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JONES COUNTY JUNIOR COLLEGE

Ellisville, Mississippi

Audited Financial Statements

Years Ended June 30, 2015 and 2014

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Jones County Junior College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit, as of June 30, 2015 and 2014, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* effective as of July 1, 2014. In addition, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective as of July 1, 2013. Our opinion is not modified with respect to these matters.

Also, as described in Note 12 to the financial statements, the College reported a prior period adjustment effective as of July 1, 2013.

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 – Mississippi Public Employee Retirement System, and Schedule of College Contributions – Mississippi Public Employee Retirement System, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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.

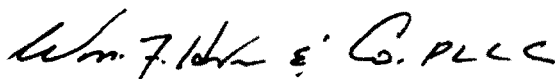
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Laurel, Mississippi
March 11, 2016

JONES COUNTY JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

This section of the Jones County Junior College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2015. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

As described in Note 12 to the financial statements, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* effective as of July 1, 2014. As a result of implementing GASB Statements No. 68 and 71, beginning net position was restated (decreased) for the College's proportionate share of the net pension liability associated with the Mississippi Public Employees' Retirement System.

In the prior year, as described in Note 12, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective as of July 1, 2013. As a result of implementing GASB Statement No. 65, prior debt service costs (excluding prepaid bond insurance) were expensed, thus restating beginning net position.

Using this Annual Report

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

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. 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

Statement of Net Position

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's net position (the net 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 measure the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Condensed Statement of Net Position

	2015	2014
Assets		
Current and other assets	\$ 13,465,657	\$ 13,917,501
Capital assets	72,934,183	73,899,424
Total assets	86,399,840	87,816,925
Deferred outflows of resources	3,520,788	-
Liabilities		
Current liabilities	4,504,597	4,278,468
Non-current liabilities	51,020,518	16,413,630
Total liabilities	55,525,115	20,692,098
Deferred inflows of resources	6,321,818	-
Net position		
Net investment in capital assets	56,507,202	56,946,572
Restricted		
Expendable	289,523	446,255
Unrestricted	(28,723,030)	9,732,000
Total net position	\$ 28,073,695	\$ 67,124,827

The current and other asset position at June 30, 2015 is \$13,465,657. This represents primarily cash and accounts receivable. Total accounts receivable of \$3,822,520 is reported net of an allowance for doubtful accounts of \$1,107,621.

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

The largest portion of the College's net position is in the category of "Net investment in capital assets" which is land, buildings and equipment, less the related debt. The unrestricted net position decreased primarily because of an adjustment to beginning unrestricted net position for the adoption of net pension liability due to GASB 68. The remaining unrestricted net position may be used to meet the College's ongoing operating obligations as they become due.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2015	2014	Change
Operating revenues			
Tuition and fees, net	\$ 4,104,267	\$ 3,490,966	\$ 613,301
Grants and contracts	17,570,637	18,910,121	(1,339,484)
Sales and services	113,000	112,110	890
Auxiliary enterprises	4,125,279	4,007,524	117,755
Other operating revenues	559,142	654,417	(95,275)
Total operating revenues	26,472,325	27,175,138	(702,813)
Operating expenses	49,381,132	49,339,136	41,996
Operating (loss)	(22,908,807)	(22,163,998)	(744,809)
Nonoperating revenues (expenses)			
State and local appropriations	19,004,062	16,813,100	2,190,962
Gifts and contributions	259,331	192,300	67,031
Interest expense	(807,860)	(819,083)	11,223
Investment income	8,142	15,455	(7,313)
Other nonoperating revenues	66,656	180,133	(113,477)
Total nonoperating revenues	18,530,331	16,381,905	2,148,426
(Loss) before capital appropriations	(4,378,476)	(5,782,093)	1,403,617
Capital appropriations	4,248,153	3,144,650	1,103,503
Change in net position	(130,323)	(2,637,443)	2,507,120
Net position, beginning as previously stated	67,124,827	71,030,832	(3,906,005)
Restatement of net position; See Note 12	(38,920,809)	(1,268,562)	(37,652,247)
Net position, beginning as restated	28,204,018	69,762,270	(41,558,252)
Net position, ending	\$ 28,073,695	\$ 67,124,827	\$ (39,051,132)

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Revenues

In fiscal year 2015, operating revenues totaled \$26.4 million and non-operating revenues totaled \$22.8 million. The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues. The College's largest source of non-operating revenue is the State of Mississippi appropriation and state and local capital aid for the purchase, construction, renovation, and repair of capital assets.

