



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



**JONES COUNTY JUNIOR COLLEGE**

Ellisville, Mississippi

Audited Financial Statements

Years Ended June 30, 2013 and 2012

# JONES COUNTY JUNIOR COLLEGE

## TABLE OF CONTENTS

FINANCIAL AUDIT REPORT .....	1
Independent Auditors' Report.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
AUDITED FINANCIAL STATEMENTS .....	11
Statements of Net Position.....	12
Statements of Revenues, Expenses and Changes in Net Position .....	14
Statements of Cash Flows.....	16
Notes to Financial Statements.....	19
SUPPLEMENTAL INFORMATION .....	39
Schedule of Expenditures of Federal Awards.....	40
Notes to Schedule of Expenditures of Federal Awards .....	42
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE .....	43
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 <i>Government Auditing Standards</i> .....	44
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	46
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	49
Independent Auditors' Report on Compliance with State Laws and Regulations .....	50
SUMMARY OF PRIOR AUDIT FINDINGS .....	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	52

# **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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Jones County Junior College (the "College") and Jones County Junior College Foundation, Inc. (the "Foundation"), a discretely presented component unit as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the College, as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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 procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014 on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Wm. F. H. & Co. PLLC*

Laurel, Mississippi  
March 11, 2014

# **JONES COUNTY JUNIOR COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# JONES COUNTY JUNIOR COLLEGE

## Management's Discussion and Analysis

June 30, 2013

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, 2013. 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 position, the statement of revenues, expenses and changes in net position, 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 Position*

The statement of net position includes all assets and liabilities. The College's net position (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net position measure 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.

#### Condensed Statement of Net Position

	2013	2012
Assets		
Current assets (net)	\$ 14,882,654	\$ 15,172,984
Non-current assets		
Capital, net	76,375,240	74,511,049
Other	826,308	2,886,135
Total assets	92,084,202	92,570,168

**JONES COUNTY JUNIOR COLLEGE**

## Management's Discussion and Analysis

June 30, 2013

	2013	2012
Liabilities		
Current liabilities	\$ 4,113,869	\$ 4,563,409
Non-current liabilities	16,939,501	17,450,372
Total liabilities	21,053,370	22,013,781
Net position		
Net investment in capital assets	59,410,889	57,070,010
Restricted		
Expendable	764,562	1,358,964
Unrestricted	10,855,381	12,127,413
Total net position	\$ 71,030,832	\$ 70,556,387

The current asset position at June 30, 2013 is \$14,882,654. This represents primarily cash and accounts receivable. Total Accounts Receivable of \$3,687,910 is reported net of Allowance for Doubtful Accounts of \$1,234,386.

The current liabilities are made up of accounts payable and accrued year-end liabilities. The non-current liabilities represent a 30-year bond issue, the proceeds of which were used for capital projects.

The largest portion of the College's net position (84 percent) is in the category of "Net investment in capital assets" (land, buildings and equipment). The unrestricted net position may be used to meet the College's operating obligations as they become due.

The Statement of Net Position has remained relatively stable with capital assets increasing by approximately \$2 million, primarily due to a major dorm expansion which was completed this year. Also, Other Non-current assets decreased by approximately \$2 million due to cashing out Certificates of Deposits worth \$2 million

***Statement of Revenues, Expenses and Changes in Net Position***

The statement of revenues, expenses and changes in net position 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.

**JONES COUNTY JUNIOR COLLEGE**

## Management's Discussion and Analysis

June 30, 2013

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<b>2013</b>	<b>2012</b>	<b>Change</b>
Operating revenues			
Tuition and fees (net)	\$ 4,466,362	\$ 3,357,580	\$ 1,108,782
Grants and contracts	18,943,043	20,870,113	(1,927,070)
Sales and service	118,018	148,773	(30,755)
Auxiliary enterprises	3,307,023	2,174,824	1,132,199
Other operating revenues	415,633	569,451	(153,818)
Total operating revenues	27,250,079	27,120,741	129,338
Operating expenses	49,299,286	49,777,561	(478,275)
Operating (loss)	(22,049,207)	(22,656,820)	607,613
Non-operating revenues			
State appropriations	14,148,414	15,157,267	(1,008,853)
County appropriations	3,072,309	2,330,451	741,858
Gifts	171,408	311,570	(140,162)
Investment income, net	19,969	42,572	(22,603)
Gain (loss) on sale of fixed asset	22,464	(60,078)	82,542
Other non-operating revenues	720,661	14,625	706,036
Non-operating expenses			
Interest on indebtedness	(836,468)	(25,031)	(811,437)
Net non-operating revenues	17,318,757	17,771,376	(452,619)
(Loss) before other revenues	(4,730,450)	(4,885,444)	154,994
Other revenues			
State appropriations - capital	2,996,140	1,229,990	1,766,150
Local appropriations - capital	2,208,755	2,395,117	(186,362)
Total other revenues	5,204,895	3,625,107	1,579,788
Change in net position	474,445	(1,260,337)	1,734,782
Net position, beginning of year	70,556,387	71,816,724	(1,260,337)
Net position, end of year	\$ 71,030,832	\$ 70,556,387	\$ 474,445

## JONES COUNTY JUNIOR COLLEGE

### Management's Discussion and Analysis

June 30, 2013

In fiscal year 2013, operating revenues totaled \$27.2 million and non-operating revenues totaled \$22.5 million. The sources of operating revenues 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 and local capital aid for the purchase, construction, renovation, and repair of capital assets. The reduction in Grants and Contracts results in higher net revenue in Tuition and Fees and Auxiliary Revenue, since less aid was available to offset student fees. While enrollment dropped 6 percent, the full-time tuition rate increased 4 percent, and with a major change in the fee structure related to bookstore auxiliary electronic books, the college was able to maintain operating revenues at the fiscal year 2012 levels. State Appropriations are based on the previous year's (for the fiscal year 2012) low enrollment. County support increased with the Tuition Assistance programs in Jasper and Greene counties. Greene County also increased millage to fund zero-interest loans for construction in Leakesville. Interest costs increased significantly due to a decrease in the amount of interest the College capitalized into assets financed through the special obligation bond.

