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JONES COUNTY JUNIOR COLLEGE

Ellisville, Mississippi

Audited Financial Statements

Year Ended June 30, 2019

Fortenberry & Ballard, PC
Certified Public Accountants

Jones County Junior College
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INDEPENDENT AUDITOR'S REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Jones County Junior College and its discretely presented component unit as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Jones County Junior 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Jones County Junior College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Jones County Junior College and of its discretely presented component unit, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College's Contributions (PERS), the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College Contributions (OPEB) on pages 8 to 23 and 74 to 80, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jones County Junior College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the responsibility of management and was derived from and relate 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above 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 2, 2020, on our consideration of the Jones County Junior 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jones County Junior College’s 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 Jones County Junior College’s internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 2, 2020

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

This section of Jones County Junior College's (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2018. The financial statements, notes and this discussion are the responsibility of management.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Government 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. They are 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

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

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 nonoperating. The financial reporting model classifies State of Mississippi (the "State") appropriations and gifts as nonoperating 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.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The College began complying with GASB 68 in fiscal year 2015. The primary objective of the GASB 68 Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 compliance requires the College to record deferred outflows, deferred inflows, net pension liability, and expenses (GASB adjustment to retirement expense) that distort the College's true activity and financial position. In the MD&A, the GASB 68 impact is eliminated to provide a more useful report on operations and net position. Depreciation and change in compensated absences are also removed, as these are non-budgeted, non-cash expenses.

The College implemented GASB Statement No. 75 in the fiscal year 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer is required to recognize a liability for its proportionate share of the net OPEB liability. A cost-sharing employer is also required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
ASSETS			
Current assets	\$ 14,431,221	16,834,468	(14)%
Noncurrent assets	104,885	110,219	(5)%
Capital assets, net	<u>68,407,264</u>	<u>68,594,506</u>	<u>0%</u>
Total assets	<u>82,943,370</u>	<u>85,539,193</u>	<u>(3)%</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	4,217,776	6,309,412	(33)%
OPEB	142,061	142,017	0%
Debt	<u>1,753,779</u>	<u>1,842,946</u>	<u>(5)%</u>
Total Deferred Outflows of Resources	<u>6,113,616</u>	<u>8,294,375</u>	<u>(26)%</u>
LIABILITIES			
Current liabilities	5,229,523	4,595,545	14%
Long-term debt outstanding	16,466,316	17,139,865	(4)%
Net pension liability	51,452,764	51,274,859	0%
OPEB liability	<u>2,431,812</u>	<u>2,474,694</u>	<u>(2)%</u>
Total liabilities	<u>75,580,415</u>	<u>75,484,963</u>	<u>0%</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	1,396,249	1,321,037	6%
OPEB	<u>180,468</u>	<u>126,010</u>	<u>43%</u>
Total Deferred Inflows of Resources	<u>1,576,717</u>	<u>1,447,047</u>	<u>9%</u>
NET POSITION			
Net investment in capital assets	53,799,612	53,297,587	1%
Restricted	8,068	1,095,559	(99)%
Unrestricted	<u>(41,907,826)</u>	<u>(37,491,588)</u>	<u>(12)%</u>
Total net position	<u>\$ 11,899,854</u>	<u>16,901,558</u>	<u>(30)%</u>

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

GASB 68 impact on Net Position	2019	2018	
Total Net Position	\$ 11,899,854	16,901,558	(30)%
Deferred outflows of resources - pension	(4,217,776)	(6,309,412)	(33)%
Deferred inflows of resources - pension	1,396,249	1,321,037	6%
Net pension liability	51,452,764	51,274,859	0%
Deferred outflows of resources - OPEB	(142,061)	(142,017)	0%
Deferred inflows of resources - OPEB	180,468	126,010	43%
Net OPEB liability	2,431,812	2,474,694	(2)%
Total impact on GASB 68 & 75	<u>51,101,456</u>	<u>48,745,171</u>	5%
Net Position net of GASB 68 & 75 impact	<u>63,001,310</u>	<u>65,646,729</u>	(4)%
Less net investment in capital assets	53,799,612	53,297,587	
Less restricted net position	8,068	1,095,559	
Unrestricted	<u>\$ 9,193,630</u>	<u>11,253,583</u>	

ASSETS

Current Assets

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of cash in the College's bank accounts and certificates of deposits. The total amount of cash and cash equivalents reported as current assets on the College's financial statements was \$9,873,561 at June 30, 2019, which is a decrease compared to the June 30, 2018 figure of \$11,196,280.

Restricted Cash

Restricted cash are those funds that are held in the bank accounts and certificates of deposits. The amount of restricted cash at June 30, 2019 totaled \$8,068, which is a decrease compared to \$991,179 at June 30, 2018.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$3,884,700 at June 30, 2019, which is a decrease compared to the June 30, 2018 figure of \$4,037,299.

Inventories

The amount of inventories at year end was \$329,790, a decrease from \$336,667 in the prior year.

Prepaid Items

Prepaid items are payments to vendors that reflect costs applicable to future periods. Prepaid items amounted to \$335,102 at June 30, 2019 and \$273,043 at June 30, 2018.

Noncurrent Assets

Prepaid Bond Insurance Premium, Net

This item represents the portion related to prepaid insurance costs that were paid in conjunction with debt issuance costs. These are recorded as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The amount outstanding at year end was \$104,885.

Capital Assets, Net

Capital assets, net, consists of land, improvements other than buildings, buildings, equipment, and construction in progress at June 30, 2019. The amount reported is net of accumulated depreciation, where applicable. Capital assets, net totaled \$68,407,264 at June 30, 2019 which is a decrease from \$68,594,506 at June 30, 2018.

Deferred Outflows of Resources

The College recognized a deferred outflow of resources related to pension in the amount of \$4,217,776 at June 30, 2019, and one related to the cost of debt refunded in the amount of \$1,753,779. The total amount for deferred outflows of resources decreased from prior year in the amount of \$2,091,636. The deferred outflow of resources related to pension is a result of GASB 68.

The College recognized a deferred outflow of resources related to the net OPEB liability in the amount of \$142,061 at June 30, 2019. The total amount for deferred outflows of resources in

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

increased from prior year in the amount of \$44. The deferred outflow of resources related to OPEB is a result of GASB 75.

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$4,859,492 at June 30, 2019, an increase of \$1,720,588 over the balance of \$3,138,904 at June 30, 2018.

Compensated Absences

The amount of compensated absences at year end amounted to \$361,963, compared to the amount for the previous fiscal year \$361,083.

Unearned Revenue

Unearned revenue at year end was \$8,068, a decrease of \$1,087,490. This figure was \$1,095,558 as of June 30, 2018.

Long-Term Liabilities – Current Portion

Long-term liabilities – current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2019 fiscal year. The amount of the current portion of long-term debt at June 30, 2019 was \$616,852, a decrease of \$50,370 over the balance on June 30, 2018.

Noncurrent Liabilities

Long-Term Liabilities - Net of Current Portion

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the noncurrent portion of long-term debt was \$15,725,000 at June 30, 2019. This is a decrease from the balance of \$16,341,851 (excluding premium), reported as of June 30, 2018.

Bond Premiums

Bond premiums, net of amortization totaled \$124,464 for 2019. This is a decrease from the balance of \$130,792 reported as of June 30, 2018.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Net Pension Liability

The net pension liability for June 30, 2019 is \$51,452,764, which is an increase from the balance of \$51,274,859 reported at June 30, 2018. The net pension liability represents the College's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for the year ended June 30, 2019. See Note 7 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Net OPEB Liability

The net OPEB liability for June 30, 2019 is \$2,431,812, which is a decrease from the balance of \$2,474,694. The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the Schedule of Employers Allocations in the State of Mississippi State and School Employees' Life and Health Insurance Plan (OPEB Plan) for the year ended June 30, 2019. See Note 8 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to OPEB.

Deferred Inflows of Resources

The College recognized a deferred inflow of resources related to pension in the amount of \$1,396,249 at June 30, 2019, which is a decrease from \$75,212 at June 30, 2018.

