in Section 37-29-31, Miss. Code Ann. (1972).

The College is governed by a 21 member board of trustees, selected by the boards of supervisors of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, the College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

- B. Component Units - Jones County Junior College Foundation, Inc. (the "Foundation") is an independent corporation formed for the purpose of receiving funds for the sole benefit of the College. The Foundation is separately audited, and the financial statements of the Foundation have been included in the presentation of the financial statements of the College. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires the Foundation's financial statements to be included in the financial statements of the College as a discretely presented component unit.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Statement of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The separately issued audited financial statements are available through the Business Department at the College.

- C. Basis of Presentation - The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2008 and 2007

- D. Basis of Accounting - The basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College applies the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB") issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. FASB statements issued subsequent to November 30, 1989 are not applicable.

- E. Cash Equivalents - For purposes of the statement of cash flows, the College considers all highly liquid investments (restricted and nonrestricted) with an original maturity of three months or less to be cash equivalents.
- F. Short-Term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments. Investments are carried at fair value based on quoted market rates, and unrealized gains and losses are reported in the statement of revenues, expenses and changes in net assets.
- G. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts, which is based on historical losses and an analysis of currently outstanding amounts. Accounts without activity for more than one year are charged to the allowance for doubtful accounts.
- H. Inventories - Inventories consist of bookstore, physical plant and printing supplies. These inventories are valued at the lower of cost or market, on the first-in, first-out ("FIFO") basis.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the statement of net assets.
- J. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. They consist of true endowment funds, which are funds received from a donor with the restrictions that only the income is to be utilized.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2008 and 2007

- K. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net assets.
- L. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than those that do not significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. See Note 5 for additional details concerning useful lives, salvage values and capitalization thresholds.
- M. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- N. Compensated Absences - 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; and 5.00 hours for employees scheduled for 6.00 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 ten days of accumulated annual leave.
- O. Classification of Revenues and Expenses - The College has classified its revenues and expenses as either operating or nonoperating revenues and expenses according to the following criteria:

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2008 and 2007

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans. Gifts (pledges) that are received on an installment basis are recorded at net present value.

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

- P. State Appropriations - The College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula is being phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- Q. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loan funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2008 and 2007

- R. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs. Unrestricted net assets consist of all other net assets that do not meet any of the previous criteria.
- S. Impairment of Capital Assets - GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* was adopted by the College. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.
- T. Reclassifications - Certain reclassifications were made to the financial statement amounts from the prior year in order to facilitate comparability.

(2) Cash and Investments.

Policies:

- A. Cash, Cash Equivalents and Short-Term Investments - Investment policies as set forth by policy and state statute authorize the College to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

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

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2008 and 2007

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

The statutes of the State of Mississippi restrict the authorized investments of the College to obligations of the U.S. Treasury, agencies and instrumentalities of the United States, and certain other types of investments.

The College's short-term, restricted and endowment investments consisted of the following at June 30:

	Fair Value	
	2008	2007
Certificate of deposit	\$ 6,806,537	\$ 8,598,299
Fixed income funds	1,827	2,628
Total	<u>\$ 6,808,364</u>	<u>\$ 8,600,927</u>

The Foundation's endowment investments consisted of the following at June 30:

	Fair Value	
	2008	2007
Certificates of deposit	\$ 866,249	\$ 154,465
Pooled investments and mutual funds	5,467,323	5,809,668
Cash value of life insurance policies	171,697	164,962
Total	<u>\$ 6,505,269</u>	<u>\$ 6,129,095</u>

The following table summarizes the carrying values of the restricted and endowment investments reported on the statement of net assets as of June 30, 2008:

	Jones County Junior College	Jones County Junior College Foundation
Investments restricted for capital expansion	\$ 4,741,227	\$ -
Endowment investments	-	6,505,269
Total	<u>\$ 4,741,227</u>	<u>\$ 6,505,269</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2008 and 2007

The following table summarizes the carrying values of the long-term investments reported on the statement of net assets as of June 30, 2007:

	Jones County Junior College	Jones County Junior College Foundation
Investments restricted for capital expansion	\$ 5,830,356	\$ -
Endowment investments	510,669	6,129,095
Total	<u>\$ 6,341,025</u>	<u>\$ 6,129,095</u>

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The carrying amounts of deposits and investments were included in the College's balance sheet as follows for the College at June 30:

	2008	2007
Cash and cash equivalents	\$ 4,133,014	\$ 8,480,548
Short-term investments	2,067,137	2,259,902
Total current cash and cash investments	<u>6,200,151</u>	<u>10,740,450</u>
Restricted cash and cash equivalents	3,218,102	586,546
Restricted investments	4,741,227	5,830,356
Endowment investments	-	510,669
Total noncurrent cash and cash investments	<u>7,959,329</u>	<u>6,927,571</u>
Total	<u>\$ 14,159,480</u>	<u>\$ 17,668,021</u>

The carrying amounts of deposits and investments were included in the Foundation's balance sheet as follows for the Foundation at June 30:

	2008	2007
Cash and cash equivalents	\$ 896,669	\$ 233,454
Endowment investments	6,505,269	6,129,095
Total	<u>\$ 7,401,938</u>	<u>\$ 6,362,549</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2008 and 2007

As of June 30, 2008 and 2007, the Foundation maintained \$5,467,323 and \$5,809,668, respectively, in pooled investments and mutual funds. Although these funds reduce risk through diversification of investment holdings and are held with reputable brokers, they are exposed to market risk. Additionally, these investments were not covered under FDIC or the Securities Investor Protection Corporation ("SIPC") subjecting the Foundation to the risk of uninsured loss.

Interest Rate Risk. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The College does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, the College did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the College had the following investments:

Issuer	Fair Value	Percent of Total Investments
Community Bank, Certificate of Deposit	\$ 2,012,629	29.56%
The First, Certificate of Deposit	2,606,275	38.28%
BancorpSouth, Certificate of Deposit	1,077,678	15.83%
Magnolia State Bank, Certificate of Deposit	1,057,275	15.53%
Trustmark National Bank	54,507	.80%
	<u>\$ 6,808,364</u>	

JONES COUNTY JUNIOR COLLEGENotes to Financial Statements
Years Ended June 30, 2008 and 2007**(3) Accounts Receivable.**

Accounts receivable of the College consisted of the following at June 30, 2008 and 2007:

	2008	2007
Student tuition	\$ 2,231,878	\$ 1,588,925
Auxiliary enterprises and other operating activities	4,154	1,970
Federal, state, and private grants and contracts	2,795,573	1,221,218
State appropriations	320,376	579,966
Local appropriations	111,086	138,429
Accrued interest	4,485	69,169
Other	104,600	190,313
Total accounts receivable	5,572,152	3,789,990
Less allowance for doubtful accounts	(792,212)	(610,572)
Net accounts receivable	<u>\$ 4,779,940</u>	<u>\$ 3,179,418</u>

The Foundation had pledges receivable of \$827,351 and \$274,063 at June 30, 2008 and 2007, respectively, included in accounts receivable.

(4) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the 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, 2008:

	Interest Rates	Total	Current Portion	Non-Current Portion
Perkins student loans	3% to 5%	\$ 3,527	\$ 3,527	\$ -
Nursing student loans	3% to 6%	7,600	7,600	-
Institutional loans	0%	13,661	1,190	12,471
Total notes receivable		24,788	12,317	12,471
Less allowance for doubtful accounts		14,268	12,317	1,951
Net notes receivable		<u>\$ 10,520</u>	<u>\$ -</u>	<u>\$ 10,520</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the 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, 2007:

	Interest Rates	Total	Current Portion	Non-Current Portion
Perkins student loans	3% to 5%	\$ 3,527	\$ 3,527	\$ -
Nursing student loans	3% to 6%	7,600	7,600	-
Institutional loans	0%	13,661	1,190	12,471
Total notes receivable		24,788	12,317	12,471
Less allowance for doubtful accounts		14,268	12,317	1,951
Net notes receivable		\$ 10,520	\$ -	\$ 10,520

(5) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2008 is presented as follows:

	Jones County Junior College				Jones County Junior College Foundation			
	Beginning Balance	Additions	Deletions	Ending Balance	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets								
Land	\$ 363,655	\$ 26,000	\$ -	\$ 389,655	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	523,366	896,036	(563,018)	856,384	-	-	-	-
Total nondepreciable capital assets	887,021	922,036	(563,018)	1,246,039	201,999	-	-	201,999
Depreciable capital assets								
Buildings	56,814,063	754,800	-	57,568,863	-	-	-	-
Improvements other than buildings	5,797,966	226,577	-	6,024,543	-	-	-	-
Equipment	5,056,155	717,735	-	5,773,890	-	-	-	-
Library books	1,823,324	51,841	(52,751)	1,822,414	-	-	-	-
Total depreciable capital assets	69,491,508	1,750,953	(52,751)	71,189,710	-	-	-	-
Less accumulated depreciation for								
Buildings	15,751,759	1,322,714	-	17,074,473	-	-	-	-
Improvements other than buildings	1,844,146	234,393	-	2,078,539	-	-	-	-
Equipment	4,327,234	328,891	-	4,656,125	-	-	-	-
Library books	1,580,905	63,396	(52,751)	1,591,550	-	-	-	-
Total accumulated depreciation	23,504,044	1,949,394	(52,751)	25,400,687	-	-	-	-
Total depreciable capital assets, net	45,987,464	(198,441)	-	45,789,023	-	-	-	-
Capital assets, net	\$46,874,485	\$ 723,595	\$(563,018)	\$47,035,062	\$ 201,999	\$ -	\$ -	\$ 201,999

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2008 and 2007

Additions to Buildings and CIP include expenditures paid by Mississippi Department of Finance and Administration, Office of Buildings, Grounds and Real Property Management. Those additions represent no cash flow activity at the college. Construction costs are paid at the state level and reported on the College's statements as State Appropriations restricted for capital purposes ("SRECNA") and in this note as additions.

A summary of changes in capital assets for the year ended June 30, 2007 is presented as follows:

	Jones County Junior College				Jones County Junior College Foundation			
	Beginning Balance	Additions	Deletions	Ending Balance	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets								
Land	\$ 328,595	\$ 86,942	\$ (51,882)	\$ 363,655	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	9,506,348	1,300,112	(10,283,094)	523,366	-	-	-	-
Total nondepreciable capital assets	9,834,943	1,387,054	(10,334,976)	887,021	201,999	-	-	201,999
Depreciable capital assets								
Buildings	46,219,974	10,594,089	-	56,814,063	-	-	-	-
Improvements other than buildings	5,797,966	-	-	5,797,966	-	-	-	-
Equipment	5,147,704	143,595	(235,144)	5,056,155	152,886	-	(152,886)	-
Library books	1,793,114	60,520	(30,310)	1,823,324	-	-	-	-
Total depreciable capital assets	58,958,758	10,798,204	(265,454)	69,491,508	152,886	-	(152,886)	-
Less accumulated depreciation for								
Buildings	14,462,077	1,289,682	-	15,751,759	-	-	-	-
Improvements other than buildings	1,618,816	225,330	-	1,844,146	-	-	-	-
Equipment	4,306,959	243,106	(222,831)	4,327,234	152,886	-	(152,886)	-
Library books	1,547,101	64,114	(30,310)	1,580,905	-	-	-	-
Total accumulated depreciation	21,934,953	1,822,232	(253,141)	23,504,044	152,886	-	(152,886)	-
Total depreciable capital assets, net	37,023,805	8,975,972	(12,313)	45,987,464	-	-	-	-
Capital assets, net	\$46,858,748	\$10,363,026	\$(10,347,289)	\$46,874,485	\$ 201,999	\$ -	\$ -	\$ 201,999

The following useful lives, salvage values and capitalization thresholds are used to determine which assets to capitalize and to compute depreciation:

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

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2008 and 2007

(6) Long-Term Liabilities.

Long-term liabilities of the College consisted of notes payable and certain other liabilities that are expected to be liquidated after one year from June 30, 2008.

Information regarding original issue amounts, interest rates and maturity dates for notes payable in the long-term liabilities balance at June 30, 2008, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

	Beginning Balance	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Notes payable with 0.00 percent interest rate	<u>\$ 263,809</u>	<u>\$ -</u>	<u>\$ (47,966)</u>	<u>\$ 215,843</u>	<u>\$ 47,965</u>
Due within one year				<u>47,965</u>	
Total long-term portion				<u>\$ 167,878</u>	

The long-term liabilities balance at June 30, 2007 is listed in the following schedule.