Total revenue less expenditure (change in net position) was \$474,445 for the fiscal year 2013. This represents a \$1.7 million improvement over the fiscal year 2012.

### Operating Expenses

Operating expenses in the fiscal year 2013 of \$49,299,286 represent a 1.0 percent reduction from the prior fiscal year.

Due to budget constraints, staffing levels and salary expenditures were reduced by 3.2 percent, travel by 24.2 percent, and other operating expenses by 9.4 percent. Software contracts and maintenance costs continue to rise, which is reflected in contractual services expense increase of 13.0 percent. The college actively manages its utility usage through the energy management strategy and enjoyed a modest reduction of 5.4 percent in the fiscal year 2013. The tuition was increased 4.2 percent in the fiscal year 2013 and is reflected in the scholarship increase.

	2013	2012	Percent Change	
Expenses by object				
Salaries and wages	\$ 19,187,709	\$ 19,824,224	(3.21)	%
Fringe benefits	5,515,334	5,430,804	1.56	
Travel	302,733	399,591	(24.24)	
Contractual services	5,965,355	5,276,238	13.06	
Utilities	1,053,294	1,113,490	(5.41)	
Scholarships and fellowships	7,324,835	6,932,187	5.66	
Commodities	5,965,254	5,865,293	1.70	
Depreciation expense	2,955,250	3,799,760	(22.23)	
Other operating expense	1,029,522	1,135,974	(9.37)	
Total	<u>\$ 49,299,286</u>	<u>\$ 49,777,561</u>		

## JONES COUNTY JUNIOR COLLEGE

### Management's Discussion and Analysis

June 30, 2013

---

Expenses by function	
Instruction	\$ 17,193,421
Instructional support	1,070,845
Student services	2,529,466
Athletics	1,353,416
Institutional support	6,400,592
Operation of plant	4,572,675
Student aid	7,285,015
Auxiliary enterprises	5,938,606
Depreciation	<u>2,955,250</u>
 Total operating expenses by function	 <u>\$ 49,299,286</u>

### Management Outlook

Jones is poised to continue to positively impact its district and the state. The campus facilities and infrastructure are in better overall condition than at any time in the last twenty years. The quality of instruction is also at very high levels; the faculty and administration are intentional about educating today's student for today's economy. Recent enrollment success has contributed to the improvement of the college's financial condition, and enrollment is expected to trend upward. We look forward to actively managing the college's economics and moving forward with educational excellence.

# **JONES COUNTY JUNIOR COLLEGE**

## **AUDITED FINANCIAL STATEMENTS**

# **JONES COUNTY JUNIOR COLLEGE**

## Statements of Net Position

June 30, 2013 and 2012

	2013			2012		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 10,403,954	\$ 1,207,572	\$ 11,611,526	\$ 9,531,054	\$ 1,076,919	\$ 10,607,973
Short-term investments	-	-	-	1,000,000	-	1,000,000
Accounts receivable, net of allowance of \$1,234,386 and \$1,098,843 in 2013 and 2012, respectively	3,687,910	-	3,687,910	3,715,108	-	3,715,108
Contributions receivable	-	60,163	60,163	-	133,941	133,941
Inventories	565,975	-	565,975	694,430	-	694,430
Prepaid expenses	224,815	-	224,815	232,392	-	232,392
Total current assets	14,882,654	1,267,735	16,150,389	15,172,984	1,210,860	16,383,844
Noncurrent assets						
Restricted cash and cash equivalents	508,271	-	508,271	556,417	-	556,417
Restricted investments	-	-	-	2,000,000	-	2,000,000
Endowment investments	-	7,791,136	7,791,136	-	7,351,778	7,351,778
Contributions receivable, net of current portion, discount, and allowance of \$0 and \$49,631 for 2013 and 2012, respectively	-	121,290	121,290	-	113,023	113,023
Student notes receivable, net	8,520	-	8,520	8,521	-	8,521
Bond issuance cost, net of accumulated amortization	309,517	-	309,517	321,197	-	321,197
Capital assets, net of accumulated depreciation, as restated for 2012	76,375,240	201,999	76,577,239	74,511,049	201,999	74,713,048
Total noncurrent assets	77,201,548	8,114,425	85,315,973	77,397,184	7,666,800	85,063,984
Total assets	\$ 92,084,202	\$ 9,382,160	\$ 101,466,362	\$ 92,570,168	\$ 8,877,660	\$ 101,447,828
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 1,268,986	\$ 915	\$ 1,269,901	\$ 1,515,352	\$ -	\$ 1,515,352
Accrued liabilities	2,094,832	-	2,094,832	2,245,400	-	2,245,400
Compensated absences, current portion	225,829	-	225,829	240,821	-	240,821
Deferred revenues	-	-	-	23,631	-	23,631
Long-term liabilities, current portion	524,222	-	524,222	538,205	-	538,205
Total current liabilities	4,113,869	915	4,114,784	4,563,409	-	4,563,409
Noncurrent liabilities						
Long-term liabilities, net of current portion	16,939,501	-	16,939,501	17,450,372	-	17,450,372
Total liabilities	21,053,370	915	21,054,285	22,013,781	-	22,013,781