Even though net tuition and fees increased by \$613,301, total tuition and fees decreased by \$284,105. Scholarship allowances fell by \$897,406, which is primarily due to less Pell and Direct Loans applied to the students' accounts. The enrollment in the fall and spring from fiscal year 2014 to fiscal year 2015 actually fell by 3.4 percent, but the loss was offset by a 34 percent increase in summer enrollment from summer 2014 to summer 2015. Summer enrollment was largely affected by the college's decision to cut summer tuition in half from \$120/hour to \$60/hour.

Two of the federal grant programs in which the college relies heavily are Pell Grants and the Direct Loan Program. Pell awards and Direct Loan awards fell from fiscal year 2014 to fiscal year 2015 by \$1.1 million and \$580,000, respectively. These reductions are the primary reason for the drop in Grants and Contracts revenue from fiscal year 2014 to fiscal year 2015.

Auxiliary revenue increased due to a 3 percent increase in board fees and the re-opening of Smith Hall dormitory.

The college received an increase of \$2 million in the state appropriations funding formula and \$984,000 in state building funds in fiscal year 2015.

Expenses

Operating expenses in fiscal year 2015 of \$49,381,132 were almost identical to the prior fiscal year.

Staffing levels and salary expenditures increased by 5.86 percent, mostly as a result of a 3 percent increase given to non-faculty staff and a small increase in FTE. Fringe benefits decreased by \$976,644 largely due to the change in accounting principles in implementing GASB 68.

Travel expense increased by 19.95 percent, primarily due to the fiscal year 2015 athletic success and post-season travel expenses related to championships and tournaments.

The College actively manages its utility usage through the energy management strategy and has enjoyed a modest reduction of costs in recent years, but there are two reasons for the increase in utility costs in fiscal year 2015. The College opened a new Clarke County Center in fiscal year 2015, which added to utility costs. Additionally, Mississippi Power increased the customer electricity costs to help pay for the Kemper County clean coal facility. During fiscal year 2016, Mississippi Power refunded the college \$460K for the over charges.

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

June 30, 2015

(Unaudited)

The scholarships and fellowships expense is actually the amount refunded to students when credits on account are created by excess financial aid. With a drop in enrollment and less federal financial aid, a reduction in student refunds is appropriate.

The drop in other operating expense is due to a \$321K reduction in bad debt expense. The College's Office of Student Accounts is working diligently to increase collections, and the success is illustrated in the 30 percent improvement in bad debts.

	2015	2014	Percent Change
Expenses by object			
Salaries and wages	\$ 19,528,569	\$ 18,448,270	5.86%
Fringe benefits	5,120,589	6,097,233	-16.02%
Travel	454,701	379,078	19.95%
Contractual services	5,831,466	5,798,706	0.56%
Utilities	1,567,295	1,358,362	15.38%
Scholarships and fellowships	6,119,344	6,604,597	-7.35%
Commodities	6,219,028	5,755,708	8.05%
Depreciation expense	3,237,042	3,209,390	0.86%
Other operating expense	1,303,098	1,687,792	-22.79%
Total operating expenses by object	<u>\$ 49,381,132</u>	<u>\$ 49,339,136</u>	0.09%

	2015	2014
Expenses by function		
Instruction	\$ 17,060,568	\$ 16,791,966
Instructional support	922,490	960,813
Student services	2,595,573	2,295,154
Athletics	1,771,206	1,629,922
Institutional support	6,775,940	7,427,062
Operation of plant	5,512,627	3,721,142
Student aid	6,107,750	6,569,645
Auxiliary enterprises	5,397,936	6,734,042
Depreciation	3,237,042	3,209,390
Total operating expenses by function	<u>\$ 49,381,132</u>	<u>\$ 49,339,136</u>

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Capital Assets

At June 30, 2015, the College had \$116.5 million in capital assets, less accumulated depreciation of \$43.6 million, for net capital assets of \$72.9 million. Depreciation charges for fiscal year 2015 totaled \$3.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation at June 30:

Capital Assets	2015	2014
Land	\$ 509,050	\$ 509,050
Construction in progress	1,241,368	320,754
Buildings	62,812,401	64,679,168
Improvements other than buildings	6,776,455	7,119,080
Equipment	1,594,909	1,271,372
Capital assets, net	<u>\$ 72,934,183</u>	<u>\$ 73,899,424</u>

Additional information about the College's capital asset activity is presented in the notes to the financial statements.