The College also recognized a deferred inflow of resources related to OPEB in the amount of \$180,468 at June 30, 2019. The total amount for deferred inflows of resources related to OPEB increased from prior year in the amount of \$54,458. The deferred inflow of resources related to OPEB is a result of GASB 75.

NET POSITION

Net position represent the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Total net position at June 30, 2019 was \$11,899,854 which is a decrease of \$5,001,704 from the balance of \$16,901,558, at June 30, 2018.

Analysis of Net Position

Restricted expendable net position consists of scholarships and fellowships and College program support and expenses.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The following is a breakdown of the restricted net position with comparative figures:

		<u>2019</u>	<u>2018</u>
College program support and expenses	\$	<u>8,068</u>	<u>1,095,559</u>

Unrestricted net position represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities, such as housing and meal plans.

The following is a breakdown of the unrestricted net position with comparative figures:

		<u>2019</u>	<u>2018</u>
Unrestricted net position	\$	<u>(41,907,826)</u>	<u>(37,491,588)</u>

In connection with the application of standards on accounting and financial reporting for pensions and OPEB, management represents the following additional information:

Total unrestricted net position (deficit)	\$	(41,907,826)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows related to pensions and OPEB		<u>51,101,456</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$	<u>9,193,630</u>

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 3,047,126	3,919,289
Grants and contracts	17,746,304	19,923,024
Sales and services	127,438	130,961
Auxiliary enterprises	4,710,655	4,592,967
(Net of scholarship allowances)		
Other operating revenue	1,119,049	819,880
Total operating revenues	<u>26,750,572</u>	<u>29,386,121</u>
Operating expenses	<u>53,511,786</u>	<u>53,217,045</u>
Net operating loss	<u>(26,761,214)</u>	<u>(23,830,924)</u>
Nonoperating revenues (expenses)		
State and local appropriations	18,678,932	18,828,151
Gifts and contributions	68,892	225,481
Investment income	13,001	6,710
Interest expense	(625,677)	(637,877)
Gains and loss on sale of fixed assets	1,500	(14,455)
Other nonoperating income (expense)	(5,333)	(5,331)
Total nonoperating revenues, net	<u>18,131,315</u>	<u>18,402,679</u>
Income (loss) before capital appropriations	<u>(8,629,899)</u>	<u>(5,428,245)</u>
Capital appropriations	<u>3,628,195</u>	<u>2,310,912</u>
Change in net position	<u>(5,001,704)</u>	<u>(3,117,333)</u>
Net Position - Beginning, as previously reported	16,901,558	22,453,792
Cumulative effect of change in accounting principle	0	(2,434,901)
Net Position - Beginning, as restated	<u>16,901,558</u>	<u>20,018,891</u>
Net Position - Ending	<u>\$ 11,899,854</u>	<u>16,901,558</u>

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

	2019	2018
GASB 68 and other none cash items impact on the Change of Net Position		
Change in Net Position	\$ (5,001,704)	(3,117,333)
GASB 68 impact	2,344,752	3,566,370
GASB 75 impact	11,532	23,737
Depreciation	3,135,016	3,197,787
Change in compensated absences	880	33,079
Change in Net Position after GASB 68 and other none cash items	\$ 490,476	3,703,640
Change in Net Position - operations	(2,128,673)	1,775,723
Change in Net Position - plant	2,619,149	1,927,917

A few items that had an impact on net position were:

- Decrease in net capital assets in the amount of \$187,242.
- The principal retirement of \$667,222 of long-term debt.
- Increase in net pension liability in the amount of \$177,905.
- Decrease in the net OPEB liability in the amount of \$42,882.

Net operating loss for the fiscal year 2019 was \$26,761,214, an increase of \$2,930,290 over the net operating loss for fiscal year 2018 in the amount of \$23,830,924. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and going forward, the College has shown a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2019 were \$26,750,572. Tuition and fees were \$3,047,126. The tuition allowance was \$11,541,809. Operating expenses, including depreciation of \$3,135,016, totaled \$53,511,786.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

REVENUES

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,047,126. The tuition allowance for the 2019 fiscal year was \$11,541,809.

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2019 with prior year figures:

	2019	2018
Federal	\$ 13,394,569	14,106,893
State	3,802,005	5,285,885
Non governmental	549,730	530,246
Total all sources	\$ <u>17,746,304</u>	<u>19,923,024</u>

Sales and Services of Educational Departments

Other operating revenues consist of income from educational activities that totaled \$127,438 for the 2019 fiscal year, a decrease of \$3,523 compared to fiscal year 2018.

Sales and Services, Net

Auxiliary enterprises consist of housing, bookstore and meal plans.

Operating Expenses

Operating expenses totaling \$53,511,786 include salaries and benefits of \$30,536,572, utilities of \$1,598,185, commodities of \$4,940,140, contractual services of \$6,297,272 and depreciation of \$3,135,016.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Operating Expenses by Function with prior year figures and changes

	June 30, 2019	June 30, 2018	Increase (Decrease)
Instruction	\$ 19,159,679	18,580,348	579,331
Academic support	864,671	828,079	36,592
Student services	2,609,569	2,739,416	(129,847)
Athletics	2,546,873	2,432,850	114,023
Institutional support	10,411,502	10,828,082	(416,580)
Operations and maintenance of plant	5,365,141	4,940,043	425,098
Student financial aid (net of scholarship allowance)	4,534,942	4,887,719	(352,777)
Auxiliary enterprises	4,884,393	4,782,721	101,672
Depreciation	3,135,016	3,197,787	(62,771)
Total operating expenses by function	\$ 53,511,786	53,217,045	294,741
Less effect of GASB 68	(2,344,752)	(3,566,370)	1,221,618
Less effect of GASB 75	(11,532)	(23,737)	12,205
Less change in compensated absences	(880)	(33,079)	32,199
Less Depreciation	(3,135,016)	(3,197,787)	62,771
Total expenses after adjustments	\$ 48,019,606	46,396,072	1,623,534

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Operating Expenses by Object with prior year figures and changes

	June 30, 2019	June 30, 2018	Increase (Decrease)
Salaries and wages	\$ 21,557,089	20,584,271	972,818
Fringe benefits	8,979,483	9,915,752	(936,269)
Travel	404,644	360,878	43,766
Contractual services	6,297,272	6,077,918	219,354
Utilities	1,598,185	1,455,526	142,659
Scholarships and fellowships	4,847,579	5,180,405	(332,826)
Commodities	4,940,140	4,780,835	159,305
Other	1,752,378	1,663,673	88,705
Depreciation	3,135,016	3,197,787	(62,771)
Total operating expenses by object	\$ 53,511,786	53,217,045	294,741
Less effect of GASB 68	(2,344,752)	(3,566,370)	1,221,618
Less effect of GASB 75	(11,532)	(23,737)	12,205
Less change in compensated absences	(880)	(33,079)	32,199
Less Depreciation	(3,135,016)	(3,197,787)	62,771
Total expenses after adjustments	\$ 48,019,606	46,396,072	1,623,534

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$15,414,171 for fiscal year ended June 30, 2019. This represents a decrease of \$388,765 from \$15,802,936 for the year ended June 30, 2018.

Local Appropriations

The College also receives revenue from the counties that make up its local district. They include Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne Counties. The College received \$3,264,761 in the fiscal year 2019 and \$3,025,215 for the 2018 fiscal year, which is an increase of \$239,546 over the amount received in the previous fiscal year.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Gifts and Contributions

The amount received in the current fiscal year was \$68,892. This represents a decrease of \$156,589 when compared to the \$225,481 received in the prior year.

Investment Income

This includes the interest income from the cash in the bank accounts. \$13,001 was earned during the 2019 fiscal year versus the \$6,710 earned in the 2018 fiscal year.

Interest Expense

The amount of interest expense for the fiscal year under audit (2019) was \$625,677 and \$637,877 in the prior year.

Other Nonoperating Revenues (Expenses)

Other nonoperating income (expense) for fiscal years 2019 and 2018 totaled (\$5,333) and (\$5,331), respectively.

