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JONES COUNTY JUNIOR COLLEGE

Ellisville, Mississippi

Audited Financial Statements

Years Ended June 30, 2012 and 2011

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

FINANCIAL AUDIT REPORT



WM. F. HORNE
& Company, PLLC
CPAs • BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the accompanying financial statements of the business-type activities of Jones County Junior College (the "College"), and Jones County Junior College Foundation a discretely presented component unit, as of and for the years ended June 30, 2012 and 2011 which collectively comprise the College's basic financial statements as listed in the table of contents. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. We conducted our audits of the business-type activities of Jones County Junior College in accordance with 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2012 and 2011, 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 January 14, 2013 on our consideration of the Jones County Junior 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

William F. White & Co. PLLC

Laurel, Mississippi
January 14, 2013

JONES COUNTY JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2012

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 year ended June 30, 2012. 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.

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

Statement of Net Assets

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

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2012

Condensed Statement of Net Assets

	2012	2011
Assets		
Current assets, net	\$ 15,172,984	\$ 16,809,234
Non-current assets		
Capital, net	74,337,039	73,034,362
Other	2,886,135	5,497,233
Total assets	<u>92,396,158</u>	<u>95,340,829</u>
Liabilities		
Current liabilities	4,563,409	5,722,889
Non-current liabilities	17,450,372	17,975,226
Total liabilities	<u>22,013,781</u>	<u>23,698,115</u>
Net assets		
Invested in capital assets, net	56,896,000	57,322,803
Restricted		
Non-expendable	-	-
Expendable	1,358,964	3,391,104
Unrestricted	12,127,413	10,928,807
Total net assets	<u>\$ 70,382,377</u>	<u>\$ 71,642,714</u>

The current asset position at June 30, 2012 is \$15,172,984. This represents primarily cash, accounts receivable and investments. Total Accounts Receivable of \$3,715,108 is reported net of Allowance for Doubtful Accounts of \$1,098,843.

The largest portion of the College's net assets (79 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 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:

Scholarships	\$ 802,433
Capital projects	547,538
Loan funds	8,993
Total restricted net assets	<u>\$ 1,358,964</u>

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2012

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

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or 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 Statement of Revenues, Expenses and Changes in Net Assets

	June 30,		Percent Change
	2012	2011	
Operating revenues			
Tuition and fees, net	\$ 3,357,580	\$ 3,495,920	(3.96) %
Grants and contracts	20,870,113	26,045,772	(19.87)
Sales and service	148,773	139,754	6.45
Auxiliary enterprises	2,174,824	2,522,879	(13.80)
Other operating revenues	569,451	814,061	(30.05)
Total operating revenues	27,120,741	33,018,386	(17.86)
Operating expenses	49,777,561	52,540,034	(5.26)
Operating loss	(22,656,820)	(19,521,648)	16.06
Non-operating revenues			
State appropriations	15,157,267	13,582,389	11.59
Local appropriations	2,330,451	2,333,143	(0.12)
Gifts	311,570	324,019	(3.84)
Investment income, net	42,572	107,478	(60.39)
Gain (loss) on disposition of fixed assets	(60,078)	4,525	(1,427.69)
Other non-operating revenues	14,625	11,095	31.82
Non-operating expenses			
Interest on indebtedness	(25,031)	(25,031)	-
Net non-operating revenues	17,771,376	16,337,618	8.78
Loss before other revenues	(4,885,444)	(3,184,030)	53.44
Capital appropriations	3,625,107	6,162,194	(41.17)
Change in net assets (deficits)	(1,260,337)	2,978,164	
Net assets at beginning of year	71,642,714	68,664,550	
Net assets at end of year	\$ 70,382,377	\$ 71,642,714	

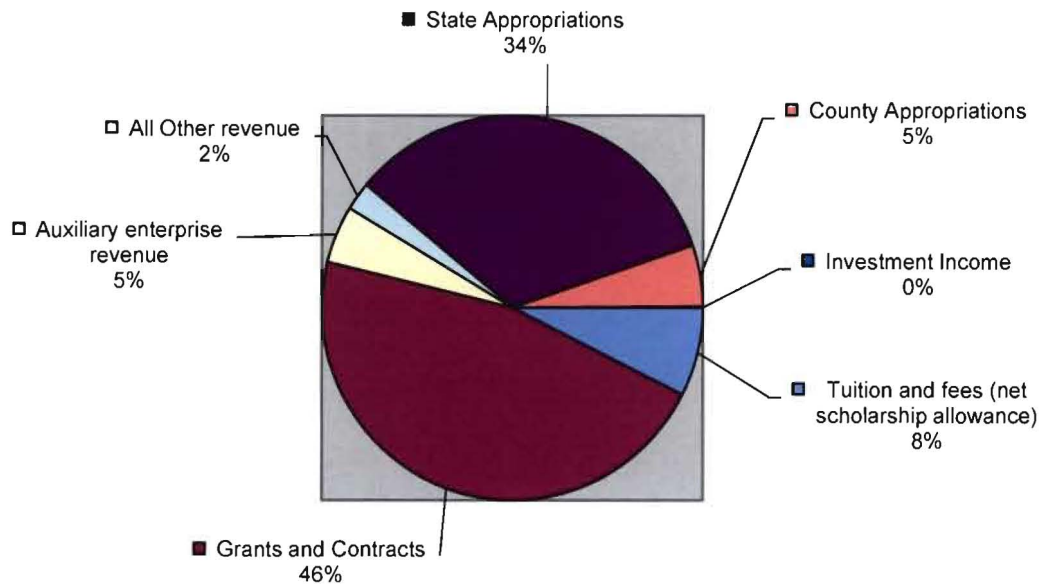
JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2012

Total Revenue by Source

2012



In fiscal year 2012, operating revenues totaled \$27 million and non-operating revenues totaled \$17.8 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 2012 was \$22,656,820. 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 a decrease in 2012 of \$138,340. This is a result of a slight decrease in enrollment numbers for the fiscal year.
- **Grants and contracts revenue** decreased in 2012 by \$5,175,659 due to a decrease in the amount federal grants awarded. Specific decreases were in PELL and Federal Direct Student Loan awards.