**JONES COUNTY JUNIOR COLLEGE**  
Statements of Net Position  
June 30, 2013 and 2012

	2013			2012		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
<b>NET POSITION</b>						
Net investment in capital assets, as restated for 2012	\$ 59,410,889	\$ -	\$ 59,410,889	\$ 57,070,010	\$ -	\$ 57,070,010
Restricted for						
Nonexpendable						
Scholarships and fellowships	-	6,793,402	6,793,402	-	6,674,331	6,674,331
Expendable						
Scholarships and fellowships	265,190	-	265,190	802,433	-	802,433
Capital projects	499,372	-	499,372	547,538	-	547,538
Loans	-	-	-	8,993	-	8,993
Temporarily restricted		1,940,038	1,940,038	-	1,501,491	1,501,491
Unrestricted	10,855,381	647,805	11,503,186	12,127,413	701,838	12,829,251
Total net position, as restated for 2012	\$ 71,030,832	\$ 9,381,245	\$ 80,412,077	\$ 70,556,387	\$ 8,877,660	\$ 79,434,047

See accompanying notes.

**JONES COUNTY JUNIOR COLLEGE**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2013 and 2012**

	2013			2012		
	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 \$7,288,939 in 2013 and \$8,913,227 in 2012	\$ 4,466,362	\$ -	\$ 4,466,362	\$ 3,357,580	\$ -	\$ 3,357,580
Federal grants and contracts	15,437,382	-	15,437,382	17,090,952	-	17,090,952
State grants and contracts	3,268,890	-	3,268,890	3,256,973	-	3,256,973
Nongovernmental grants and contracts	236,771	-	236,771	522,188	-	522,188
Sales and services of educational departments	118,018	-	118,018	148,773	-	148,773
Auxiliary enterprises						
Student housing, net of scholarship allowances of \$736,588 in 2013 and \$819,704 in 2012	316,108	-	316,108	202,655	-	202,655
Food services, net of scholarship allowances of \$1,098,563 in 2013 and \$1,056,611 in 2012	617,133	-	617,133	635,980	-	635,980
Bookstore, net of scholarship allowances of \$834,530 in 2013 and \$1,687,119 in 2012	2,373,782	-	2,373,782	1,336,189	-	1,336,189
Contributions	-	754,761	754,761	-	1,192,339	1,192,339
Net unrealized and realized gains on long-term investments	-	408,782	408,782	-	(243,967)	(243,967)
Investment income	-	261,087	261,087	-	238,508	238,508
Adjustment of bad debt allowance	-	5,777	5,777	-	-	-
Other operating revenues	415,633	-	415,633	569,451	-	569,451
Total operating revenues	27,250,079	1,430,407	28,680,486	27,120,741	1,186,880	28,307,621
Operating expenses						
Salaries and wages	19,187,709	245,674	19,433,383	19,824,224	190,188	20,014,412
Fringe benefits	5,515,334	-	5,515,334	5,430,804	-	5,430,804
Travel	302,733	-	302,733	399,591	-	399,591
Contractual services	5,965,355	-	5,965,355	5,276,238	-	5,276,238
Utilities	1,053,294	23,746	1,077,040	1,113,490	25,755	1,139,245
Scholarships and fellowships	7,324,835	220,836	7,545,671	6,932,187	218,483	7,150,670
Commodities	5,965,254	-	5,965,254	5,865,293	-	5,865,293
Supplies, expenses and other distributions	-	436,566	436,566	-	664,185	664,185
Depreciation expense	2,955,250	-	2,955,250	3,799,760	-	3,799,760
Other operating expenses	1,029,522	-	1,029,522	1,135,974	-	1,135,974
Total operating expenses	49,299,286	926,822	50,226,108	49,777,561	1,098,611	50,876,172
Operating income (loss)	(22,049,207)	503,585	(21,545,622)	(22,656,820)	88,269	(22,568,551)

**JONES COUNTY JUNIOR COLLEGE**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2013 and 2012**

	2013			2012		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Nonoperating revenues (expenses)						
State appropriations	\$ 14,148,414	\$ -	\$ 14,148,414	\$ 15,157,267	\$ -	\$ 15,157,267
Local appropriations	3,072,309	-	3,072,309	2,330,451	-	2,330,451
Gifts	171,408	-	171,408	311,570	-	311,570
Investment income	19,969	-	19,969	42,572	-	42,572
Interest expense	(836,468)	-	(836,468)	(25,031)	-	(25,031)
Gain (loss) on disposition of fixed assets	22,464	-	22,464	(60,078)	-	(60,078)
Other nonoperating revenues	720,661	-	720,661	14,625	-	14,625
Total nonoperating revenues (expenses)	17,318,757	-	17,318,757	17,771,376	-	17,771,376
Income (loss) before appropriations restricted for capital purposes	(4,730,450)	503,585	(4,226,865)	(4,885,444)	88,269	(4,797,175)
Other revenues						
State appropriation restricted for capital purposes	2,996,140	-	2,996,140	1,229,990	-	1,229,990
Local appropriations restricted for capital purposes	2,208,755	-	2,208,755	2,395,117	-	2,395,117
Total other revenues	5,204,895	-	5,204,895	3,625,107	-	3,625,107
Changes in net position	474,445	503,585	978,030	(1,260,337)	88,269	(1,172,068)
Net position, beginning of year, as restated	70,556,387	8,877,660	79,434,047	71,816,724	8,789,391	80,606,115
Net position, end of year	\$ 71,030,832	\$ 9,381,245	\$ 80,412,077	\$ 70,556,387	\$ 8,877,660	\$ 79,434,047