Other Revenues

Local Appropriations for Capital Purposes

This includes revenue received from the Clarke, Jasper, Perry, Smith, Wayne, Covington and Jones counties support districts for capital projects or retirement of debt during the fiscal year. The amount of this revenue totaled \$2,464,201 for the 2019 fiscal year, which is an increase of \$153,289 over the \$2,310,912 for the 2018 fiscal year.

State Appropriations for Capital Purposes

This is the amount of revenue received from the State of Mississippi to purchase, construct, renovate or repair capital assets during the fiscal year. The College received \$1,163,994 in the fiscal year end 2019.

Statement of Cash Flows

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

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

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Years Ended June 30, 2019 and 2018

	June 30, 2019	June 30, 2018	Increase (Decrease)
Cash and cash equivalents provided (used) by			
Operating activities	\$ (20,450,345)	(17,448,659)	(3,001,686)
Non capital financing activities	18,747,824	19,053,632	(305,808)
Capital and related financing activities	9,367	(841,785)	851,152
Investing activities	(612,676)	(631,167)	18,491
Net increase (decrease) in cash and cash equivalents	(2,305,830)	132,021	(2,437,851)
Cash and cash equivalents - beginning of year	12,187,459	12,055,438	132,021
Cash and cash equivalents - end of year	\$ 9,881,629	12,187,459	(2,305,830)

The major source of funds included in operating activities include cash received from grants and contracts in the amount of \$17,746,304. The major uses of funds were: payments made to employees, (\$27,370,975); to suppliers for goods and services, (\$12,383,267).

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$18,678,932.

The major uses of funds for investing activities are from the payment of interest.

Capital Assets

At June 30, 2019, the College had \$123,857,721 in capital assets. This includes land, construction in progress, buildings, improvements other than buildings, and equipment. This amount was an increase of \$2,947,774 from the 2018. Total accumulated depreciation as of June 30, 2019, was \$55,450,457, and total depreciation expense for the year was \$3,135,016, resulting in total net capital assets of \$68,407,264.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 509,050	509,050	0%
Construction in progress	2,548,245	476,895	434%
Buildings	56,587,094	58,414,834	(3)%
Improvements other than buildings	6,902,929	7,142,876	(3)%
Equipment	1,859,946	2,050,851	(9)%
Total	<u>\$ 68,407,264</u>	<u>68,594,506</u>	<u>0%</u>

Long Term Debt

At June 30, 2019, the College had \$16,828,279 in outstanding long-term debt, of which \$616,852 is due within one year. The liability for compensated absences increased \$880 from the prior year.

Outstanding Long-Term Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Special obligation bonds payable	\$ 16,335,000	16,920,000	(3)%
Premium	124,464	130,792	(5)%
Notes payable	6,852	89,074	(92)%
Compensated absences payable	361,963	361,083	0%
Total	<u>\$ 16,828,279</u>	<u>17,500,949</u>	<u>(4)%</u>

Contact Information

This financial report is designed to provide a general overview of the College's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Vice President of Business Affairs, Rick Youngblood, at Jones County Junior College, 900 South Court Street, Ellisville, Mississippi 39437.

FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE

Statement of Net Position

June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	\$ 9,873,561
Restricted Cash	8,068
Accounts receivable, net of allowance of \$1,167,054 in 2019	3,884,700
Inventories	329,790
Prepaid items	335,102
Total Current Assets	<u>14,431,221</u>
Non-current assets:	
Prepaid bond insurance premiums, net	104,885
Nondepreciable capital assets	3,057,295
Depreciable capital assets, net	65,349,969
Total Non-current Assets	<u>68,512,149</u>
Total Assets	<u>82,943,370</u>
Deferred Outflows of Resources	
Pensions	4,217,776
OPEB	142,061
Deferred costs of refunding debt	1,753,779
Total Deferred Outflows of Resources	<u>6,113,616</u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued expenses	2,261,320
Accrued liabilities	2,598,172
Compensated absences	361,963
Unearned revenue	8,068
Long-term debt - current portion	616,852
Net OPEB liability - current portion	103,175
Total Current Liabilities	<u>5,949,550</u>
Non-current liabilities:	
Long-term debt, net of current portion	15,725,000
Bond premium, net of amortization	124,464
Net pension liability	51,452,764
Net OPEB liability	2,328,637
Total Non-current Liabilities	<u>69,630,865</u>
Total Liabilities	<u>75,580,415</u>
Deferred Inflows of Resources	
Pensions	1,396,249
OPEB	180,468
Total Deferred Inflows of Resources	<u>1,576,717</u>
Net Position	
Net Investment in capital assets	53,799,612
Restricted for:	
Expendable	
College program support and expenses	8,068
Unrestricted	(41,907,826)
Total Net Position	\$ <u><u>11,899,854</u></u>

JONES COUNTY JUNIOR COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues:		
Tuition and fees (net of scholarship allowances of \$11,541,809)	\$	3,047,126
Federal grants and contract		13,394,569
State grants and contracts		3,802,005
Nongovernmental grants and contracts		549,730
Sales and services of educational departments		127,438
Auxiliary enterprises:		
Student housing (net of scholarship allowances of \$910,839)		490,387
Food Services (net of scholarship allowances of \$1,306,089)		914,316
Bookstore (net of scholarship allowances of \$165,388)		3,305,952
Other operating revenues		1,119,049
Total Operating Revenues		26,750,572
Operating Expenses:		
Salaries and wages		21,557,089
Fringe benefits		8,979,483
Travel		404,644
Contractual services		6,297,272
Utilities		1,598,185
Scholarships and fellowships		4,847,579
Commodities		4,940,140
Depreciation expense		3,135,016
Other operating expense		1,752,378
Total Operating Expenses		53,511,786
Operating (Loss)		(26,761,214)
Non-operating Revenues(Expenses)		
State appropriations		15,414,171
County appropriations		3,264,761
Gifts		68,892
Investment income		13,001
Interest expense on capital asset-related debt		(625,677)
Gain and loss on sale of fixed assets		1,500
Other non-operating expenses		(5,333)
Total Net Non-operating Revenue		18,131,315
Loss before capital appropriations		(8,629,899)
Local Capital Appropriations restricted for capital		2,464,201
State Capital Appropriations restricted for capital		1,163,994
Total Other Revenues		3,628,195
Change in Net Position		(5,001,704)
Net Position:		
Net Position - Beginning		16,901,558
Net Position - End of Year	\$	11,899,854

JONES COUNTY JUNIOR COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,327,163
Cash received from grants	17,746,304
Sales and services of auxiliary enterprises	4,710,655
Cash payments to employees	(27,370,975)
Cash payments to suppliers for goods and services	(12,383,267)
Cash payments to others	(3,645,691)
Other receipts (payments)	(2,834,534)
Net Cash Provided (Used) from Operating Activities	(20,450,345)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Apropriations	18,678,932
Gifts received	68,892
Net Cash Provided (Used) from Non-capital Financing Activities	18,747,824
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal and interest paid	(672,554)
Acquisition of capital assets	(2,946,274)
Appropriations	3,628,195
Net Cash Provided (Used) from Capital and Related Financing Activities	9,367
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	(612,676)
Net Cash Provided (Used) from Investing Activities	(612,676)
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (2,305,830)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 12,187,459
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,881,629

JONES COUNTY JUNIOR COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2019

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$	<u>(26,761,214)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:		
Depreciation		3,135,016
Amortization		(994)
Changes in assets, deferred outflows, liabilities and deferred inflows of resources:		
Accounts receivable, net		152,599
Inventories		6,877
Prepaid expenses		(62,059)
Deferred outflows		3,118,861
Accounts payable and accrued expenses		1,720,588
Unearned revenues		(1,087,490)
Net pension liability		177,905
OPEB liability		(42,882)
Deferred inflows		(808,432)
Compensated absences		<u>880</u>
Total Adjustments		<u>6,310,869</u>
Net Cash Provided (Used) from Operating Activities	\$	<u><u>(20,450,345)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$	9,873,561
Restricted cash		<u>8,068</u>
Total Cash and Cash Equivalents	\$	<u><u>9,881,629</u></u>

FINANCIAL STATEMENTS

Jones County Community College Foundation, Inc.