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, 2012

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2012:

Federal sources	
Department of Education	\$ 16,686,533
Department of Labor	255,967
National Science Foundation	33,929
Department of Agriculture	44,390
Small Business Administration	70,133
Total federal sources	<u>\$ 17,090,952</u>
State sources	
Mississippi Department of Education	\$ 2,156,253
State Board of Community and Junior Colleges	1,100,720
Total state sources	<u>\$ 3,256,973</u>
Other sources	<u>\$ 522,188</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:

	Fee Discount	Result of Operations, Net
Bookstore	\$ 1,687,119	\$ 1,336,189
Food services	1,056,611	635,980
Housing	819,704	202,655

Non-Operating Revenues

- **Other non-operating revenue** in 2012 reflects the proceeds from facilities rentals.

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2012

Operating Expenses

Operating expenses, including depreciation of \$3,799,760, totaled \$49,777,561. Of this total \$17,072,613 or 35 percent was for instruction.

	2012	2011	Percent Change
Expenses by object			
Salaries and wages	\$ 19,824,224	\$ 19,531,039	1.50 %
Fringe benefits	5,430,804	5,399,900	.57
Travel	399,591	434,118	(7.95)
Contractual services	5,276,238	4,740,677	11.30
Utilities	1,113,490	1,203,191	(7.46)
Scholarships and fellowships	6,932,187	9,222,507	(24.83)
Commodities	5,865,293	7,084,652	(17.21)
Depreciation expense	3,799,760	2,736,803	38.84
Other operating expense	1,135,974	2,187,147	(48.06)
 Total	 <u>\$ 49,777,561</u>	 <u>\$ 52,540,034</u>	

Expenses by function	
Instruction	\$ 17,072,613
Academic support	1,037,427
Student services	4,194,292
Institutional support	6,808,060
Operations and maintenance of plant	4,679,978
Student financial aid	6,889,286
Auxiliary enterprises	5,296,145
Depreciation	<u>3,799,760</u>
 Total operating expenses by function	 <u>\$ 49,777,561</u>

Expenditures in 2012 decreased from 2011 by \$2,762,473. One significant increase can be seen in Depreciation Expense at \$1,062,957 (a 38 percent increase over 2011). This increase is due to the completion of the Greene County Center and the Anderson Hall dormitory.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2012

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 Year Ended June 30, 2012

Cash and cash equivalents provided by (used by)	
Operating activities	\$ (19,893,725)
Non-capital financing activities	17,904,896
Capital and related financing activities	(1,908,790)
Investing activities	54,620
Net decrease in cash and cash equivalents	(3,842,999)
Cash and cash equivalents, beginning of year	13,930,470
Cash and cash equivalents, end of year	<u>\$ 10,087,471</u>

The major sources of funds included in operating activities include student tuition and fees, \$2,164,114; auxiliary enterprises, \$1,989,146; and grants and contracts, \$20,317,592. The major uses of funds were payments made to employees, \$25,658,580; to suppliers, \$11,435,117; and to students, \$6,932,187.

The largest inflow of cash in the non-capital financing activities group is the state appropriation of \$14,958,957 and county appropriation of \$2,290,711.

Significant Capital Asset Transactions

In fiscal year 2012, the construction of the Greene County Learning Center and the Anderson Hall dormitory were completed. Projects still underway include the addition to Anderson Hall and the construction of a learning center in Wayne County. Both projects are expected to be completed in fiscal year 2013.

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2012

Factors Impacting Future Periods

State appropriations contribute approximately 34 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

Statements of Net Assets

June 30, 2012 and 2011

	2012			2011		
	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	\$ 9,531,054	\$ 1,076,919	\$ 10,607,973	\$ 10,776,634	\$ 1,185,857	\$ 11,962,491
Short-term investments	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Accounts receivable, net of allowance of \$1,098,843 in 2012 and \$1,340,995 in 2011	3,715,108	-	3,715,108	4,222,152	-	4,222,152
Contributions receivable	-	133,941	133,941	-	116,945	116,945
Inventories	694,430	-	694,430	608,937	-	608,937
Prepaid expenses	232,392	-	232,392	201,511	-	201,511
Total current assets	15,172,984	1,210,860	16,383,844	16,809,234	1,302,802	18,112,036
Noncurrent assets						
Restricted cash and cash equivalents	556,417	-	556,417	3,153,836	-	3,153,836
Restricted investments	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Endowment investments	-	7,351,778	7,351,778	-	7,106,392	7,106,392
Contributions receivable, net of current portion, discount, and allowance of \$49,631 and \$82,091 for 2012 and 2011, respectively	-	113,023	113,023	-	179,502	179,502
Student notes receivable, net	8,521	-	8,521	10,520	-	10,520
Bond issuance cost, net of accumulated amortization	321,197	-	321,197	332,877	-	332,877
Capital assets, net of accumulated depreciation	74,337,039	201,999	74,539,038	73,034,362	201,999	73,236,361
Total noncurrent assets	77,223,174	7,666,800	84,889,974	78,531,595	7,487,893	86,019,488
Total assets	\$ 92,396,158	\$ 8,877,660	\$ 101,273,818	\$ 95,340,829	\$ 8,790,695	\$ 104,131,524
LIABILITIES						
Current liabilities						
Accounts payable	\$ 1,515,352	\$ -	\$ 1,515,352	\$ 2,343,421	\$ -	\$ 2,343,421
Accrued liabilities	2,245,400	-	2,245,400	2,587,151	1,304	2,588,455
Compensated absences, current portion	240,821	-	240,821	217,730	-	217,730
Deferred revenues	23,631	-	23,631	22,400	-	22,400
Long-term liabilities, current portion	538,205	-	538,205	552,187	-	552,187
Total current liabilities	4,563,409	-	4,563,409	5,722,889	1,304	5,724,193
Noncurrent liabilities						
Long-term liabilities, net of current portion	17,450,372	-	17,450,372	17,975,226	-	17,975,226
Total liabilities	22,013,781	-	22,013,781	23,698,115	1,304	23,699,419