See accompanying notes.

# **JONES COUNTY JUNIOR COLLEGE**

## Statements of Cash Flows

For the years ended June 30, 2013 and 2012

	2013			2012		
	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	\$ 4,090,749	\$ -	\$ 4,090,749	\$ 2,164,114	\$ -	\$ 2,164,114
Grants and contracts	19,125,551	-	19,125,551	20,317,592	-	20,317,592
Sales and services of educational departments	157,535	-	157,535	185,537	-	185,537
Payments to suppliers	(12,024,015)	-	(12,024,015)	(11,435,117)	-	(11,435,117)
Payments to employees for salaries and benefits	(24,539,771)	-	(24,539,771)	(25,658,580)	-	(25,658,580)
Payments for utilities	(1,515,544)	-	(1,515,544)	(1,101,544)	-	(1,101,544)
Payments for scholarships and fellowships	(7,324,835)	-	(7,324,835)	(6,932,187)	-	(6,932,187)
Loans issued to students and employees	-	-	-	2,000	-	2,000
Auxiliary enterprise charges						
Student housing	161,712	-	161,712	132,358	-	132,358
Food services	553,321	-	553,321	540,893	-	540,893
Bookstore	1,495,828	-	1,495,828	1,315,895	-	1,315,895
Other receipts	258,023	149,475	407,498	575,314	376,877	952,191
Net cash provided by (used by) operating activities	(19,561,446)	149,475	(19,411,971)	(19,893,725)	376,877	(19,516,848)
Cash flows from noncapital financing activities						
State appropriations	14,172,604	-	14,172,604	14,958,957	-	14,958,957
Local appropriations	3,206,419	-	3,206,419	2,290,711	-	2,290,711
Gifts and grants for other than capital purposes	93,049	-	93,049	620,741	-	620,741
Change in contributions restricted for investments in long-term investments	-	(104,035)	(104,035)	-	(379,493)	(379,493)
Other sources	745,499	-	745,499	34,487	-	34,487
Net cash provided by (used by) noncapital financing activities	18,217,571	(104,035)	18,113,536	17,904,896	(379,493)	17,525,403
Cash flows from capital and related financing activities						
Cash paid for capital assets	(1,735,877)	-	(1,735,877)	(2,763,090)	-	(2,763,090)
Capital appropriations received	2,208,755	-	2,208,755	2,395,117	-	2,395,117
Principal paid on capital debt and leases	(524,854)	-	(524,854)	(538,205)	-	(538,205)
Interest paid on capital debt and leases	(824,788)	-	(824,788)	(822,028)	-	(822,028)
Other sources (uses)	22,464	-	22,464	(180,584)	-	(180,584)
Net cash used by capital and related financing activities	(854,300)	-	(854,300)	(1,908,790)	-	(1,908,790)

**JONES COUNTY JUNIOR COLLEGE**  
**Statements of Cash Flows**  
**For the years ended June 30, 2013 and 2012**

	2013			2012		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Cash flows from investing activities						
Proceeds from sales and maturities of investments	\$ 3,000,000	\$ 226,088	\$ 3,226,088	\$ 3,000,000	\$ 3,979,375	\$ 6,979,375
Interest received on investments	22,929	104,035	126,964	54,620	379,493	434,113
Purchases of investments	-	(244,910)	(244,910)	(3,000,000)	(4,465,190)	(7,465,190)
Net cash provided by (used by) investing activities	3,022,929	85,213	3,108,142	54,620	(106,322)	(51,702)
Net increase (decrease) in cash and cash equivalents	824,754	130,653	955,407	(3,842,999)	(108,938)	(3,951,937)
Cash and cash equivalents, beginning of year	10,087,471	1,076,919	11,164,390	13,930,470	1,185,857	15,116,327
Cash and cash equivalents, end of year	\$ 10,912,225	\$ 1,207,572	\$ 12,119,797	\$ 10,087,471	\$ 1,076,919	\$ 11,164,390
Reconciliation of cash and cash equivalents to the statements of net assets						
Cash and cash equivalents classified as current assets	\$ 10,403,954	\$ 1,207,572	\$ 11,611,526	\$ 9,531,054	\$ 1,076,919	\$ 10,607,973
Cash and cash equivalents classified as noncurrent assets	508,271	-	508,271	556,417	-	556,417
	\$ 10,912,225	\$ 1,207,572	\$ 12,119,797	\$ 10,087,471	\$ 1,076,919	\$ 11,164,390