	Beginning Balance	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Notes payable, with interest rates ranging from 0.00 to 5.86 percent	<u>\$ 311,774</u>	<u>\$ -</u>	<u>\$ (47,965)</u>	<u>\$ 263,809</u>	<u>\$ 47,965</u>
Due within one year				<u>47,965</u>	
Total long-term portion				<u>\$ 215,844</u>	

Scheduled repayments on long-term notes are as follows:

Year Ending June 30,	Principal
2009	\$ 47,965
2010	47,965
2011	47,965
2012	47,965
2013	<u>23,983</u>
Total	<u>\$ 215,843</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2008 and 2007

(7) Operating Leases.

Leased property under operating leases consisted of copiers and other equipment. The following is a schedule by year due of the future minimum rental payments required under those operating leases:

Year Ending June 30,	Amount
2009	\$ 25,900
Total minimum payments required	\$ 25,900

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal years ended June 30, 2008 and 2007 were \$25,900 and \$28,799, respectively.

(8) Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2008:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 12,480,179	\$ 3,334,263	\$ 477,167	\$ 789,317	\$ 111,670
Instructional support	648,057	182,384	3,841	124,426	-
Student services	2,328,621	695,894	263,941	304,476	-
Institutional support	2,434,013	725,886	172,817	1,405,354	-
Operation of plant	1,226,958	472,482	3,015	508,039	1,080,050
Auxiliary enterprises	457,267	175,681	1,438	1,436,135	251,330
Total operating expenses	\$ 19,575,095	\$ 5,586,590	\$ 922,219	\$ 4,567,747	\$ 1,443,050

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Instruction	\$ 69,092	\$ 1,306,283	\$ -	\$ 417,677	\$ 18,985,648
Instructional support	-	44,745	-	-	1,003,453
Student services	-	332,115	-	81	3,925,128
Institutional support	-	512,138	-	449,827	5,700,035
Operation of plant	-	821,042	-	-	4,111,586
Student aid	4,515,593	-	-	-	4,515,593
Auxiliary enterprises	-	2,533,057	-	42,245	4,897,153
Depreciation	-	-	1,949,394	-	1,949,394
Endowment operations	1,765	-	-	507,573	509,338
Total operating expenses	\$ 4,586,450	\$ 5,549,380	\$ 1,949,394	\$ 1,417,403	\$ 45,597,328

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2008 and 2007

The College's operating expenses by functional classification were as follows for the year ended June 30, 2007:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 11,831,510	\$ 3,145,336	\$ 277,195	\$ 412,273	\$ 104,917
Academic support	726,667	175,728	3,424	98,876	-
Student services	2,069,274	594,581	169,585	406,460	-
Institutional support	1,775,855	553,676	123,015	918,078	-
Operation of plant	999,012	383,925	1,241	700,339	955,988
Student aid	-	-	-	200	-
Auxiliary enterprises	433,569	157,058	1,453	1,192,553	227,465
Depreciation	-	-	-	-	-
Endowment operations	-	-	-	-	-
Total operating expenses	\$ 17,835,887	\$ 5,010,304	\$ 575,913	\$ 3,728,779	\$ 1,288,370

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Instruction	\$ 12,636	\$ 1,047,508	\$ -	\$ 460,905	\$ 17,292,280
Academic support	-	137,727	-	-	1,142,422
Student services	-	336,313	-	150	3,576,363
Institutional support	-	263,451	-	545,112	4,179,187
Operation of plant	-	652,376	-	-	3,692,881
Student aid	6,152,207	-	-	-	6,152,407
Auxiliary enterprises	-	2,251,486	-	71,579	4,335,163
Depreciation	-	-	1,822,232	-	1,822,232
Endowment operations	6,600	-	-	-	6,600
Total operating expenses	\$ 6,171,443	\$ 4,688,861	\$ 1,822,232	\$ 1,077,746	\$ 42,199,535

Jones County Junior College Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2008:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Student aid	\$ -	\$ -	\$ -	\$ -	\$ -
Endowment operations	122,303	-	-	-	57,792
Total operating expenses	\$ 122,303	\$ -	\$ -	\$ -	\$ 57,792

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Student aid	\$ 229,900	\$ -	\$ -	\$ -	\$ 229,900
Endowment operations	-	-	-	393,601	573,696
Total operating expenses	\$ 229,900	\$ -	\$ -	\$ 393,601	\$ 803,596

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2008 and 2007

Jones County Junior College Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2007:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Student aid	\$ -	\$ -	\$ -	\$ -	\$ -
Endowment operations	89,734	-	-	-	29,749
Total operating expenses	\$ 89,734	\$ -	\$ -	\$ -	\$ 29,749

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Student aid	\$ 451,094	\$ -	\$ -	\$ -	\$ 451,094
Endowment operations	-	-	-	396,600	516,083
Total operating expenses	\$ 451,094	\$ -	\$ -	\$ 396,600	\$ 967,177

(9) Pension Plan.