JONES COUNTY JUNIOR COLLEGE
 Statements of Net Assets
 June 30, 2012 and 2011

	2012			2011		
	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	\$ 56,896,000	\$ -	\$ 56,896,000	\$ 57,322,803	\$ -	\$ 57,322,803
Restricted for						
Nonexpendable						
Scholarships and fellowships	-	6,674,331	6,674,331	-	6,225,838	6,225,838
Expendable						
Scholarships and fellowships	802,433	-	802,433	679,634	-	679,634
Capital projects	547,538	-	547,538	2,574,729	-	2,574,729
Loans	8,993	-	8,993	19,379	-	19,379
Other purposes	-	-	-	117,362	-	117,362
Temporarily restricted	-	1,501,491	1,501,491	-	1,819,623	1,819,623
Unrestricted	12,127,413	701,838	12,829,251	10,928,807	743,930	11,672,737
Total net assets	70,382,377	8,877,660	79,260,037	71,642,714	8,789,391	80,432,105
Total liabilities and net assets	\$ 92,396,158	\$ 8,877,660	\$ 101,273,818	\$ 95,340,829	\$ 8,790,695	\$ 104,131,524

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012			2011		
	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 \$8,913,227 in 2012 and \$10,013,445 in 2011	\$ 3,357,580	\$ -	\$ 3,357,580	\$ 3,495,920	\$ -	\$ 3,495,920
Federal grants and contracts	17,090,952	-	17,090,952	22,512,117	-	22,512,117
State grants and contracts	3,256,973	-	3,256,973	3,313,607	-	3,313,607
Nongovernmental grants and contracts	522,188	-	522,188	220,048	-	220,048
Sales and services of educational departments	148,773	-	148,773	139,754	-	139,754
Auxiliary enterprises						
Student housing, net of scholarship allowances of \$819,704 in 2012 and \$865,947 in 2011	202,655	-	202,655	96,888	-	96,888
Food services, net of scholarship allowances of \$1,056,611 in 2012 and \$1,035,765 in 2011	635,980	-	635,980	555,058	-	555,058
Bookstore, net of scholarship allowances of \$1,687,119 in 2012 and \$1,971,325 in 2011	1,336,189	-	1,336,189	1,870,933	-	1,870,933
Contributions	-	1,192,339	1,192,339	-	716,744	716,744
Net unrealized and realized gains on long-term investments	-	(243,967)	(243,967)	-	487,886	487,886
Investment income	-	238,508	238,508	-	213,672	213,672
Other operating revenues	569,451	-	569,451	814,061	-	814,061
Total operating revenues	27,120,741	1,186,880	28,307,621	33,018,386	1,418,302	34,436,688
Operating expenses						
Salaries and wages	19,824,224	190,188	20,014,412	19,531,039	149,656	19,680,695
Fringe benefits	5,430,804	-	5,430,804	5,399,900	-	5,399,900
Travel	399,591	-	399,591	434,118	-	434,118
Contractual services	5,276,238	-	5,276,238	4,740,677	-	4,740,677
Utilities	1,113,490	25,755	1,139,245	1,203,191	14,641	1,217,832
Scholarships and fellowships	6,932,187	218,483	7,150,670	9,222,507	203,345	9,425,852
Commodities	5,865,293	-	5,865,293	7,084,652	-	7,084,652
Supplies, expenses and other distributions	-	664,185	664,185	-	458,022	458,022
Depreciation expense	3,799,760	-	3,799,760	2,736,803	-	2,736,803
Other operating expenses	1,135,974	-	1,135,974	2,187,147	-	2,187,147
Total operating expenses	49,777,561	1,098,611	50,876,172	52,540,034	825,664	53,365,698
Operating income (loss)	(22,656,820)	88,269	(22,568,551)	(19,521,648)	592,638	(18,929,010)

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012			2011		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Nonoperating revenues (expenses)						
State appropriations	\$ 15,157,267	\$ -	\$ 15,157,267	\$ 13,582,389	\$ -	\$ 13,582,389
Local appropriations	2,330,451	-	2,330,451	2,333,143	-	2,333,143
Gifts	311,570	-	311,570	324,019	-	324,019
Investment income	42,572	-	42,572	107,478	-	107,478
Interest expense	(25,031)	-	(25,031)	(25,031)	-	(25,031)
Gain (loss) on disposition of fixed assets	(60,078)	-	(60,078)	4,525	-	4,525
Other nonoperating revenues	14,625	-	14,625	11,095	-	11,095
Total nonoperating revenues (expenses)	17,771,376	-	17,771,376	16,337,618	-	16,337,618
Income (loss) before appropriations restricted for capital purposes	(4,885,444)	88,269	(4,797,175)	(3,184,030)	592,638	(2,591,392)
Other revenues						
State appropriation restricted for capital purposes	1,229,990	-	1,229,990	4,086,780	-	4,086,780
Local appropriations restricted for capital purposes	2,395,117	-	2,395,117	2,034,960	-	2,034,960
Capital gifts	-	-	-	40,454	-	40,454
Total other revenues	3,625,107	-	3,625,107	6,162,194	-	6,162,194
Changes in net assets	(1,260,337)	88,269	(1,172,068)	2,978,164	592,638	3,570,802
Net assets, beginning of year	71,642,714	8,789,391	80,432,105	68,664,550	8,196,753	76,861,303
Net assets, end of year	\$ 70,382,377	\$ 8,877,660	\$ 79,260,037	\$ 71,642,714	\$ 8,789,391	\$ 80,432,105

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
 Statements of Cash Flows
 For the Years Ended June 30, 2012 and 2011

	2012			2011		
	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	\$ 2,164,114	\$ -	\$ 2,164,114	\$ 2,110,191	\$ -	\$ 2,110,191
Grants and contracts	20,317,592	-	20,317,592	26,402,024	-	26,402,024
Sales and services of educational departments	185,537	-	185,537	140,910	-	140,910
Payments to suppliers	(11,435,117)	-	(11,435,117)	(12,293,559)	-	(12,293,559)
Payments to employees for salaries and benefits	(25,658,580)	-	(25,658,580)	(24,894,797)	-	(24,894,797)
Payments for utilities	(1,101,544)	-	(1,101,544)	(1,178,727)	-	(1,178,727)
Payments for scholarships and fellowships	(6,932,187)	-	(6,932,187)	(9,222,505)	-	(9,222,505)
Loans issued to students and employees	2,000	-	2,000	-	-	-
Auxiliary enterprise changes						
Student housing	132,358	-	132,358	32,609	-	32,609
Food services	540,893	-	540,893	474,614	-	474,614
Bookstore	1,315,895	-	1,315,895	1,857,239	-	1,857,239
Other receipts	575,314	376,877	952,191	805,852	164,126	969,978
Net cash provided by (used by) operating activities	(19,893,725)	376,877	(19,516,848)	(15,766,149)	164,126	(15,602,023)
Cash flows from noncapital financing activities						
State appropriations	14,958,957	-	14,958,957	13,541,549	-	13,541,549
Local appropriations	2,290,711	-	2,290,711	2,329,192	-	2,329,192
Gifts and grants for other than capital purposes	620,741	-	620,741	324,019	-	324,019
Change in contributions restricted for investments in long-term investments	-	(379,493)	(379,493)	-	(319,190)	(319,190)
Other sources	34,487	-	34,487	28,192	-	28,192
Net cash provided by (used by) noncapital financing activities	17,904,896	(379,493)	17,525,403	16,222,952	(319,190)	15,903,762