**JONES COUNTY JUNIOR COLLEGE**  
**Statements of Cash Flows**  
**For the years ended June 30, 2013 and 2012**

	2013			2012		
	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)	\$ (22,049,207)	\$ 503,585	\$ (21,545,622)	\$ (22,656,820)	\$ 88,269	\$ (22,568,551)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities						
Bad debt expense	621,510	-	621,510	845,153	-	845,153
Depreciation and amortization expense	2,955,250	-	2,955,250	3,799,760	-	3,799,760
Net unrealized and realized gains on long-term investments	-	(408,782)	(408,782)	-	243,967	243,967
Changes in assets and liabilities						
(Increase) decrease in assets	(702,051)	65,511	(636,540)	(126,298)	49,483	(76,815)
Receivables, net	-	(11,754)	(11,754)	-	-	-
Cash surrender value of life insurance policies and other gains	128,455	-	128,455	(85,493)	(3,538)	(89,031)
Inventories	7,577	-	7,577	(30,881)	-	(30,881)
Prepaid expenses	-	-	-	2,000	-	2,000
Loans to students and employees	(334,129)	915	(333,214)	(1,309,734)	(1,304)	(1,311,038)
Increase (decrease) in liabilities	(150,228)	-	(150,228)	(355,733)	-	(355,733)
Accounts payable	(23,631)	-	(23,631)	1,231	-	1,231
Accrued liabilities	(14,992)	-	(14,992)	23,090	-	23,090
Deferred revenues						
Compensated absences						
Total adjustments	2,487,761	(354,110)	2,133,651	2,763,095	288,608	3,051,703
Net cash provided by (used by) operating activities	\$ (19,561,446)	\$ 149,475	\$ (19,411,971)	\$ (19,893,725)	\$ 376,877	\$ (19,516,848)
Noncash transactions						
State appropriations restricted for capital purposes	\$ 2,996,140	\$ -	\$ 2,996,140	\$ 1,229,990	\$ -	\$ 1,229,990

See accompanying notes.

## JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

### (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*, as amended by the provisions GASB Statement No. 61, 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, 2013 and 2012

Amounts representing services and facilities contributed to the Foundation by the College for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Salaries, wages and benefits	\$ 245,674	\$ 190,188
Office and occupancy	21,609	25,755
Total	\$ 267,283	\$ 215,943

Amount paid to the College by the Foundation for scholarships were \$220,836 and \$218,483 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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 position.

## **JONES COUNTY JUNIOR COLLEGE**

### **Notes to Financial Statements Years Ended June 30, 2013 and 2012**

- 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 position.
- 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 position 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 position.
- 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 4 for additional details concerning useful lives, salvage values and capitalization thresholds.

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements Years Ended June 30, 2013 and 2012

- 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, 2013 and 2012**

- Nonoperating revenues and expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state and local appropriations and investment income, and that are defined as nonoperating revenues by GASB pronouncements.
- 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 Position - Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net position net investment in capital assets consists 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 position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs. Unrestricted net position consists of all other components of net position that do not meet any of the previous criteria.

# JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

## (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	
	2013	2012
Pooled investments and mutual funds	\$ 6,764,398	\$ 6,227,374
Preferred stock	575,091	685,838
Cash value of life insurance policies	208,067	196,312
Total investments, at fair value	7,547,556	7,109,524
Other investments		
Certificates of deposit	243,580	242,254
Total investments	\$ 7,791,136	\$ 7,351,778

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, 2013 and 2012

The following table summarizes the carrying values of the restricted and endowment investments reported on the statement of net position as of June 30, 2013:

	<b>Jones County Junior College</b>	<b>Jones County Junior College Foundation</b>
Endowment investments	\$ -	\$ 7,791,136

The following table summarizes the carrying values of the long-term investments reported on the statement of net position as of June 30, 2012:

	<b>Jones County Junior College</b>	<b>Jones County Junior College Foundation</b>
Investments restricted for capital expansion	\$ 2,000,000	\$ -
Endowment investments	-	7,351,778
Total	\$ 2,000,000	\$ 7,351,778

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:

	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 10,403,954	\$ 9,531,054
Short-term investments	-	1,000,000
Total current cash and cash investments	10,403,954	10,531,054
Restricted cash and cash equivalents	508,271	556,417
Restricted investments	-	2,000,000
Total noncurrent cash and cash investments	508,271	2,556,417
Total cash and investments	\$ 10,912,225	\$ 13,087,471

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements Years Ended June 30, 2013 and 2012

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

	2013	2012
Cash and cash equivalents	\$ 1,207,572	\$ 1,076,919
Endowment investments	7,791,136	7,351,778
Total	\$ 8,998,708	\$ 8,428,697

As of June 30, 2013 and 2012, the Foundation maintained \$6,764,398 and \$6,227,374, 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 position.

*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, 2013, the College did not have any investments to which this would apply.

**JONES COUNTY JUNIOR COLLEGE**Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

*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, 2013, the College did not have any investments to which this would apply.