Jones County Junior College Foundation, Inc.
(A component unit of Jones County Junior College)
Statement of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 937,218	1,928,685
Contributions receivable, net	-	920
Investments	12,251,311	10,147,627
Cash surrender value of insurance policies	162,951	158,618
Land	201,999	201,999
Total Assets	13,553,479	12,437,849
Liabilities		
Accounts payable	6,472	1,960
Total Liabilities	6,472	1,960
Net Assets		
Without donor restrictions (See Note 6)	713,222	679,992
With donor restrictions (See Note 6)	12,833,785	11,755,897
Total Net Assets	\$ 13,547,007	12,435,889

Jones County Junior College Foundation, Inc.
(A component unit of Jones County Junior College)
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support			
Contributions	\$ 57,895	949,478	1,007,373
In-kind revenues	195,534	40,892	236,426
Gross event revenue	17,788	36,712	54,500
Less direct event cost	(15,856)		(15,856)
Net special event revenue	1,932	36,712	38,644
Change in cash surrender value of insurance policies	4,332		4,332
Interest income	947		947
Net investment return	23,980	808,750	832,730
Net assets released from restrictions (See Note 6)	757,944	(757,944)	-
Total Revenues, Gains and Support	<u>1,042,564</u>	<u>1,077,888</u>	<u>2,120,452</u>
Expenses			
Program Services			
Scholarships	391,241		391,241
College support	365,448		365,448
Total program services	<u>756,689</u>	<u>-</u>	<u>756,689</u>
Supporting Services			
Salaries, wages and benefits	176,441		176,441
Office occupancy and other	76,204		76,204
Total supporting services	<u>252,645</u>	<u>-</u>	<u>252,645</u>
Total Expenses (see Note 11)	<u>1,009,334</u>	<u>-</u>	<u>1,009,334</u>
Change in Net Assets	<u>33,230</u>	<u>1,077,888</u>	<u>1,111,118</u>
Net Assets at Beginning of Year	679,992	11,755,897	12,435,889
Net Assets at End of Year	<u>\$ 713,222</u>	<u>12,833,785</u>	<u>13,547,007</u>

Jones County Junior College Foundation, Inc.
(A component unit of Jones County Junior College)
Statement of Activities
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support			
Contributions	\$ 1,608	507,951	509,559
In-kind revenues	191,615	76,284	267,899
Gross event revenue	15,230	30,470	45,700
Less direct event cost	<u>(13,230)</u>	<u>(12,915)</u>	<u>(26,145)</u>
Net special event revenue	2,000	17,555	19,555
Change in cash surrender value of insurance policies	6,355		6,355
Interest income	903		903
Net investment return	19,969	735,405	755,374
Net assets released from restrictions (See Note 6)	<u>757,452</u>	<u>(757,452)</u>	-
Total Revenues, Gains and Support	<u>979,902</u>	<u>579,743</u>	<u>1,559,645</u>
Expenses			
Program Services			
Scholarships	351,546		351,546
College support	<u>404,217</u>		<u>404,217</u>
Total program services	<u>755,763</u>	-	<u>755,763</u>
Supporting Services			
Salaries, wages and benefits	172,793		172,793
Office occupancy and other	<u>69,347</u>		<u>69,347</u>
Total supporting services	<u>242,140</u>	-	<u>242,140</u>
Total Expenses (see Note 11)	<u>997,903</u>	-	<u>997,903</u>
Change in Net Assets	<u>(18,001)</u>	<u>579,743</u>	<u>561,742</u>
Net Assets at Beginning of Year	697,993	11,176,154	11,874,147
Net Assets at End of Year	<u>\$ 679,992</u>	<u>11,755,897</u>	<u>12,435,889</u>

Jones County Junior College Foundation, Inc.
(A component unit of Jones County Junior College)
Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,111,118	561,742
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net unrealized and realized (gains) losses on investments	(483,072)	(482,492)
Securities donated		(5,315)
Contributions restricted for endowments	(216,430)	
Contributions restricted for permanent investment		(163,423)
Change in cash surrender value of insurance policies	(4,332)	(6,355)
Change in contributions receivable, net	920	(400)
Change in prepaid expense		52,109
Change in accounts payable	4,512	(6,790)
Net cash provided (used) by operating activities	412,716	(50,924)
Cash Flows from Investing Activities:		
Purchase of investments	(3,445,100)	(4,365,009)
Sale of investments	1,824,486	5,341,974
Proceeds from life insurance policy		19,992
Net cash provided (used) by investing activities	(1,620,614)	996,957
Cash Flows from Financing Activities:		
Proceeds from contributions received for endowments	216,431	163,423
Net cash provided (used) by financing activities	216,431	163,423
Net change in cash	(991,467)	1,109,456
Cash and cash equivalents at beginning of year	1,928,685	819,229
Cash and cash equivalents at end of year	\$ 937,218	1,928,685

JONES COUNTY JUNIOR COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2019

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 1. Summary of Significant Accounting Policies

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 Board of Supervisors of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne counties who support the College through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the 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.

Jones County Junior College Foundation, Inc. (the "Foundation") is a not-for-profit that is a fund-raising arm of the College. Its purpose is to receive funds for the sole benefit of the College. The Foundation uses the economic resources measurement focus and accrual basis of accounting. It follows the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for 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 report for these differences. The Foundation is not required to report cash flows based upon the direct method of accounting under FASB standards. The separately issued audited financial statements of the Foundation are available through the business department at the College.

Amounts representing services and facilities contributed to the Foundation by the College for the year ended June 30, 2019 were as follows:

Salaries, wages and benefits	\$	176,441
Office and occupancy		19,093
Total	\$	<u>195,534</u>

Basis of Presentation

The 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 GASB Statement No. 34, *Basic Financial Statements - and*

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

Management's Discussion and Analysis - for State and Local Governments, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, respectively. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College's financial activities.

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.

Revenues, expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange activities are generally recognized when all applicable eligibility requirements, including timing requirements, are met.

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 expense is 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to students for tuition, sales and services, and grants and contracts. Operating expenses 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 nonoperating revenues and expenses.

Cash and Cash Equivalents

The College considers all cash on hand and demand deposits with financial institutions with an original maturity of three months or less to be cash and cash equivalents.

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

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.

Accounts Receivables, Net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts 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.

Inventories and Prepaid Items

Inventories consist of bookstore 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.

Prepaid Bond Insurance Premium, Net

This item represents the portion related to prepaid insurance costs that were paid in conjunction with debt issuance costs. These are recorded as an asset and recognized net of amortization, which is an expense recognized in a systematic and rational manner over the duration of the related debt.

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 other than buildings 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 was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses 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.

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

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	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

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Reserves* ("GASB No. 42"), management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital assets occurs.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has a deferred outflow which is presented as a deferred outflow for pension, OPEB and for refunding of debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The College has a deferred inflow which is presented as a deferred inflow for pension and OPEB.

Deferred outflows and inflows of resources related to the pension plan are further described in Note 7 and those related to the net OPEB liability are described in Note 8.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2019 for goods and services received before the end of the fiscal year.

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 per day; and 5.00 hours for employees scheduled for 6.00 hours per day. There is no

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

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.

Unearned Revenues

Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Bond Premiums

In the financial statements, bond premiums are amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. 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 represents 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.

The College reported a deficit for unrestricted net position of \$41,907,826. This deficit can be attributed to the full recognition of the net pension liability in the amount of \$51,452,764.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowance, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances and (3) most federal and state grants and contracts and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9,

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 34, such as state and local appropriations and investment income.

State and Local 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.

Scholarship Discounts and Allowance

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 loans, 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, housing, food services and books. 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.

Cost of Borrowing

Costs incurred in connection with obtaining financing are expensed in the period the debt is issued.

Pension

In the statement of net position, a liability is recognized for the College's proportionate share of the net pension liability reported by the Mississippi Public Employees' Retirement System (PERS). For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to the pension, and pension expense, information about the fiduciary net position of the PERS defined benefit plan and additions to/deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

Other Postemployment Benefits Other than Pension (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

Note 2. Cash and Cash Equivalents

Policies

As set forth by policy and state statute, the College is authorized 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.