JONES COUNTY JUNIOR COLLEGE
 Statements of Cash Flows
 For the Years Ended June 30, 2012 and 2011

	2012			2011		
	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	\$ (2,763,090)	\$ -	\$ (2,763,090)	\$ (8,148,224)	\$ -	\$ (8,148,224)
Proceeds from capital debt, net of discounts	-	-	-	961,361	-	961,361
Capital appropriations received	2,395,117	-	2,395,117	2,034,961	-	2,034,961
Principal paid on capital debt and leases	(538,205)	-	(538,205)	(515,984)	-	(515,984)
Interest paid on capital debt and leases	(822,028)	-	(822,028)	(835,737)	-	(835,737)
Other source (uses)	(180,584)	-	(180,584)	-	-	-
Net cash used by capital and related financing activities	(1,908,790)	-	(1,908,790)	(6,503,623)	-	(6,503,623)
Cash flows from investing activities						
Proceeds from sales and maturities of investments	3,000,000	3,979,375	6,979,375	3,000,000	5,758,457	8,758,457
Interest received on investments	54,620	379,493	434,113	123,888	319,190	443,078
Purchases of investments	(3,000,000)	(4,465,190)	(7,465,190)	(3,000,000)	(5,534,607)	(8,534,607)
Net cash provided by (used by) investing activities	54,620	(106,322)	(51,702)	123,888	543,040	666,928
Net increase (decrease) in cash and cash equivalents	(3,842,999)	(108,938)	(3,951,937)	(5,922,932)	387,976	(5,534,956)
Cash and cash equivalents, beginning of year	13,930,470	1,185,857	15,116,327	19,853,402	797,881	20,651,283
Cash and cash equivalents, end of year	<u>\$ 10,087,471</u>	<u>\$ 1,076,919</u>	<u>\$ 11,164,390</u>	<u>\$ 13,930,470</u>	<u>\$ 1,185,857</u>	<u>\$ 15,116,327</u>
Reconciliation of cash and cash equivalents to the statements of net assets						
Cash and cash equivalents classified as current assets	\$ 9,531,054	\$ 1,076,919	\$ 10,607,973	\$ 10,776,634	\$ 1,185,857	\$ 11,962,491
Cash and cash equivalents classified as noncurrent assets	556,417	-	556,417	3,153,836	-	3,153,836
	<u>\$ 10,087,471</u>	<u>\$ 1,076,919</u>	<u>\$ 11,164,390</u>	<u>\$ 13,930,470</u>	<u>\$ 1,185,857</u>	<u>\$ 15,116,327</u>

JONES COUNTY JUNIOR COLLEGE
 Statements of Cash Flows
 For the Years Ended June 30, 2012 and 2011

	2012			2011		
	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)	\$ (22,656,820)	\$ 88,269	\$ (22,568,551)	\$ (19,521,648)	\$ 592,638	\$ (18,929,010)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities						
Bad debt expense	845,153	-	845,153	1,933,084	-	1,933,084
Depreciation and amortization expense	3,799,760	-	3,799,760	2,748,483	-	2,748,483
Gain on sale of fixed assets	-	-	-	(4,525)	-	(4,525)
Net unrealized and realized gains on long-term investments	-	243,967	243,967	-	(487,886)	(487,886)
Changes in assets and liabilities						
(Increase) decrease in assets						
Receivables, net	(126,298)	49,483	(76,815)	(1,699,422)	71,237	(1,628,185)
Inventories	(85,493)	(3,538)	(89,031)	275,941	(9,050)	266,891
Prepaid expenses	(30,881)	-	(30,881)	(6,078)	-	(6,078)
Loans to students and employees	2,000	-	2,000	-	-	-
Increase (decrease) in liabilities						
Accounts payable	(1,309,734)	(1,304)	(1,311,038)	569,732	-	569,732
Accrued liabilities	(342,758)	-	(342,758)	(67,016)	-	(67,016)
Deferred revenues	1,231	-	1,231	7,365	-	7,365
Compensated absences	23,090	-	23,090	(2,066)	-	(2,066)
Other liabilities	(12,975)	-	(12,975)	-	(2,813)	(2,813)
Total adjustments	2,763,095	288,608	3,051,703	3,755,498	(428,512)	3,326,986
Net cash provided by (used by) operating activities	\$ (19,893,725)	\$ 376,877	\$ (19,516,848)	\$ (15,766,150)	\$ 164,126	\$ (15,602,024)

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

(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 Community College Board, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

- B. Component Unit - 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 Foundation is not required to report cash flows based upon the direct method of accounting under FASB standards, and therefore, the direct method is not included in these financial statements. The separately issued audited financial statements are available through the business department at the College.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2012 and 2011

Amounts representing services and facilities contributed to the Foundation by the College for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Salaries, wages and benefits	\$ 190,188	\$ 149,656
Office and occupancy	25,755	14,641
Total	\$ 215,943	\$ 164,297

Amount paid to the College by the Foundation for scholarships were \$218,483 and \$202,644 for the years ended June 30, 2012 and 2011, respectively.