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

Funding policy - PERS members are required to contribute 7.25 percent of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 11.30 percent of annual covered payroll. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The College's contributions to PERS for the years ended June 30, 2008 and 2007 were \$2,151,799 and \$1,901,470, respectively, equal to the required contributions for each year.

(10) Contingencies.

The College is involved in litigation and other matters arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the College's future financial position or on the results of its future operations.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2008 and 2007

(11) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 51 ("GASB 51")

This statement requires that all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provided authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the exiting authoritative guidance for capital assets.

The requirements of this statement are effective for financial statement for periods beginning after June 15, 2009 over a three-year period. Management has not evaluated the impact of adopting this pronouncement.

JONES COUNTY JUNIOR COLLEGE

SUPPLEMENTARY INFORMATION

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Student Financial Aid – Cluster			
<u>U.S. Department of Education</u>			
Federal PELL Grant Program	84.063		\$ 7,157,968
Academic Competitiveness Grant (ACG)	84.375		173,650
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		212,620
Federal Family Education Loans (FFEL)	84.032		4,895,185
Federal Work Study Program (FWS)	84.033		160,000
Total U.S. Department of Education			12,599,423
Total Student Financial Aid			12,599,423
Other Programs			
<u>U.S. Department of Education</u>			
Hurricane Education Recovery	84.938		46,092
Pass-through Programs from State Department of Education: Carl Perkins Funds			
Vocational/Technical Other Costs	84.048		33,998
Vocational/Technical Salary Reimbursement	84.048		274,925
Vocational/Technical Equipment Reimbursement	84.048		133,623
Tech-prep Education	84.243		44,822
Total State Department of Education			487,368
State Board of Community and Junior Colleges			
Adult Education - Basic Grants to States	84.002		222,418
Total U.S. Department of Education			755,878
<u>U.S. Department of Agriculture</u>			
Pass-through Program from Mississippi Forestry Commission Cooperative Forestry Assistance	10.664		40,325
Total U.S. Department of Agriculture			40,325
<u>Small Business Administration</u>			
Pass-through Program from University of Mississippi – Small Business Development Center	59.037		65,450
Total Small Business Administration			65,450

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Other Programs - continued			
<u>National Science Foundation</u>			
Education and Human Resources:			
Scholars for the 21 st Century	47.076		\$ 63,169
Pass-through Programs from			
University of Southern Mississippi -			
Virtual Reality	47.076		2,803
Total National Science Foundation			65,972
<u>National Air and Space Authority (NASA)</u>			
Pass-through Program from			
Pearl River Community College			
Aerospace Education Services Program	43.001		69,885
Total NASA			69,885
<u>Department of Homeland Security</u>			
Pass-through Programs from FEMA	84.938		3,279
Total Department of Homeland Security			3,279
<u>Department of Health and Human Services – Centers</u>			
<u>For Disease Control and Prevention</u>			
Investigations and Technical Assistance	93.283		1,821
Total Department of Health and Human Services			1,821
<u>Department of Labor</u>			
Wired Grant	17.261		240,433
H-1B Highgrowth Grant	17.261		174,152
Pathways for Construction Employment			
Initiative	17.261		379,020
Trade Adjustment Assistance (receipted on			
student accounts)	17.245		12,631
Incentive Grants - WIA Section 503 (receipted on			
student accounts)	17.267		298,515
Pass-through Programs from State Board			
of Community and Junior Colleges	*		7,394
Pass-through Programs from Southern			
MS Planning and Development District			
WIA Dislocated Workers	17.260		178,325
Total Department of Labor			1,290,470
Total Federal Awards			\$ 14,892,503

* 17.258, 17.259, 17.260 combined

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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 basic 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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

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

Board of Directors
Jones County Junior College
Ellisville, Mississippi

We have audited the financial statements of Jones County Junior College as of and for the year ended June 30, 2008 and have issued our report thereon dated June 18, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented component unit, Jones County Junior College Foundation, as described in our report on Jones County Junior College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Jones County Junior College Foundation, audited by other auditors were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questions costs as **Findings 2008-1 through 2008-2** to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

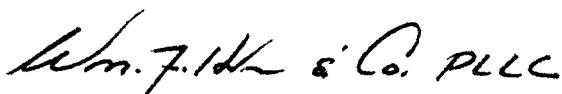
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider **Findings 2008-1** to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters relating to internal controls that were not significant or material, which were reported to management in a separate letter dated June 18, 2009.