In 2019 the carrying amount of unrestricted and restricted deposits as of June 30th was \$9,873,561 and \$8,068, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. 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 College. As of June 30, 2019, none of the College's bank balance of \$10,591,143 was exposed to custodial credit risk.

Restricted Assets

The restricted assets represent the cash balance, totaling \$8,068, of the SNAP Grant.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2019:

Student tuition	\$	827,537
Auxiliary enterprises and other operating activities		2,094,862
Federal, state, and private grants and contracts		1,566,080
State appropriations		550,124
Other		13,151
		5,051,754
Total accounts receivable		5,051,754
Less: allowance for doubtful accounts		(1,167,054)
		(1,167,054)
Net accounts receivable	\$	3,884,700

Note 4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 is presented as follows:

	Balance 7-1-2018	Additions	Completed Construction	Balance 6-30-2019
<u>Non-depreciable capital assets:</u>				
Land	\$ 509,050			509,050
Construction in progress	476,895	2,363,575	(292,225)	2,548,245
Total non-depreciable capital assets	985,945	2,363,575	(292,225)	3,057,295
<u>Depreciable capital assets:</u>				
Buildings	97,888,426	94,367	292,225	98,275,018
Improvements other than buildings	13,365,073	141,412		13,506,485
Equipment	8,670,503	348,420		9,018,923
Total depreciable capital assets	119,924,002	584,199	292,225	120,800,426
<u>Less accumulated depreciation for:</u>				
Buildings	39,473,607	2,214,317		41,687,924
Improvements other than buildings	6,222,197	381,359		6,603,556
Equipment	6,619,637	539,340		7,158,977
Total accumulated depreciation	52,315,441	3,135,016	0	55,450,457
Total depreciable capital assets, net	67,608,561	(2,550,817)	292,225	65,349,969
Total capital assets, net	\$ 68,594,506	(187,242)	0	68,407,264

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

The details of construction-in-progress are as follows:

		Spent to June 30, 2019	Remaining Commitment
Administration	\$	146,893	
Home & Health		1,192,384	157,615
Library		39,699	
Humanities		53,157	756,543
Software NSPARC		166,501	
Sports Performance		36,695	
Student Union		162,275	
Walking Plaza Phase 3		7,549	
Greene County Center Expansion		743,092	456,908
Total	\$	2,548,245	1,371,066

Construction projects included are fully funded by the Bureau of Buildings.

Note 5. Long-Term Liabilities

The long-term liabilities as of June 30, 2019 are as follows:

		Beginning Balances	Deletions	Ending Balances	Due Within One Year
Special obligation bonds, Series 2009	\$	435,000	435,000	0	
Special obligation bonds, Series 2016		16,485,000	150,000	16,335,000	610,000
Premium		130,792	6,328	124,464	
Notes payable		89,074	82,222	6,852	6852
Total Long-Term Liabilities	\$	17,139,866	673,550	16,466,316	616,852

The College executed a loan agreement with Singing River Electric Power Association in the amount of \$740,000 with no stated interest rate. The note was used for the construction of new educational classroom/training facilities by the College in Greene County. The note requires monthly debt service payments of \$6,852 through July 2019. The note is secured by the credit and obligation authority of the College, in addition to the pledge of the full faith and credit obligations of the Board of Supervisors of Greene County, Mississippi.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

The Mississippi Development Bank (the "Bank") Special Obligation Bonds, Series 2009, were issued in the amount of \$18,215,000, to finance certain capital projects of the College. Bonds mature annually March 1 with final maturity March 1, 2039. Interest is payable semi-annually on September 1 and March 1 at interest rates ranging from 3.00 percent to 5.10 percent. The bonds are secured by a trust indenture which includes a loan agreement and note between the Bank and the College with similar debt service requirements. The principal and interest on the note is secured by a pledge of all legally available revenues of the College, including, without limitation, the county tax. All bonds maturing on or after March 1, 2020, are subject to redemption at par value plus accrued interest at the option of the College. A portion of these bonds were refunded during the year by the Mississippi Development Bank Special Obligation Refunding Bonds, Series 2016.

The Mississippi Development Bank Special Obligation Refunding Bonds, Series 2016, were issued in the amount of \$16,765,000 to advance refund the Mississippi Development Bank Special Obligation Bonds, Series 2009, maturing March 1, 2020 through March 1, 2039. The Series 2016 bonds mature annually May 1st with final maturity March 1, 2039. Interest is payable semi-annually on November 1 and May 1 at interest rates ranging from 2.00 percent to 3.62 percent. The bonds are secured by a trust indenture which include a loan agreement and note between the Bank and the College with similar debt service requirements. The principal and interest on the note is secured by a pledge of all legally available revenues of the College, including, without limitation, the county tax. All bonds maturing on or after May 1, 2027, are subject to redemption at par value plus accrued interest at the option of the College.

The debt service requirements as of June 30, 2019 are as follows:

Year Ending June 30	<u>Special Obligation Bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 610,000	524,162	6,852	0
2021	620,000	511,962		
2022	630,000	499,563		
2023	650,000	486,963		
2024	670,000	467,463		
2025 - 2029	3,660,000	2,027,063		
2030 - 2034	4,325,000	1,392,188		
2035 - 2039	5,170,000	568,257		
Total	<u>\$ 16,335,000</u>	<u>6,477,621</u>	<u>6,852</u>	<u>0</u>

Note 6. Functional Classification of Expenses

The College's operating expenses by functional classification were as follows for the year ended June 30, 2019:

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Notes to the Financial Statements For the Year Ended June 30, 2019

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 12,360,063	3,646,181	128,342	808,004	183,322
Academic support	488,375	137,804	4,194	152,911	0
Student services	1,763,249	529,240	53,307	170,760	0
Athletics	1,534,513	422,008	140,093	244,939	0
Institutional support	3,455,063	3,592,149	77,600	1,787,027	1,198
Operation of plant	1,544,283	526,978	715	942,445	1,411,576
Student aid	0	0	393	0	0
Auxiliary enterprises	411,543	125,123	0	2,191,186	2,089
Depreciation	0	0	0	0	0
Total operating expenses	\$ 21,557,089	8,979,483	404,644	6,297,272	1,598,185

	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Balance
Instruction	\$ 313,030	1,245,471	0	475,266	19,159,679
Academic support	0	81,387	0	0	864,671
Student services	0	93,013	0	0	2,609,569
Athletics	0	205,320	0	0	2,546,873
Institutional support	0	337,992	0	1,160,473	10,411,502
Operating of plant	0	939,144	0	0	5,365,141
Student aid	4,534,549	0	0	0	4,534,942
Auxiliary enterprises	0	2,037,813	0	116,639	4,884,393
Depreciation	0	0	3,135,016	0	3,135,016
Total operating expenses	\$ 4,847,579	4,940,140	3,135,016	1,752,378	53,511,786

Note 7. Retirement Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school district. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$3,273,066, \$3,111,327, and \$3,116,491, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the College reported a liability of \$51,452,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2019 net pension liability was 0.309342 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.000892 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$5,617,817. At June 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to the Financial Statements
For the Year Ended June 30, 2019

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	220,160	\$	216,274
Change of assumptions		30,271		27,549
Net difference between projected and actual earnings on pension plan investments				1,097,247
Changes in proportion and differences between College contributions and proportionate share of contributions		694,279		55,179
College contributions subsequent to the measurement date		3,273,066		
Total	\$	4,217,776	\$	1,396,249

\$3,273,066 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2020	\$	964,120
2021		(3,344)
2022		(1,181,194)
2023		(231,121)
Total	\$	(451,539)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 - 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimates ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

Sensitivity of the College’s proportionate share of the net pension liability to changes in the discount rate. The following table presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College’s proportionate share of the net pension liability	\$ 67,748,527	\$ 51,452,764	\$ 37,908,835

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

Note 8 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees’ Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees’ Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees’ premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the College were \$106,999 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the College reported a liability of \$2,431,812 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the College's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the College's proportion was 0.31437034 percent. This was a decrease of 0.00103435 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the College recognized OPEB expense of \$121,329. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,951	
Change of assumptions		173,272
Changes in proportion and differences between College contributions and proportionate share of contributions	30,111	7,196
College contributions subsequent to the measurement date	106,999	
Total	\$ 142,061	180,468

\$106,999 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		
2020	\$	(28,954)
2021		(28,954)
2022		(28,954)
2023		(28,954)
Thereafter		(29,590)
Total	\$	(145,406)

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an ultimate rate of 4.75% percent by 2028
Pre-Medicare	

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage point higher (4.89 percent) than the current discount rate:

		1% Decrease (2.89%)		Discount Rate (3.89%)		1% Increase (4.89%)
Net OPEB liability	\$	2,695,603	\$	2,431,812	\$	2,204,943

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease		Healthcare Cost Trend Rates Current		1% Increase
Net OPEB liability	\$	2,252,662	\$	2,431,812	\$	2,635,275

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 9. Other Commitments

Commitments under construction contracts are described in Note 4.