- 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 look at the College's financial activities.
- D. Measurement Focus and 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.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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 or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. FASB statements issued subsequent to November 30, 1989 are not applicable.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the College's are charges to students for tuition sales and services and grants and contracts. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- E. Cash and Cash Equivalents - The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The College deposits excess funds in the financial institutions selected by the Board of Trustees. State statutes specify how these depositories are to be selected.
- F. Short-Term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments. The College can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100 percent of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the College, as well as for its component unit, are reported at fair market value. Unrealized gains and losses on investments are reported in the statement of revenues, expenses and changes in net assets.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

- G. Accounts Receivable, Net - Accounts receivable consists 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 receivable is 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 written off on an annual basis.
- H. Inventories and Prepaid Items - 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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.
- 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.
- 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 either are 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 historical cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense 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.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2012 and 2011

- 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. Long-Term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums - In the financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunding debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.
- P. Cost of Borrowing - Costs incurred in connection with the obtaining of financing are deferred and are amortized over the period the obligation is outstanding using the straight line method. Premium or discount incurred in connection with the issuance of bonds and indentures is amortized over the life of the obligations using the straight line method, and the unamortized amount is included in the balance of the outstanding debt.
- Q. 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:
- 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.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

- 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.
- R. State Appropriations - The College receives funds from the State of Mississippi based on the number of 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. The funding calculation is based on the number of full time equivalents which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- S. 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 wide 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.
- T. Net Assets - 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.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

(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 - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

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

	Fair Value	
	2012	2011
Pooled investments and mutual funds	\$ 6,227,374	\$ 6,633,467
Preferred stock	685,838	123,426
Cash value of life insurance policies	196,312	192,775
Total investments, at fair value	7,109,524	6,949,668
Other investments		
Certificates of deposit	242,254	156,724
Total investments	<u>\$ 7,351,778</u>	<u>\$ 7,106,392</u>

Fair value is based on quoted market prices with the exception of the cash value of life insurance policies. The fair value information was provided by the insurance carriers based on policy terms.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

The following table summarizes the carrying values of the restricted and endowment investments reported on the statement of net assets as of June 30, 2012:

	Jones County Junior College	Jones County Junior College Foundation
Investments restricted for capital expansion or debt service payments	\$ 2,000,000	\$ -
Endowment investments	-	7,351,778
Total	\$ 2,000,000	\$ 7,351,778

The following table summarizes the carrying values of the long-term investments reported on the statement of net assets as of June 30, 2011:

	Jones County Junior College	Jones County Junior College Foundation
Investments restricted for capital expansion	\$ 2,000,000	\$ -
Endowment investments	-	7,106,392
Total	\$ 2,000,000	\$ 7,106,392

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:

	2012	2011
Cash and cash equivalents	\$ 9,531,054	\$ 10,776,634
Short-term investments	1,000,000	1,000,000
Total current cash and cash investments	10,531,054	11,776,634
Restricted cash and cash equivalents	556,417	3,153,836
Restricted investments	2,000,000	2,000,000
Total noncurrent cash and cash investments	2,556,417	5,153,836
Total cash and investments	\$ 13,087,471	\$ 16,930,470

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,076,919	\$ 1,185,857
Endowment investments	<u>7,351,778</u>	<u>7,106,392</u>
Total	<u>\$ 8,428,697</u>	<u>\$ 8,292,249</u>

As of June 30, 2012 and 2011, the Foundation maintained \$6,227,374 and \$6,633,467, 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. Foundation investments are carried at fair value based on quoted market prices, and unrealized gains and losses are reported in the statement of revenues and expenses and changes net assets.

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, 2012, the College did not have any investments to which this would apply.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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, 2012, the College had the following investments:

Issuer	Fair Value	Percent of Total Investments
Community Bank, Certificate of Deposit	\$ 1,000,000	33%
Community Bank, Certificate of Deposit	1,000,000	33%
Bank of Jones County, Certificate of Deposit	1,000,000	33%
	\$ 3,000,000	

(3) Accounts Receivable.

Accounts receivable of the College consisted of the following at June 30, 2012 and 2011:

	2012	2011
Student tuition	\$ 1,986,068	\$ 1,755,254
Auxiliary enterprises and other operating activities	11,712	7,401
Federal, state, and private grants and contracts	1,072,111	2,582,855
State appropriations	1,241,152	771,146
Local appropriations	134,110	94,370
Accrued interest	2,184	8,461
Other	366,614	343,660
Total accounts receivable	4,813,951	5,563,147
Less allowance for doubtful accounts	(1,098,843)	(1,340,995)
Net accounts receivable	\$ 3,715,108	\$ 4,222,152

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2012 and 2011

The Foundation had pledges receivable included in accounts receivable consisting of the following amounts:

	2012	2011
Contributions receivable, current portion	\$ 133,941	\$ 116,945
Contributions receivable, net of current portion	113,023	179,502
	\$ 246,964	\$ 296,447

(4) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2012 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	\$ 466,201	\$ -	\$ -	\$ 466,201	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	5,988,213	2,477,382	(6,233,466)	2,232,129	-	-	-	-
Total nondepreciable capital assets	6,454,414	2,477,382	(6,233,466)	2,698,330	201,999	-	-	201,999
Depreciable capital assets								
Buildings	79,123,681	7,999,557	(252,293)	86,870,945	-	-	-	-
Improvements other than buildings	10,891,803	546,431	-	11,438,234	-	-	-	-
Equipment	6,931,207	431,181	(171,218)	7,191,170	-	-	-	-
Library books	1,747,130	42,007	(283,912)	1,505,225	-	-	-	-
Total depreciable capital assets	98,693,821	9,019,176	(707,423)	107,005,574	-	-	-	-
Less accumulated depreciation for								
Buildings	21,939,439	2,838,531	(94,069)	24,683,901	-	-	-	-
Improvements other than buildings	2,998,273	462,148	-	3,460,421	-	-	-	-
Equipment	5,616,482	456,921	(168,782)	5,904,621	-	-	-	-
Library books	1,559,679	42,160	(283,917)	1,317,922	-	-	-	-
Total accumulated depreciation	32,113,873	3,799,760	(546,768)	35,366,865	-	-	-	-
Total depreciable capital assets, net	66,579,948	5,219,416	(160,655)	71,638,709	-	-	-	-
Capital assets, net	\$73,034,362	\$ 7,696,798	\$(6,394,121)	\$74,337,039	\$ 201,999	\$ -	\$ -	\$ 201,999