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



Laurel, Mississippi
June 18, 2009

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

Board of Directors
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, 2008. Jones County Junior College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jones County Junior College's management. Our responsibility is to express an opinion on Jones County Junior College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jones County Junior College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jones County Junior College'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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned cost as **Findings 2008-3, 2008-4, 2008-5, and 2008-6.**

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 Jones County Junior College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jones County Junior College's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Jones County Junior College, members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than those specified parties.

Wm. F. Hall & Co. PLLC

Laurel, Mississippi
June 18, 2009

JONES COUNTY JUNIOR COLLEGE

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

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

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

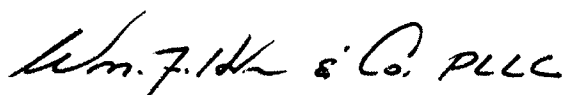
Board of Directors
Jones County Junior College
Ellisville, Mississippi

We have audited the basic financial statements of Jones County Junior College as of and for the year ended June 30, 2008, and have issued our report thereon dated June 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of Jones County Junior College, members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than those specified parties.



Laurel, Mississippi
June 18, 2009

JONES COUNTY JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY JUNIOR COLLEGE

(This page left blank intentionally)

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as a major program: | |
| 1. | Student financial aid cluster:
CFDA #84.063
CFDA #84.007
CFDA #84.032
CFDA #84.033
CFDA #84.375 | |
| 2. | Vocational education – basic grants to states:
CFDA #84.048 | |
| 3. | WIA pilots, demonstrations in research projects:
CFDA #17.261 | |
| 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 |

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section 1: Summary of Auditor's Results (continued)

- | | |
|---|----|
| 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 |
|---|----|

Section 2: Financial Statement Findings

Finding 2008-1

Condition: There is a lack of segregation of duties in the area of cash management. The duty of performing bank reconciliations is not segregated from receiving mail (including bank statements and non-sufficient funds notices). There is no independent verification of bank reconciliations and reconciling items.

Effect: An improper omission in the recording of non-sufficient funds occurred.

Cause: Lack of segregation of duties and lack of independent verification.

Recommendation: We recommend that the functions of mail receipt (including bank statements and non-sufficient funds notices) and bank reconciliations be assigned to different employees. Also, we recommend that an employee independent of the bank reconciliation function perform an independent verification of the bank reconciliations and the reconciling items and all journal entries associated with the reconciliation process. We recommend that a separate listing of all returned checks be acquired from the financial institution and reviewed on a monthly basis by an employee segregated from the bank reconciliations and posting functions.

Views of responsible officials and planned corrective actions: The College has separated the bank reconciliation duties from receiving or distributing college mail. The bank reconciliation will be reviewed in greater detail by the Director of Accounting. More supporting documentation will be required for reconciling items.

Finding 2008-2

Condition: Purchase orders are not properly acquired before funds are committed.

Effect: Purchases are made without approval.

Cause: Purchase orders are not always acquired.

Recommendation: We recommend that all purchases be authorized and approved before requisition.

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Views of responsible officials and planned corrective actions: The Business Affairs division of the College has consistently emphasized the importance of obtaining purchase orders before obligation of college funds. Purchase orders are occasionally replaced by a contract for services or a board-approved bid. In all cases, in order to comply with board procurement policy, employees are expected to obtain prior approval when obligating college funds.

Section 3. Findings and Questioned Costs for Federal Awards

Current Year Findings

Finding 2008-3

Program: Federal PELL Grant Program CFDA #84.063, Academic Competitiveness Grant CFDA #84.375, Federal Supplemental Educational Opportunity Grants CFDA #84.007, and Federal Family Education Loans CFDA #84.032.

Criteria: 34CFR668.164(e) Credit balance from Title IV programs must be paid to the student or parent no later than 14 days after (1) the date the balance occurred or (2) the first day of class of a payment period. If the College cannot locate a student to whom a FSA credit balance is owed, the College must exercise its fiduciary responsibility to the student and the FSA program and return the credit balance to the proper programs.