Note 10. 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.

Litigation - The College is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the College with respect to the various proceedings. However, the College's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the College.

Note 11. Risk Management

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

Note 12. Prior Year Defeasance of Debt

In prior years, the College defeased certain special obligation bond by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the College's financial statements. On June 30, 2019, \$0 of bonds outstanding are defeased.

Note 13. Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$41,907,826) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$3,273,066 resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$6,608 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and decrease unrestricted net position over the next 3 years.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2019

The unrestricted net position amount of (\$41,907,826) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$106,999 resulting from the amount paid by the College as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. The \$35,062 balance of deferred outflow of resources, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The net investment in capital assets net position amount of \$53,799,612 includes the effect of deferring the recognition expenses resulting from a deferred outflow on refunding of College debt. The \$1,753,779, balance of the deferred outflow of resources at June 30, 2019 will be recognized as an expense and decrease the net investment in capital assets net position in the next 19 years.

The unrestricted net position amount of (\$41,907,826) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$458,147 balance of deferred inflow of resources, at June 30, 2019 will be recognized as revenue and will increase unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$41,907,826) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$180,468 balance of deferred inflow of resources at June 30, 2019 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Note 14. 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 the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Note 1 Summary of Significant Accounting Policies

Statement of Organizational Activities

Jones County Junior College Foundation, Inc. (The Foundation) was organized May 12, 1988, and incorporated under the laws of Mississippi as a non-stock corporation. The mission of the Jones County Junior College Foundation is to support and advance Jones County Junior College (the “College”) and its students through resource and relationship development with alumni, friends and community partnerships. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986.

Basis of Presentation

The Foundation prepares its financial statements on the accrual basis of accounting. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The Foundation adopted FASB Accounting Standards Update 2016-14 (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, Not-For-Profit Entities. The new standard requires net assets to be classified on the statement of financial position as net assets with donor restrictions and net assets without donor restrictions, based on the absence or existence and type of donor-imposed restrictions.

Net Assets with Donor Restrictions

The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). A donor-imposed restriction is a stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following: (a) the nature of the not-for-profit entity (NFP), (b) the environment in which it operates, (c) the purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association. Some donors impose restrictions that are temporary in nature for example, stipulating that resources be used after a specific date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and the board of directors. Net assets without donor restrictions are subject to self-imposed limits by action of governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Income Taxes

The Jones County Junior College Foundation, Inc. is organized as a nonprofit corporation and has been recognized by the IRS as exempt from federal income tax. Section 501 of the U.S. tax code outlines which types of not-for-profit organization are tax exempt. The Section of this code that provides for exemption is 501 (a), which states that organizations are exempt from some federal income taxes if they fall under sections 501 (c), 501(d) or section 401(a). Jones County Junior College Foundation, Inc. is a Section 501(c)(3) organization and qualifies for the charitable contribution deduction under IRC Section 170 (b)(1)(A)(vi). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that derived from business activities that are unrelated to their exempt purposes. As of June 30, 2019, the Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Donated Assets

Material noncash donations are recorded as contributions at their estimated fair values at the date of donation. Any donated assets used in program services are recorded as functional expenses at their donated fair value.

Donated Services and Facilities

The Foundation receives a substantial amount of services donated by citizens interested in the Foundation's programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in the accompanying financial statements.

Investments

The Foundation follows FASB Accounting Standards Codification Subtopic 958-320, Not-For-Profit Entities—Investments—Debt and Equity Securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investment in Life Insurance Policies

The life insurance policies are recorded at fair value. The value of life insurance policies is based on the contractual surrender value of the policies.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents include cash on hand, demand deposit accounts, savings account, and certificate of deposits.

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Contributions Receivable

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value which approximates fair value at the date of the pledge. Unconditional promises to give in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The discount rates are determined at the time the unconditional promise to give is initially received. Contributions to be received in future years are discounted using a risk-free rate of approximately 3.25 percent for the years ended June 30, 2019 and 2018. Contributions receivable are written off on an annual basis when determined by management to be uncollectible. Management determines that a contribution receivable is uncollectible based on the length of time that has passed since the last contribution has been received from that donor, which is usually in excess of one year. The Foundation's contributions receivable for the fiscal year end June 30, 2019 was \$0.

Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All donor-restricted support is reported as with donor restrictions or without donor restrictions net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings or equipment are reported as net assets without donor restrictions support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Foundation and the College are financially interrelated organizations. Therefore, any contributions that are received by the Foundation specifically for the College are recorded as net assets without donor restrictions or net assets with donor restrictions contribution revenue, depending on the donors' specific instructions. These contributions are recorded by the Foundation only.

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Revenue Recognition

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions support and increase the respective class of net assets.

Planned Giving

Planned giving, which includes wills, trusts and estates, are not accrued as it represents a conditional promise to give which constitutes a future and uncertain event.

Operating Measure

The Statement of Activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied on a retrospective basis in the year that the update was first applied 2018.

Note 2. Contributions Receivable, Net

The amounts of contributions receivable as of June 30, 2019 and 2018 are as follows:

	2019	2018
Contributions receivable	\$ 0	1,600
Less allowance for uncollectable promises to give	0	(680)
Contributions receivable, net	<u>\$ 0</u>	<u>920</u>

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Note 3. Cash and Investments

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable. The Foundation places its cash and temporary investments with creditworthy, high quality financial institutions. Cash deposits in excess of \$250,000 are not insured by the FDIC.

The College's total cash and cash equivalents for the fiscal years ended June 30, 2019 and June 30, 2018 were \$937,218 and \$1,928,685, respectively.

The Foundation has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment managers who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to contributions receivable is limited due to the credit worthiness of the individual who has made the pledge.

The Foundation receives a substantial amount of support from Jones County Junior College. A significant reduction in the level of this support, if it were to occur, would have an effect on the Foundation's programs and activities.

Investments

The FASB Accounting Standards Codification Topic ("ASC") 820, Fair Value Measurement, prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly and indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements For the Year Ended June 30, 2019 and 2018

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes to the methodologies used at June 30, 2019 and 2018:

- *Equity securities and mutual funds:* Valued at quoted market prices in active markets on which the individual securities are traded, which for mutual funds represents the net asset value of shares held by the Foundation at year-end.
- *Bonds:* Valued based upon quotes from independent pricing vendors based upon independent pricing models or other model-based valuation techniques such as the present value of the stream of expected cash flows adjusted for the security's credit rating and other factors such as credit loss assumptions.
- *Certificates of Deposit:* Valued at estimates based upon matrix or model pricing methodology provided by an independent third party.
- *Cash value of life insurance:* Values are based on the contractual cash surrender value of the policy.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date, and any differences may be material.

Long-lived assets are measured at fair value on a nonrecurring basis based upon inputs that are derived principally from, or corroborated by appraisals, comparable market data by correlation or other means only when there is evidence of impairment. The only asset measured at fair value, on a nonrecurring basis is the land held for use reported in the amount of \$201,999 at June 30, 2019 and 2018 as a Level 3 asset.