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2012 and 2011

A summary of changes in capital assets for the year ended June 30, 2011 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	\$ 466,201	\$ -	\$ -	\$ 466,201	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	17,263,230	11,412,176	(22,687,193)	5,988,213	-	-	-	-
Total nondepreciable capital assets	17,729,431	11,412,176	(22,687,193)	6,454,414	201,999	-	-	201,999
Depreciable capital assets								
Buildings	60,086,847	19,036,834	-	79,123,681	-	-	-	-
Improvements other than buildings	6,766,374	4,125,429	-	10,891,803	-	-	-	-
Equipment	7,050,434	173,476	(292,703)	6,931,207	-	-	-	-
Library books	1,727,465	38,445	(18,780)	1,747,130	-	-	-	-
Total depreciable capital assets	75,631,120	23,374,184	(311,483)	98,693,821	-	-	-	-
Less accumulated depreciation for								
Buildings	20,081,703	1,857,736	-	21,939,439	-	-	-	-
Improvements other than buildings	2,579,611	418,662	-	2,998,273	-	-	-	-
Equipment	5,492,003	417,182	292,703	5,616,482	-	-	-	-
Library books	1,535,236	43,223	18,780	1,559,679	-	-	-	-
Total accumulated depreciation	29,688,553	2,736,803	311,483	32,113,873	-	-	-	-
Total depreciable capital assets, net	45,942,567	20,637,381	-	66,579,948	-	-	-	-
Capital assets, net	\$63,671,998	\$32,049,557	\$(22,687,193)	\$73,034,362	\$ 201,999	\$ -	\$ -	\$ 201,999

Commitments under construction contracts at June 30, 2012, are summarized as follows:

Project	Expended Through June 30, 2012	Remaining Commitments
Wayne County Center	\$ 337,708	\$ 1,157,281
Total	\$ 337,708	\$ 1,157,281

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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
Building	40 years	20%	\$ 50,000
Building improvements	20 years	20%	25,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 10 years	1 - 10%	5,000
Library books	10 years	0%	-

(5) Long-Term Liabilities.

Long-term liabilities of the College consisted of bonds, notes payable and certain other liabilities that are expected to be liquidated after one year from June 30, 2012.

Information regarding original issue amounts, interest rates and maturity dates for notes payable in the long-term liabilities balance at June 30, 2012, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

The long-term liabilities at June 30, 2012 are listed in the following schedule.

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Special Obligation Bonds, Series 2009, net of unamortized discount of \$367,164	\$18,215,000	Variable	3/1/2039	\$17,494,484	\$ -	\$(336,649)	\$17,157,835	\$ 360,000
Notes payable with zero percent interest rate	431,687	-	12/1/2012	71,948	-	(47,965)	23,983	23,983
Notes payable, Singing River, with zero percent interest rate	360,000	-	6/1/2016	294,000	-	(72,000)	222,000	72,000
Notes payable, Singing River, with zero percent interest rate	740,000	-	7/1/2019	666,981	-	(82,222)	584,759	82,222
Total bonds and notes payable				18,527,413	-	(538,836)	17,988,577	538,205
Other long-term liabilities Compensated absences				217,731	23,090	-	240,821	240,821
Total				\$18,745,144	\$23,090	\$(538,836)	18,229,398	\$ 779,026
Due within one year							(779,026)	
Total long-term portion							<u>\$17,450,372</u>	

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

The debt service requirements as of June 30, 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 538,205	\$ 815,038	\$ 1,353,243
2014	524,222	804,238	1,328,460
2015	539,222	793,138	1,332,360
2016	483,222	781,588	1,264,810
2017	487,222	769,738	1,256,960
2018 - 2022	2,443,648	3,626,004	6,069,652
2023 - 2027	2,830,000	3,092,275	5,922,275
2028 - 2032	3,620,000	2,322,217	5,942,217
2033 - 2037	4,665,000	1,310,694	5,975,694
2038 - 2039	2,225,000	172,456	2,397,456
	18,355,741	<u>\$ 14,487,386</u>	<u>\$ 32,843,127</u>
Unamortized bond discount		<u>367,164</u>	
Total		<u>\$ 17,988,577</u>	

The total interest incurred for the year ended June 30, 2012 was \$822,028. The total amount was capitalized as a component of the cost of capital assets constructed during the year and included in the balance of construction in progress.

The long-term liabilities balance at June 30, 2011 is listed in the following schedule.

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Special Obligation Bonds, Series 2009, net of unamortized discount of \$340,000	\$18,215,000	Variable	3/1/2039	\$17,821,133	\$ -	\$(326,649)	\$17,494,484	\$ 350,000
Notes payable with zero percent interest rate	431,687	-	9/1/2012	119,913	-	(47,965)	71,948	47,965
Notes payable, Singing River, with zero percent interest rate	360,000	-	6/1/2016	140,990	219,010	(66,000)	294,000	72,000
Notes payable, Singing River, with zero percent interest rate	740,000	-	7/1/2019	-	742,351	(75,370)	666,981	82,222
Total bonds and notes payable				18,082,036	961,361	(515,984)	18,527,413	552,187
Other long-term liabilities								
Compensated absences				219,796	-	(2,066)	217,730	217,730
Total				<u>\$18,301,832</u>	<u>\$961,361</u>	<u>\$(518,050)</u>	18,745,143	<u>\$ 769,917</u>
Due within one year							<u>769,917</u>	
Total long-term portion							<u>\$17,975,226</u>	

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

The debt service requirements as of June 30, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 552,187	\$ 825,538	\$ 1,377,725
2013	538,205	815,038	1,353,243
2014	524,222	804,238	1,328,460
2015	539,222	793,138	1,332,360
2016	483,222	781,588	1,264,810
2017 - 2021	2,440,870	3,705,836	6,146,706
2022 - 2026	2,700,000	3,217,463	5,917,463
2027 - 2031	3,440,000	2,494,873	5,934,873
2032 - 2036	4,435,000	1,535,938	5,970,938
2037 - 2039	3,214,485	339,275	3,553,760
	18,867,413	\$ 15,312,925	\$ 34,180,338
Unamortized bond discount	340,000		
Total	\$ 18,527,413		

The interest payments reflected in the 2012 table above were calculated based upon the interest rate in effect for the outstanding bonds at the maturity date.