## (3) Accounts Receivable.

Accounts receivable of the College consisted of the following at June 30, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Student tuition	\$ 863,944	\$ 1,986,068
Auxiliary enterprises and other operating activities	1,814,669	11,712
Federal, state, and private grants and contracts	1,589,459	1,072,111
State appropriations	608,696	1,241,152
Local appropriations	-	134,110
Accrued interest	-	2,184
Other	45,528	366,614
Total accounts receivable	4,922,296	4,813,951
Less allowance for doubtful accounts	(1,234,386)	(1,098,843)
Net accounts receivable	<u>\$ 3,687,910</u>	<u>\$ 3,715,108</u>

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

	<b>2013</b>	<b>2012</b>
Contributions receivable, current portion	\$ 60,163	\$ 133,941
Contributions receivable, net of current portion	121,290	113,023
	<u>\$ 181,453</u>	<u>\$ 246,964</u>

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements Years Ended June 30, 2013 and 2012

### (4) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2013 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	\$ 42,849	\$ -	\$ 509,050	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	2,232,129	4,461,857	(6,436,004)	257,982	-	-	-	-
Total nondepreciable capital assets	2,698,330	4,504,706	(6,436,004)	767,032	201,999	-	-	201,999
Depreciable capital assets								
Buildings	86,870,945	6,745,583	-	93,616,528	-	-	-	-
Improvements other than buildings	11,438,234	-	-	11,438,234	-	-	-	-
Equipment	7,031,803	378,673	(608,438)	6,802,038	-	-	-	-
Total depreciable capital assets	105,340,982	7,124,256	(608,438)	111,856,800	-	-	-	-
Less accumulated depreciation for								
Buildings	24,683,901	2,126,381	-	26,810,282	-	-	-	-
Improvements other than buildings	3,460,421	447,261	-	3,907,682	-	-	-	-
Equipment	5,383,941	381,608	(234,921)	5,530,628	-	-	-	-
Total accumulated depreciation	33,528,263	2,955,250	(234,921)	36,248,592	-	-	-	-
Total depreciable capital assets, net	71,812,719	4,169,006	(373,517)	75,608,208	-	-	-	-
Capital assets, net	\$ 74,511,049	\$ 8,673,712	\$ (6,809,521)	\$ 76,375,240	\$ 201,999	\$ -	\$ -	\$ 201,999

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements Years Ended June 30, 2013 and 2012

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	6,771,840	431,181	(171,218)	7,031,803	-	-	-	-
Total depreciable capital assets	96,787,324	8,977,169	(423,511)	105,340,982	-	-	-	-
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	5,095,802	456,921	(168,782)	5,383,941	-	-	-	-
Total accumulated depreciation	30,033,514	3,757,600	(262,851)	33,528,263	-	-	-	-
Total depreciable capital assets, net	66,753,810	5,219,569	(160,660)	71,812,719	-	-	-	-
Capital assets, net	\$ 73,208,224	\$ 7,696,951	\$ (6,394,126)	\$ 74,511,049	\$ 201,999	\$ -	\$ -	\$ 201,999

There are no commitments for construction contracts as of June 30, 2013.

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

# JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

During 2013, management implemented a new software system to better monitor its capital assets. As part of the implementation process, management reviewed the assumptions used to depreciate the assets and found that the previous system was not consistent in computing depreciation in accordance with the College's capital asset policy. These inconsistencies had the effect of increasing the book value of capital assets as of June 30, 2011 in the amount of \$363,073. Management also noted that the individual items within its Library collection did not meet the College's \$5,000 capitalization threshold. An adjustment in the amount of \$189,063 was made to remove the net book value of these items from the books as of July 1, 2011. The balances of capital assets and net position invested in capital assets have been restated for the net effect of these entries in the amount of \$174,010.

## (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, 2013.

Information regarding original issue amounts, interest rates, and maturity dates for notes payable in the long-term liabilities balance at June 30, 2013, 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, 2013 are listed in the following schedule.

<b>Bonds and Notes Payable</b>	<b>Original Issue</b>	<b>Annual Interest Rate</b>	<b>Maturity</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>	<b>Due Within One Year</b>
Special Obligation Bonds, Series								
2009, net of unamortized discount of \$353,813	\$18,215,000	Variable	3/1/2039	\$17,157,835	\$ -	\$(346,649)	\$16,811,186	\$ 370,000
Notes payable with zero percent interest rate	431,687	-	12/1/2012	23,983	-	(23,983)	-	-
Notes payable, Singing River, with zero percent interest rate	360,000	-	6/1/2016	222,000	-	(72,000)	150,000	72,000
Notes payable, Singing River, with zero percent interest rate	740,000	-	7/1/2019	584,759	-	(82,222)	502,537	82,222
Total bonds and notes payable				17,988,577	-	(524,854)	17,463,723	524,222
Other long-term liabilities								
Compensated absences				240,821	-	(14,992)	225,829	225,829
Total				\$18,229,398	\$ -	\$(539,846)	17,689,552	\$ 750,051
Due within one year							(750,051)	
Total long-term portion							\$16,939,501	

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements Years Ended June 30, 2013 and 2012

The debt service requirements as of June 30, 2013 are as follows:

Year	Principal	Interest	Total
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	502,222	757,081	1,259,303
2019 – 2023	2,456,426	3,537,390	5,993,816
2024 – 2028	2,970,000	2,957,525	5,927,525
2029 – 2033	3,805,000	2,140,563	5,945,563
2034 – 2038	4,910,000	1,072,663	5,982,663
2039	1,140,000	58,425	1,198,425
	17,817,536	\$ 13,672,349	\$ 31,489,885
Unamortized bond discount	353,813		
Total	\$ 17,463,723		

The total interest incurred for the year ended June 30, 2013 was \$811,437.