Condition: For one out of twenty five students selected, the College improperly retained the student account credit balances relating to Title IV funds.

Questioned costs: Approximately \$13.

Context: Credit balances relating to Title IV funds were not disbursed to the student within the prescribed time limits.

Effect: The College is not in compliance with this federal requirement.

Cause: The College was upgrading their software. During the time of the upgrade, this student's credit balance was not paid timely.

Recommendation: We recommend that the College strengthen controls to monitor the retention of credit balances relating to Title IV funds. We also recommend the use of a Title IV funds authorization form, signed and dated by any students who apply for financial aid, which would allow the University to better track those students whose credit balances resulted from Title IV funds.

Management's Response: There was a delay in refunding this student during the semester due to a software upgrade (8.0 to web version). This issue is not anticipated in the future.

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Finding 2008-4

Program: Federal PELL Grant Program CFDA #84.063, Academic Competitiveness Grant CFDA #84.375, Federal Supplemental Educational Opportunity Grants CFDA #84.007, Federal Family Education Loans CFDA #84.032, and Federal Work Study Program CFDA #84.033.

Criteria: 34CFR668.165 Before the College disburses Title IV funds, they must notify the student of the amount of funds that the student can expect to receive and when those funds will be disbursed.

Condition: For eleven out of twenty five students selected, the college did not adequately notify the student of the amount expected to be received.

Questioned costs: Not applicable.

Context: The award letters sent to students did not reflect the amount disbursed to the student's account. There was no evidence of updated award letters in the student's file.

Effect: The College is not in compliance with this federal requirement.

Cause: The Colleges software does not produce award letters for altered award amounts. The software produces one award letter for the original award.

Recommendation: We recommend the College send award letters to the student either on paper or electronically when the expected award amount is altered.

Management's Response: JCJC financial aid office will implement a process to generate and update altered award letters manually.

Finding 2008-5

Program: Federal Family Education Loan Program CFDA #84.032.

Criteria: 34CFR682.604(g) The College must conduct exit counseling for each student participating in the FFELP program. Counseling must be conducted shortly before the student ceases half-time status. If a borrower fails to complete this counseling as required, the College must provide exit counseling through either interactive electronic means or by mailing written counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from school or failed to complete the counseling as required.

Condition: For one out of twenty five students selected, the student borrower did not complete exit counseling as required. The College did not mail counseling material within 30 days of learning the student did not complete counseling.

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Questioned costs: Not applicable.

Context: The student graduated from the College but did not complete exit counseling prior to graduation. The College mailed exit counseling material to the student's last known address after 30 days of learning the borrower failed to complete counseling.

Effect: The College is not in compliance with this federal requirement.

Cause: The College does not require students to complete exit counseling prior to graduation. The College mails the material subsequent to graduation. The College failed to mail the material timely.

Recommendation: We recommend the College create procedures to require students to complete exit counseling prior to graduation. The student should be notified of this requirement either by paper or electronic means prior to graduation date.

Management's Response: Perform a new procedure to check loan cards twice during the semester before graduation to determine that exit counseling has been sent to the student.

Finding 2008-6

Program: Federal PELL Grant Program CFDA #84.063, Academic Competitiveness Grant CFDA #84.375, Federal Supplemental Education Opportunity Grants CFDA #84.007, and Federal Family Education Loans CFDA #84.032.

Criteria: 34CFR668.173(b) When a student withdraws from the College, the College must determine if any Title IV funds should be returned. The College must return the amount of Title IV funds as soon as possible but no later than 45 days after the date that the College determined the student withdrew.

Condition: For one out of sixteen students selected, the College failed to return the Title IV funds to the appropriate agency within the 45 day time limit.

Questioned costs: Approximately \$361.

Context: Funds were not returned to the applicable agency within the prescribed time limits.

Effect: The College is not in compliance with this federal requirement.

Cause: There was a transition period where an employee was taking over the responsibility for returning Title IV funds. During the transition period, this student was overlooked and the funds were not returned timely.

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Recommendation: We recommend that controls are strengthened to ensure these funds are returned to the applicable agency within prescribed time limits.

Management's Response: Administer and examine the withdrawal report in a timely manner to refund to the appropriate agency within the 45 day time limit.