- a. Bonds are secured by a pledge of all legally available revenue sources of the College, including without limitation, the County Tax.
- b. The bonds are subject to prepayment to the Indentured Trustee, to be deposited into a debt service reserve fund.
- c. All bonds are subject to redemption at par value plus accrued interest at the option of the College.

Compensated Absences Payable

As more fully explained in Note 1(N), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

(6) Operating Leases.

Property under operating leases consists of copiers and other equipment. The following is a schedule of the future lease payments required under those operating leases:

Year Ending June 30,	Amount
2013	\$ 15,672

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, 2012 and 2011 were \$24,132 and \$26,074, respectively.

(7) Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2012:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 11,510,554	\$ 3,057,296	\$ 109,127	\$ 522,417	\$ 91,034
Instructional support	623,702	192,764	1,155	180,979	-
Student services	2,631,331	717,718	182,021	323,383	-
Institutional support	3,071,310	805,502	100,564	1,513,686	8
Operation of plant	1,317,338	441,649	6,171	959,054	829,209
Auxiliary enterprises	669,989	215,875	553	1,776,719	193,239
Total operating expenses	\$ 19,824,224	\$ 5,430,804	\$ 399,591	\$ 5,276,238	\$ 1,113,490

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Instruction	\$ 42,901	\$ 1,485,457	\$ -	\$ 253,826	\$ 17,072,613
Instructional support	-	38,827	-	-	1,037,427
Student services	-	339,853	-	(14)	4,194,292
Institutional support	-	554,238	-	762,753	6,808,060
Operation of plant	-	1,124,057	-	2,500	4,679,978
Student aid	6,889,286	-	-	-	6,889,286
Auxiliary enterprises	-	2,322,861	-	116,909	5,296,145
Depreciation	-	-	3,799,760	-	3,799,760
Total operating expenses	\$ 6,932,187	\$ 5,865,293	\$ 3,799,760	\$ 1,135,974	\$ 49,777,561

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

The College's operating expenses by functional classification were as follows for the year ended June 30, 2011:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 12,050,635	\$ 3,058,411	\$ 122,643	\$ 445,718	\$ 79,918
Instructional support	583,184	164,510	2,187	116,437	-
Student services	2,294,418	632,682	206,523	249,705	-
Institutional support	2,758,296	935,145	97,025	1,462,330	-
Operation of plant	1,241,766	423,669	4,317	836,046	911,637
Auxiliary enterprises	602,740	185,483	1,423	1,630,441	211,636
Total operating expenses	\$ 19,531,039	\$ 5,399,900	\$ 434,118	\$ 4,740,677	\$ 1,203,191

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Instruction	\$ 53,126	\$ 1,254,539	\$ -	\$ 210,875	\$ 17,275,865
Instructional support	-	43,343	-	-	909,661
Student services	-	309,158	-	(123)	3,692,363
Institutional support	-	578,685	-	1,726,046	7,557,527
Operation of plant	-	1,725,498	-	-	5,142,933
Student aid	9,169,381	-	-	-	9,169,381
Auxiliary enterprises	-	3,173,429	-	250,349	6,055,501
Depreciation	-	-	2,736,803	-	2,736,803
Total operating expenses	\$ 9,222,507	\$ 7,084,652	\$ 2,736,803	\$ 2,187,147	\$ 52,540,034

Jones County Junior College Foundation, Inc.'s operating expenses by functional classification were as follows for the year ended June 30, 2012:

	Salaries and Wages	Utilities	Scholarships and Fellowships	Other	Total
Student aid	\$ -	\$ -	\$ 218,483	\$ -	\$ 218,483
Endowment operations	190,188	25,755	-	664,185	880,128
Total operating expenses	\$ 190,188	\$ 25,755	\$ 218,483	\$ 664,185	\$ 1,098,611

Jones County Junior College Foundation, Inc.'s operating expenses by functional classification were as follows for the year ended June 30, 2011:

	Salaries and Wages	Utilities	Scholarships And Fellowships	Other	Total
Student aid	\$ -	\$ -	\$ 203,345	\$ -	\$ 203,345
Endowment operations	149,656	14,641	-	458,022	622,319
Total operating expenses	\$ 149,656	\$ 14,641	\$ 203,345	\$ 458,022	\$ 825,664

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

(8) Defined Benefit Pension Plan.

Plan Description - The College contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the 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 9.00 percent of their annual covered salary for June 30, 2012 and 2011 and the institution is required to contribute at an actuarially determined rate. The current rate is 12.93 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, 2012, 2011, and 2010 were \$4,056,110, \$3,827,037, and \$3,526,936, respectively, equal to the required contributions for each year.

(9) Contingencies.

Federal Grants - The College has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the College.

The College is involved in litigation and other matters, many of which occur in the normal course of business. It is not possible at the present time to estimate the outcome of liability, if any, of the College with respect to the various proceedings. However, 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.

(10) Contingent Liabilities.

During 2009, the district issued \$18,215,000 in general obligation bonds for capital improvements.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

The Internal Revenue Code (IRC) and Arbitrage Rebate Regulations issued by the Internal Revenue Service (IRS) require a rebate to the Federal Government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Excess earnings must be rebated every five years, or upon maturity of the bonds, whichever is earlier.

During the current year, the arbitrage calculation was not made.

(11) Risk Management.

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

(12) Jones County Junior College Foundation, Inc.

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also required recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

(13) Subsequent Events.

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the College evaluated the activity of the College through January 14, 2013 and determined that there are no subsequent events that have occurred that would require disclosure in the notes to the financial statements.