Debt

During the year long-term debt (bonds and notes payable) decreased from \$17 million to \$16.4 million. This decrease is the result of required debt service payments being made. Additional information about the College's debt activity is presented in the notes to the financial statements.

Management Outlook

The College is poised to continue to positively impact its district and the state. The campus facilities and infrastructure are in better overall condition than at any time in the last twenty years. The quality of instruction is also at very high levels; the faculty and administration are intentional about educating today's student for today's economy. As we strategically expand our efforts to the counties in our district, more of our citizens will benefit from education and training, leading to an improved quality of life and productivity. The College is focused on five strategic goals:

1. Increase enrollment
2. Increase retention
3. Increase the transfer rate
4. Increase the graduation rate
5. Excellence in teaching

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Management looks through the lens of these strategic goals in every decision and every proposed major initiative. Going forward, management will focus on increasing efficiency in the onboarding process. Utilizing information and data will continue to be increasingly important for staying competitive in the education market in Mississippi.

Requests for Information

This report is designed to provide a general overview of the College's finances for all those with an interest. Questions regarding these financial statements and requests for additional information should be addressed to Rick Youngblood, Vice President of Business Affairs, 900 South Court Street, Ellisville, MS 39437.

JONES COUNTY JUNIOR COLLEGE

BASIC FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE

Statements of Net Position

June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
ASSETS						
Current assets						
Cash	\$ 8,793,478	\$ 763,263	\$ 9,556,741	\$ 8,786,256	\$ 1,436,866	\$ 10,223,122
Accounts receivable, net of allowance of \$1,107,621 in 2015 and \$1,346,417 in 2014	3,822,520	-	3,822,520	4,223,985	-	4,223,985
Contributions receivable	-	8,614	8,614	-	28,239	28,239
Inventories	477,169	-	477,169	550,182	-	550,182
Prepaid items	235,913	-	235,913	215,255	-	215,255
Total current assets	13,329,080	771,877	14,100,957	13,775,678	1,465,105	15,240,783
Noncurrent assets						
Investments	-	9,829,287	9,829,287	-	8,518,435	8,518,435
Contributions receivable, net of current portion	-	4,821	4,821	-	22,735	22,735
Student notes receivable	8,484	-	8,484	8,502	-	8,502
Prepaid bond insurance premiums, net	128,093	-	128,093	133,321	-	133,321
Nondepreciable capital assets	1,750,418	201,999	1,952,417	829,804	201,999	1,031,803
Depreciable capital assets, net	71,183,765	-	71,183,765	73,069,620	-	73,069,620
Total noncurrent assets	73,070,760	10,036,107	83,106,867	74,041,247	8,743,169	82,784,416
Total assets	\$ 86,399,840	\$ 10,807,984	\$ 97,207,824	\$ 87,816,925	\$ 10,208,274	\$ 98,025,199
DEFERRED OUTFLOWS OF RESOURCES						
Difference in actual experience - net pension liability	\$ 547,187	\$ -	\$ 547,187	\$ -	\$ -	\$ -
Deferred pension contributions	2,973,601	-	2,973,601	-	-	-
Total deferred outflows of resources	\$ 3,520,788	\$ -	\$ 3,520,788	\$ -	\$ -	\$ -