Concentration of Credit Risk. Disclosure 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. The Foundation maintains cash accounts at various financial institutions. As

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements

For the Year Ended June 30, 2019 and 2018

of June 30, 2019 and 2018, these accounts exceeded FDIC limits by \$154,682 and \$23,934. Cash deposits in the amounts of \$230,254 and \$1,601,208, which are held by the Foundation's investment broker as of June 30, 2019 and 2018, respectively, are not covered by the FDIC. However, these amounts are covered by the Securities Investor Protection Corporation (SIPC) up to \$250,000. As of June 30, 2019 these funds did not exceed the SIPC limits.

As of June 30, 2019 and 2018, the Foundation maintained \$12,251,311 and \$10,147,627, respectively, of securities in its investment portfolio. Although these funds reduce risk through diversification of investment holdings and are held with reputable brokers, they are exposed to custodial risk. Certificates of deposit included in the portfolio in the amount of \$235,018 and \$234,111 as of June 30, 2019 and 2018, are covered by FDIC insurance; however, \$12,016,293 and \$9,913,516, respectively, of the remaining investments are not covered by the Securities Investor Protection Corporation (SIPC), subjecting the Foundation to the risk of uninsured losses.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy at June 30, 2019 and 2018.

Description	Fair Value	Level 1	Level 2
June 30, 2019			
Mutual stock funds	\$ 2,762,880	2,762,880	
Mutual bond funds	1,456,451	1,456,451	
Exchange traded products	3,219,139	3,219,139	
Common stock	2,263,253	2,263,253	
Preferred stock	390,143	390,143	
Asset backed securities	458,130		458,130
Municipal bonds	278,030		278,030
US Treasury/Agency Securities	1,152,472	1,152,472	
Certificate of deposit and other	270,813		270,813
Cash surrender value of life insurance	162,951		162,951
Total	\$ 12,414,262	11,244,338	1,169,924

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

June 30, 2018

Mutual stock funds	\$	2,568,654	2,568,654	
Mutual bond funds		1,025,133	1,025,133	
Exchange traded products		2,576,715	2,576,715	
Common stock		2,039,930	2,039,930	
Preferred stock		344,727	344,727	
Asset backed securities		250,029		250,029
Municipal bonds		272,481		272,481
US Treasury/Agency Securities		800,666	800,666	
Certificate of deposit and other		269,292		269,292
Cash surrender value of life insurances		158,618		158,618
Total	\$	<u>10,306,245</u>	<u>9,355,825</u>	<u>950,420</u>

The following schedule summarizes the investment return in the statement of activities:

		2019		2018
Interest and dividends	\$	277,019	\$	251,278
Net realized and unrealized gains		614,798		561,046
Net change in cash surrender value of life insurance		(59,087)		(56,950)
Total	\$	<u>832,730</u>	\$	<u>755,374</u>

Interest and divided income is included in investment income on the statement of activities.

The net change in cash surrender value of life insurance is the amount of proceeds received from life insurance contracts in excess of fair value reported in the prior period, plus the increase in the fair value of life insurance contracts in excess of insurance premiums paid during the year.

The Foundation invests in a variety of investments which are generally subject to various risks and uncertainties such as interest rate, credit, and overall volatility risk. Due to the level of risk

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Overall Investment Objective

The Foundation's investment committee is responsible for investment policies, return objectives and risk parameters for the endowment funds. Currently the endowments' return objectives are preservation of principal with enough investment return to exceed bank deposit returns. The nature of the Foundation's investment strategy is balanced with an approximately 65% to 35% equity to fixed income ratio. Appropriations for expenditures from the endowment funds are periodically made as financial needs arise to fund support and expenses of the College, from amounts classified as net assets without donor restrictions.

Note 4. Availability and Liquidity

The following represents the Foundation's financial assets at June 30, 2019.

	2019
Cash and cash equivalents	\$ 937,218
Investments	12,251,311
Cash surrender value of insurance policies	162,951
Total financial assets	<u>13,351,480</u>
Less amounts not available to be used within one year	
Net Assets with donor restrictions	(12,833,785)
Quasi endowment established by the board	<u>0</u>
	<u>(12,833,785)</u>
Financial assets available to meet general expenditures	517,695

Our endowment funds consist of donor restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditures. As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in Fidelity investment account.

Note 5. Endowments

The Foundation's endowment consists of approximately 284 individual donor-restricted endowment funds established for a variety of purposes. As required by GAAP, net assets

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Mississippi enacted the *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* effective July 2012. The act requires the prudent spending of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with UPMIFA, the Board may expend so much an endowment fund's net appreciation as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

The following is a summary of the Foundation's endowment net asset composition by type of fund as of June 30, 2019 and 2018:

		2019		
		Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted:	\$			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor		0	8,144,744	8,144,744
Accumulated investment gains		0	3,356,576	3,356,576
Board - designated		0	0	0
Total endowment net assets	\$	<u>0</u>	<u>11,501,320</u>	<u>11,501,320</u>

		2018		
		Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted:	\$			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor		0	7,887,702	7,887,702
Accumulated investment gains		0	2,921,004	2,921,004
Board - designated		0	0	0
Total endowment net assets	\$	<u>0</u>	<u>10,808,706</u>	<u>10,808,706</u>

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Changes in the Foundation's endowment net assets for the year June 30, 2019 is as follows:

		2019		
		Board-Designated Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$	0	10,808,706	10,808,706
Investment returns, net		0	759,398	759,398
Contributions		0	216,430	216,430
Reclassification - endowment level reached		0	40,612	40,612
Appropriation of endowment assets		0	(323,826)	(323,826)
Endowment net assets, end of year	\$	<u>0</u>	<u>11,501,320</u>	<u>11,501,320</u>
		2018		
		Board-Designated Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$	0	10,185,987	10,185,987
Investment returns, net		0	743,256	743,256
Contributions		0	163,423	163,423
Reclassification - endowment level reached		0	15,085	15,085
Appropriation of endowment assets		0	(299,045)	(299,045)
Endowment net assets, end of year	\$	<u>0</u>	<u>10,808,706</u>	<u>10,808,706</u>

From time to time, certain donor restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019, funds with original gift value of \$15,000, fair value of \$10,026 and deficiencies of \$4,974 were reported in net assets with donor restrictions.

Note 6 - Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose		
College and Athletic clubs support	\$ 1,332,465	947,191
Endowments		
Subject to Not-For-Profit (NFP) endowment spending policy and appropriation:		
Scholarships	11,131,063	10,494,069
General support	375,231	319,516
Underwater endowments	<u>(4,974)</u>	<u>(4,879)</u>
Total Endowments	<u>11,501,320</u>	<u>10,808,706</u>
Total	\$ <u>12,833,785</u>	<u>11,755,897</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions institutional support	\$ 434,119	458,407
Restricted-purpose spending rate		
Scholarships	317,881	287,163
General support	<u>5,944</u>	<u>11,882</u>
Total	\$ <u>757,944</u>	<u>757,452</u>

Note 7 - Related Party Transactions

Amounts representing services and facilities contributed to the Foundation by the College for the years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Salaries, wages, and benefits	\$ 176,441	\$ 172,793
Office, occupancy, and other	<u>19,093</u>	<u>18,822</u>
Total	\$ <u>195,534</u>	<u>191,615</u>

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Amounts paid to the College for	2019	2018
Scholarships	\$ 391,241	\$ 351,546
Soccer building	0	119,914
Supplies and other support	51,284	284,303
Total	\$ 442,525	\$ 755,763

Note 8 - Donor-Designated Endowment

The Foundation has received donations to establish permanent endowment funds to provide ongoing scholarship assistance for worthy and deserving individuals enrolled at the College. Terms of the donation require the funds to be segregated from other Foundation funds. The donor-designated endowment funds are included in net assets with donor restrictions.

Note 9 - Uncertainty in Income Taxes

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2015.