JONES COUNTY JUNIOR COLLEGE

SUPPLEMENTAL INFORMATION

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/Identifying Numbers	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Programs</i>			
Student Financial Aid - Cluster			
Federal PELL Grant Program	84.063		\$ 11,257,709
Federal Direct Student Loans	84.268		4,507,098
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		198,440
Federal Work Study Program (FWS)	84.033		122,915
Total Student Financial Aid			<u>16,086,162</u>
<i>Other Programs</i>			
Fund for the Improvement of Postsecondary Education	84.116		<u>3,953</u>
<i>Pass-through Programs</i>			
Mississippi Department of Education Career and Technical Education - Basic Grants to States	84.048	3403	<u>216,665</u>
State Board for Community and Junior Colleges State Fiscal Stabilization Cluster ARRA - State Fiscal Stabilization Fund (SFSF) Government Services Recovery Act	84.397	FY 2011-22	104,516
Adult Education - Basic Grants to States	84.002	2010-208-017	<u>164,586</u>
Total State Board for Community and Junior Colleges			<u>269,102</u>
Total U.S. Department of Education			<u>16,575,882</u>
<u>Small Business Administration</u>			
<i>Pass-through Programs</i>			
University of Mississippi Small Business Development Centers	59.037	Unknown	<u>70,133</u>
<u>National Science Foundation Direct Program</u>			
Research and Development Cluster Education and Human Resources	47.076		2,049
<i>Pass-through Programs</i>			
University of Southern MS - Engineering Grants	47.041	USM-GR03699-01	<u>32,880</u>
Total National Science Foundation			<u>34,929</u>

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/Identifying Numbers	Federal Expenditures
<u>Department of Agriculture</u>			
<i>Direct Program</i>			
New ERA Rural Grant Technology Competitive Grant Program	10.314	12402200/1106955	\$ 24,679
<u>Department of Labor</u>			
<i>Direct Programs</i>			
Trade Adjustment Assistance	17.245		10,801
Incentive Grants - WIA Section 503	17.267		105,577
<i>Pass-through Programs</i>			
State Board of Community and Junior Colleges WIA Cluster WIA Adult Program	17.258		3,330
Mississippi Department of Employment Security WIA Cluster WIA Dislocated Worker Formula Grants	17.278	8-S90-016-W6727-1	135,678
Southern Mississippi Planning and Development District WIA Cluster WIA Dislocated Worker Formula Grants WIA Dislocated Worker Formula Grants	17.278 17.278	DWCJCJC010 JCJC Computer 010	39,556 74,631
Total Southern Mississippi Planning and Development District			114,187
Total Department of Labor			369,573
<u>Department of Justice</u>			
<i>Pass-through Program</i>			
Mississippi Division of Public Safety Planning Office of Justice Programs Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0403	6,249
Total Expenditures of Federal Awards			\$ 17,081,445

JONES COUNTY JUNIOR COLLEGE
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Jones County Junior College under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Jones County Junior College, it is not intended to and does not present the financial position, changes in net assets or cash flows of Jones County Junior College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Education Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

JONES COUNTY JUNIOR COLLEGE

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



WM. F. HORNE
& Company, PLLC
CPAs • BUSINESS ADVISORS

**INDEPENDENT AUDITORS' 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 the business-type activities of Jones County Junior College (the "College") and the discretely presented component unit as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents and have issued our report thereon dated January 14, 2013. 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. Our audit of the discretely presented component unit, Jones County Junior College Foundation, Inc., was conducted in accordance with auditing standards generally accepted in the United States of America, but was not conducted in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the College is responsible for establishing and maintaining effective 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

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. However, this report is a matter of public record and its distribution is not limited.

Wm. F. H. & Co. PLLC

Laurel, Mississippi
January 14, 2013



WM. F. HORNE
& *Company, PLLC*
CPAs • BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Jones County Junior College's major federal programs are identified in the summary of auditors' 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2012-1.

Internal Control over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The College's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Legislature, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

William F. White & Co. PLLC

Laurel, Mississippi
January 14, 2013

JONES COUNTY JUNIOR COLLEGE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**



WM. F. HORNE
& Company, PLLC
CPAs • BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Board of Directors
Jones County Junior College
Ellisville, Mississippi

We have audited the financial statements of the business-type activities of Jones County Junior College (the "College") as of and for the year ended June 30, 2012 and the discretely presented component unit which collectively comprise the College's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 14, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. We conducted our audits of the business-type activities of the College in accordance with 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*.

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 procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance.

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. However, this report is a matter of public record and its distribution is not limited.

WM. F. HORNE & Co. PLLC

Laurel, Mississippi
January 14, 2013

JONES COUNTY JUNIOR COLLEGE

Summary of Prior Audit Findings
Year Ended June 30, 2012

Reference Number	Summary of Findings	Status
2011-1	The College did not receive the appropriate form from the employee to file with PERS.	Corrected.

JONES COUNTY JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY JUNIOR COLLEGE
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditors' report issued on the general purpose financial statements: | Unqualified |
| 2. | Material noncompliance relating to the general purpose financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditors' 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 programs identified as a major program: | |
| a. | Student financial aid cluster:
CFDA #84.063
CFDA #84.007
CFDA #84.033
CFDA #84.268 | |
| b. | Adult Basic Education Grant
CFDA #84.002 | |

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section 1: Summary of Auditors' Results (Continued)

- | | | |
|-----|---|-----------|
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 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

None

Section 3: Findings and Questioned Costs for Federal Awards

Finding 2012-1

Program: Student Financial Aid Cluster, Federal PELL Grant Program CFDA #84.063

Criteria: 34CFR.690.83 All schools receiving Pell grants must submit Pell payment data to the Department of Education through the Common Origination and Disbursement (COD) System. Information to be reported includes Social Security Number, award amount, enrollment date, verification status code, transaction number, cost of attendance and academic calendar.

Condition: The College improperly reported the Cost of Attendance to the COD for 23 out of 36 students selected for testing,

Questioned Costs: Amounts awarded to the students were based on budget sheets which included costs of attendance which were accurate in amount. Therefore, there were no questioned costs as a result of these errors.

Cause: Information reported to COD was automated within the College's computer system. The report was written to access a field within the Student Financial Aid database which was not updated on a regular basis.

Effect: If the amount of award exceeded cost of attendance that was reported to COD, the students' records could have been incorrectly rejected.

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section 3: Findings and Questioned Costs for Federal Awards (Continued)

Recommendation: The Student Financial Aid Office should coordinate efforts with the Information Technology Department to review the parameters of the system-generated report to ensure that the correct fields within the database are accessed to generate information to be reported.

Views of responsible officials and corrective action plan: The cost of attendance was sent electronically to COD through PeopleSoft. The issue with cost of attendance was addressed with an onsite PeopleSoft consultant. Adjustments were made within PeopleSoft per the consultant's recommendations for accurate reporting. The cost of attendance was not exceeded for any of the students, and the financial aid office fully expects the adjustments in PeopleSoft to allow the college to rely on the system's cost of attendance calculations.

Section 4: Findings Required to be Reported by Mississippi Office of the State Auditor

None