The long-term liabilities balance at June 30, 2012 is 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							\$17,450,372	

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements Years Ended June 30, 2013 and 2012

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	\$ 14,487,386	\$ 32,843,127
Unamortized bond discount	367,164		
Total	\$ 17,988,577		

The interest payments reflected in the 2013 table above were calculated based upon the interest rate in effect for the outstanding bonds at the maturity date.

- Bonds are secured by a pledge of all legally available revenue sources of the College, including, without limitation, the County Tax.
- The bonds are subject to prepayment to the Indentured Trustee, to be deposited into a debt service reserve fund.
- 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, 2013 and 2012

### (6) Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2013:

	<b>Salaries and Wages</b>	<b>Fringe Benefits</b>	<b>Travel</b>	<b>Contractual Services</b>	<b>Utilities</b>
Instruction	\$ 11,318,488	\$ 3,199,693	\$ 122,353	\$ 618,769	\$ 71,095
Instructional support	623,251	193,005	1,234	189,379	-
Student services	1,621,006	497,166	39,513	258,311	-
Athletics	721,367	181,635	71,737	181,452	-
Institutional support	2,978,552	895,832	65,980	1,452,288	-
Operation of plant	1,137,003	416,941	581	1,486,790	635,983
Student aid	-	-	1,130	-	-
Auxiliary enterprises	788,042	131,062	205	1,778,366	346,216
Total operating expenses	<u>\$ 19,187,709</u>	<u>\$ 5,515,334</u>	<u>\$ 302,733</u>	<u>\$ 5,965,355</u>	<u>\$ 1,053,294</u>

	<b>Scholarships and Fellowships</b>	<b>Commo- dities</b>	<b>Depre- ciation Expense</b>	<b>Other</b>	<b>Total</b>
Instruction	\$ 42,000	\$ 1,545,523	\$ -	\$ 275,500	\$ 17,193,421
Instructional support	-	63,976	-	-	1,070,845
Student services	-	113,478	-	(8)	2,529,466
Athletics	-	197,225	-	-	1,353,416
Institutional support	-	394,514	-	613,426	6,400,592
Operation of plant	-	862,189	-	33,188	4,572,675
Student aid	7,282,835	1,050	-	-	7,285,015
Auxiliary enterprises	-	2,787,299	-	107,416	5,938,606
Depreciation	-	-	2,955,250	-	2,955,250
Total operating expenses	<u>\$ 7,324,835</u>	<u>\$ 5,965,254</u>	<u>\$ 2,955,250</u>	<u>\$ 1,029,522</u>	<u>\$ 49,299,286</u>

# JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

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 Foundation, Inc.'s operating expenses by functional classification were as follows for the year ended June 30, 2013:

	Salaries and Wages	Utilities	Scholarships and Fellowships	Other	Total
Student aid	\$ -	\$ -	\$ 220,836	\$ -	\$ 220,836
Endowment operations	245,674	23,746	-	436,566	705,986
Total operating expenses	\$ 245,674	\$ 23,746	\$ 220,836	\$ 436,566	\$ 926,822

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**

### **Notes to Financial Statements Years Ended June 30, 2013 and 2012**

#### **(7) 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, 2013 and 2012 and the institution is required to contribute at an actuarially determined rate. The current rate is 14.26 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, 2013, 2012, and 2011 were \$2,180,678, \$2,353,420, and \$2,595,318, respectively, equal to the required contributions for each year.

#### **(8) 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.

#### **(9) 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, 2013 and 2012

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.

(10) 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.

(11) 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 position, temporarily restricted net position and unrestricted net position. 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.

(12) Subsequent Events.

Events that occur after the statement of net position 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 position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the College evaluated the activity of the College through March 11, 2014 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**

Notes to Financial Statements  
Years Ended June 30, 2013 and 2012

(13) New Accounting Pronouncements

The College adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* during fiscal year 2013. This statement amends the net position reporting requirements in GASB No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

# **JONES COUNTY JUNIOR COLLEGE**

## **SUPPLEMENTAL INFORMATION**

**JONES COUNTY JUNIOR COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2013

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity/ Identifying Numbers</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Education</u></b>			
<i>Direct Programs</i>			
Student Financial Aid Cluster			
Federal PELL Grant Program	84.063		\$ 9,988,794
Federal Direct Student Loans	84.268		3,488,533
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		152,986
Federal Work Study Program (FWS)	84.033		<u>117,331</u>
Total Student Financial Aid			13,747,644
<i>Pass-through Programs</i>			
Mississippi Department of Education Career & Technical Education - Basic Grants to States	84.048	3403	50,016
State Board of Community and Junior Colleges Adult Education - Basic Grants to States	84.002	2010-208-017	<u>236,021</u>
Total U.S. Department of Education			<u>14,033,681</u>
<b><u>Small Business Administration</u></b>			
<i>Pass-through from University of Mississippi</i>			
Small Business Development Centers	59.037	Unknown	<u>61,071</u>
<b><u>National Science Foundation</u></b>			
<i>Pass-through from University of Southern Mississippi</i>			
Engineering Grants	47.041	USM-GR03699-01	<u>39,011</u>
<b><u>Department of Agriculture</u></b>			
<i>Direct Program</i>			
New ERA Rural Technology Competitive Grants Program	10.314	12402200/1106955	<u>49,173</u>
<b><u>Department of Justice</u></b>			
<i>Direct Program</i>			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		<u>3,677</u>