Note 10 - Support for Jones County Junior College

	2019	2018
Athletic	\$ 176,997	55,226
Staff Development	5,000	5,890
Students awards	19,379	39,473
Academic program support	21,576	34,975
Learning equipment, supplies and facilities	58,009	208,291
Other educational support	84,487	60,362
Total	\$ 365,448	404,217

Note 11 - Statement of Functional Expenses

Statement of Functional Expenses for the fiscal years 2019 consisted of:

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

	Supporting Service			Total
	Programs Service	Management and General	Fundraising	
Scholarships	\$ 391,241			391,241
Support for college	365,448			365,448
Salaries and wages		137,145		137,145
Employee benefits		28,954		28,954
Payroll taxes		10,342		10,342
Administrative expenses		27,008		27,008
Accounting fees		9,350		9,350
Event expenses		17,596	15,856	33,452
Office supplies		11,167		11,167
Occupancy		10,150		10,150
Other		933		933
	\$ <u>756,689</u>	<u>252,645</u>	<u>15,856</u>	<u>1,025,190</u>
Less expenses included in revenues on the statement of activities			(15,856)	<u>(15,856)</u>
Total expenses included in the expense section on the statement of activities				<u><u>1,009,334</u></u>

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Statement of Functional Expenses for the fiscal years 2018 consisted of:

	Supporting Service			
	Programs Service	Management and General	Fundraising	Total
Scholarships	\$ 351,546			351,546
Support for college	404,217			404,217
Salaries and wages	37,648	44,371	52,438	134,457
Employee benefits		28,393		28,393
Payroll taxes		9,943		9,943
Administrative expenses		24,397		24,397
Accounting fees		18,965		18,965
Event expenses		5,650	26,145	31,795
Office supplies		8,672		8,672
Occupancy		10,150		10,150
Other		1,513		1,513
	<u>\$ 793,411</u>	<u>152,054</u>	<u>78,583</u>	<u>1,024,048</u>
Less expenses included in revenues on the statement of activities			(26,145)	<u>(26,145)</u>
Total expenses included in the expense section on the statement of activities				<u><u>997,903</u></u>

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort determined by management. The percentages are applicable for both fiscal years.

Program	28%
Management and General	33%
Fundraising	<u>39%</u>
Total	<u>100%</u>

Jones County Junior College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended June 30, 2019 and 2018

Note 12 – Subsequent Events

Events that occur after the Statement of Financial 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 Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Positions date require disclosure in the accompanying notes. Management of the Jones County Junior College Foundation, Inc. evaluated the activity of the Foundation through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Jones County Junior College

Schedule of the College's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportionate share of the net pension liability	\$ 51,452,764	51,274,859	53,563,377	46,714,161	35,076,759
College's proportion of the net pension liability	0.309342%	0.308450%	0.299865%	0.302200%	0.288979%
College's covered payroll	19,754,457	19,787,244	19,183,111	18,879,708	17,650,032
College's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Jones County Junior College
 Schedule of College Contributions
 PERS
 Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,273,066	3,111,327	3,116,491	3,021,340	2,973,554	2,779,880
Contributions in relation to the contractually required contribution	3,273,066	3,111,327	3,116,491	3,021,340	2,973,554	2,779,880
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll	20,781,371	19,754,457	19,787,244	19,183,111	18,879,708	17,650,032
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

Jones County Junior College

Schedule of the College's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
College's proportionate share of the net OPEB liability	\$ 2,431,812	2,474,694
College's proportion of the net OPEB liability	0.31437034%	0.31540469%
College's covered-employee payroll	14,218,757	14,170,265 **
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

Jones County Junior College
 Schedule of College Contributions
 OPEB
 Last 10 Fiscal Years*

	2019	2018
Actuarially determined contribution	\$ <u>106,999</u>	<u>105,500</u> **
Contributions in relation to the actuarially determined contribution	106,999	105,500 **
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>
College's covered-employee payroll	\$ 18,549,375	18,862,926
Contributions as a percentage of covered-employee payroll	0.58%	0.56%

The notes to the required supplementary information are an integral part of this schedule.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the College has only presented information for the years in which information is available.

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions. Prior year information is based on historical amounts reported in the prior year audit report(s).

Jones County Junior College

Notes to the Required Supplementary Information For the Year Ended June 30, 2019

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December

Jones County Junior College

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2019

31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

- (3) *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

- (1) Changes of assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

- (2) Changes in benefit provisions

2017:

None

2018:

None

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The

Jones County Junior College

Notes to the Required Supplementary Information (Continued)
For the Year Ended June 30, 2019

following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75%
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00%
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-through programs from:			
Mississippi Department of Human Services			
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	N / A	\$ <u>251,230</u>
Total U.S. Department of Agriculture			<u>251,230</u>
<u>U.S. Department of Labor</u>			
Direct Program:			
WIOA Youth Activities	17.259	N / A	<u>74,649</u>
Subtotal direct program			<u>74,649</u>
Pass-through programs from:			
Southern Mississippi Planning and Development District			
WIOA Dislocated Worker Formula Grants	17.278	18-3568-18-119	257,935
WIOA Dislocated Worker Formula Grants	17.278	18-3528-18-701	27,735
WIOA Dislocated Worker Formula Grants	17.278	18-3538-18-140	51,575
WIOA Dislocated Worker Formula Grants	17.278	18-3537-18-120	16,465
Total Pass-through Programs			<u>353,710</u>
Total U.S. Department of Labor			<u>428,359</u>
National Aeronautics and Space Administration			
Pass-through programs from:			
Mississippi Department of Education			
Office of Stem Engagement (OSTEM)	43.008	NNX15AH78H	5,495
Total National Aeronautics and Space Administration			<u>5,495</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N / A	167,100
Federal Work-Study Program (FWS)	84.033	N / A	91,376
Federal Pell Grant Program	84.063	N / A	8,595,476
Federal Direct Student Loans	84.268	N / A	<u>2,494,380</u>
Total Student Financial Assistance Programs Cluster			<u>11,348,332</u>
Subtotal direct programs			<u>11,348,332</u>
Pass-through programs from:			
Mississippi Community College Board			
Adult Education - Basic Grants to States	84.002	2018-208-017	257,119
Mississippi Department of Education			
Career and Technical Education - Basic Grants to States	84.048	3403	275,365
Subtotal pass-through programs			<u>532,484</u>
Total U.S. Department of Education			<u>11,880,816</u>
Total Expenditures of Federal Awards			\$ <u>12,565,900</u>

The notes to the supplementary information are an integral part of this schedule.

Jones County Junior College

Notes to the Supplementary Information For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The College did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entity did not assign any identifying numbers to the remaining CFDA's.

For purposes of this schedule, loans made to students under the Federal Direct Student Loans (CFDA #84.268) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balances are included in the financial statements, since the loans are made and subsequently collected by the federal government.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited, 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 business-type activities, and its discretely presented component unit of Jones County Junior College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Jones County Junior College's basic financial statements, and have issued our report thereon dated March 2, 2020. The financial statements of the Jones County Junior College Foundation, Inc. were not audited 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 Jones County Junior College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jones County Junior 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 a 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 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jones County Junior College's financial statements are free from 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*.

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 Jones County Junior College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 2, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Report on Compliance For Each Major Federal Program

We have audited the Jones County Junior College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jones County Junior College's major federal programs for the year ended June 30, 2019. The Jones County Junior College's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Jones County Junior College's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Jones County Junior College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Jones County Junior College's compliance.

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TELEPHONE 601-992-5292 FAX 601-992-2033

Opinion on Its Major Federal Program

In our opinion, the Jones County Junior College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Jones County Junior 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 Jones County Junior College's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Jones County Junior College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 2, 2020

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the financial statements of the business-type activities of the Jones County Junior College and its discretely presented component unit as of and for the year ended June 30, 2019 and have issued our report thereon dated March 2, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Jones County Junior College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 2, 2020

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jones County Junior College

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

- 1. Type of auditor's report issued: Unmodified.
- 2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
- 3. Noncompliance material to financial statements noted? No.

Federal Awards:

- 4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
- 5. Type of auditor's report issued on compliance for major programs: Unmodified.
- 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
- 7. Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Programs Cluster
- 8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
- 9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.