**JONES COUNTY JUNIOR COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2013

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity/ Identifying Numbers</b>	<b>Federal Expenditures</b>
<b><u>Department of Homeland Security</u></b>			
<i>Direct Program</i>			
Homeland Security Grant Program	97.067		\$ <u>4,128</u>
<b><u>Department of Labor</u></b>			
<i>Direct Programs</i>			
Trade Adjustment Assistance	17.245		9,748
WIA Youth Activities	17.259		62,478
<i>Pass-through Programs</i>			
MS Department of Employment Security WIA Dislocated Worker Formula Grants	17.278	8-S90-016-W6727-1	11,069
Southern Ms Planning and Development District WIA Dislocated Worker Formula Grants	17.278	DWCJCJC010	36,077
WIA Dislocated Worker Formula Grants	17.278	JCJCcomputer010	<u>72,772</u>
Total Department of Labor			<u>192,144</u>
Total Expenditures of Federal Awards			<u>\$ 14,382,885</u>

**JONES COUNTY JUNIOR COLLEGE**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

(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, 2013. 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 position, 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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Jones County Junior College (the "College") and the discretely presented component unit as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 11, 2014. 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***

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, which is listed as Finding 2013-001.

### ***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*.

### ***Jones County Junior College's Response to Findings***

The College's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*William F. H. & Co. PLLC*

Laurel, Mississippi  
March 11, 2014



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Jones County Junior College  
Ellisville, Mississippi

***Report on Compliance for Each Major Federal Program***

We have audited Jones County Junior College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Wm. F. H. & Co. PLLC*

Laurel, Mississippi  
March 11, 2014

# **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, 2013 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 March 11, 2014. 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  
March 11, 2014



Summary of Prior Audit Findings  
Year Ended June 30, 2013

Reference Number	Summary of Findings	Status
2012-1	The College improperly reported the Cost of Attendance to the COD for 23 out of 36 students selected for testing.	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, 2013

**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?         | Yes           |
| 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:<br>CFDA #84.063<br>CFDA #84.268<br>CFDA #84.007<br>CFDA #84.033 |               |
| 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            |

**JONES COUNTY JUNIOR COLLEGE**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**Section 1: Summary of Auditors' Results (Continued)**

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? Yes

**Section 2: Financial Statement Findings**

***Finding 2013-001, Significant Deficiency***

*Criteria:* Self-constructed assets of a governmental entity should be recorded as an addition to the appropriate capital asset category during the year in which they are completed. The amount recorded for those assets should be the cumulative total of expenditures made for that project from its inception, some of which may have been expended in prior years and previously reported as construction in progress. A transfer should be recorded for the cost of the assets which had previously been included as construction in progress.

*Condition:* Expenditures of approximately \$5,000,000, reflecting the total costs of several projects completed during the year were recorded as additions to buildings. However, these amounts included approximately \$1,000,000 of prior year costs and were erroneously recorded as an addition to net position rather than as a reduction of construction in progress.

*Cause:* Failure to consider amounts which were reported as construction in progress as of the beginning of the fiscal year.

*Effect:* Net position was overstated by \$1,049,202 prior to adjustment by auditors.

*Recommendation:* An analysis of the expenditures to date for projects currently under construction as well as those that are completed during the fiscal year should be maintained and referenced when preparing entries to transfer completed amounts to the appropriate capital asset category.

***Views of responsible officials and corrective action plan:***

With three weeks' notice, the College Accountant resigned on July 12, 2013, the time when financial statement preparation would typically commence. The Vice President of Business Affairs took this responsibility. While the Accountant left very good notes and files, all inherent difficulties associated with the transition could not be avoided. The Fixed Asset Schedule is among the more complex of client prepared work papers, and the accounting for Construction in Progress was not accurate or consistent with prior year entries. The Vice President of Business Affairs will be much better informed for the fiscal year 2014 financials.

**JONES COUNTY JUNIOR COLLEGE**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**Section 3: Findings and Questioned Costs for Federal Awards**

***Finding 2013-002***

*Program:* Student Financial Aid Cluster, Federal PELL Grant Program CFDA #84.063, Federal Direct Student Loans CFDA #84.268, and Federal Supplemental Educational Opportunity Grant Program #84.007

*Criteria:* 34CFR.668.22 When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date. In cases in which students do not formally withdraw, the withdrawal date for purposes of calculating the amount of aid earned is based on the last day of attendance recorded for the student.

*Condition:* Withdrawal dates for online classes for 6 of the 25 student tested were significantly later than those of the other regular classes for which the students were enrolled.

*Questioned Costs:* Auditor was unable to identify the impact of the errors on all students with questioned withdrawal date due to the timing of the original disbursement of funds to the student.

*Cause:* Failure of faculty to advise the Student Financial Aid Office of the withdrawal of students enrolled in online classes.

*Effect:* Incorrect withdrawal dates based on the incorrect attendance records resulted in differences in the amount of award earned by students in 3 of the 6 cases noted.

*Recommendation:* Stronger and more frequent procedures over determining participation in online classes should be implemented and the results should be communicated to the Student Financial Aid Office on a timely basis.

*Views of responsible officials and corrective action plan:* The Student Financial Aid Director has discussed the lack of accurate attendance on several occasions with the faculty with no resolution. Absent any documentation to the contrary, the Director must rely on the dates of attendance recorded.

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

None