JONES COUNTY JUNIOR COLLEGE

Statements of Net Position

June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
LIABILITIES						
Current liabilities						
Accounts payable	\$ 462,932	\$ 1,639	\$ 464,571	\$ 908,800	\$ 453	\$ 909,253
Accrued liabilities	3,313,785	-	3,313,785	2,603,753	-	2,603,753
Compensated absences	244,658	-	244,658	226,693	-	226,693
Long-term debt, current portion	483,222	-	483,222	539,222	-	539,222
Total current liabilities	4,504,597	1,639	4,506,236	4,278,468	453	4,278,921
Noncurrent liabilities						
Net pension liability	35,076,759	-	35,076,759	-	-	-
Long-term debt, net of current portion	15,943,759	-	15,943,759	16,413,630	-	16,413,630
Total noncurrent liabilities	51,020,518	-	51,020,518	16,413,630	-	16,413,630
Total liabilities	\$ 55,525,115	\$ 1,639	\$ 55,526,754	\$ 20,692,098	\$ 453	\$ 20,692,551
DEFERRED INFLOWS OF RESOURCES						
Change in proportionate share of contributions and net pension liability	\$ 1,237,184	\$ -	\$ 1,237,184	\$ -	\$ -	\$ -
Differences in projected earnings - net pension liability	5,084,634	-	5,084,634	-	-	-
Total deferred inflows of resources	\$ 6,321,818	\$ -	\$ 6,321,818	\$ -	\$ -	\$ -
NET POSITION						
Net investment in capital assets	\$ 56,507,202	\$ -	\$ 56,507,202	\$ 56,946,572	\$ -	\$ 56,946,572
Restricted for						
Nonexpendable						
Scholarships and fellowships	-	7,424,515	7,424,515	-	6,997,068	6,997,068
Expendable						
Scholarships and fellowships	289,523	1,952,016	2,241,539	446,255	1,770,609	2,216,864
College program support and expenses	-	887,566	887,566	-	886,228	886,228
Unrestricted	(28,723,030)	542,248	(28,180,782)	9,732,000	553,916	10,285,916
Total net position	\$ 28,073,695	\$ 10,806,345	\$ 38,880,040	\$ 67,124,827	\$ 10,207,821	\$ 77,332,648

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
Operating revenues						
Tuition and fees, net of scholarship allowances of \$8,227,601 in 2015 and \$9,125,007 in 2014	\$ 4,104,267	\$ -	\$ 4,104,267	\$ 3,490,966	\$ -	\$ 3,490,966
Federal grants and contracts	12,865,524	-	12,865,524	14,673,397	-	14,673,397
State grants and contracts	4,070,177	-	4,070,177	3,976,335	-	3,976,335
Nongovernmental grants and contracts	634,936	-	634,936	260,389	-	260,389
Sales and services of educational departments	113,000	-	113,000	112,110	-	112,110
Auxiliary enterprises						
Student housing, net of scholarship allowances of \$789,588 in 2015 and \$769,972 in 2014	566,557	-	566,557	495,196	-	495,196
Food services, net of scholarship allowances of \$1,181,406 in 2015 and \$1,150,088 in 2014	997,152	-	997,152	955,685	-	955,685
Bookstore, net of scholarship allowances of \$586,289 in 2015 and \$736,044 in 2014	2,561,570	-	2,561,570	2,556,643	-	2,556,643
Other operating revenues	559,142	-	559,142	654,417	-	654,417
Total operating revenues	26,472,325	-	26,472,325	27,175,138	-	27,175,138
Operating expenses						
Salaries and wages	19,528,569	228,828	19,757,397	18,448,270	246,419	18,694,689
Fringe benefits	5,120,589	-	5,120,589	6,097,233	-	6,097,233
Travel	454,701	-	454,701	379,078	-	379,078
Contractual services	5,831,466	-	5,831,466	5,798,706	-	5,798,706
Utilities	1,567,295	-	1,567,295	1,358,362	-	1,358,362
Scholarships and fellowships	6,119,344	286,814	6,406,158	6,604,597	256,989	6,861,586
College support	-	342,997	342,997	-	346,094	346,094
Commodities	6,219,028	-	6,219,028	5,755,708	-	5,755,708
Depreciation expense	3,237,042	-	3,237,042	3,209,390	-	3,209,390
Other operating expenses	1,303,098	133,580	1,436,678	1,687,792	137,503	1,825,295
Total operating expenses	49,381,132	992,219	50,373,351	49,339,136	987,005	50,326,141
Operating (loss)	(22,908,807)	(992,219)	(23,901,026)	(22,163,998)	(987,005)	(23,151,003)

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
Nonoperating revenues (expenses)						
State appropriations	\$ 16,252,173	\$ -	\$ 16,252,173	\$ 14,159,811	\$ -	\$ 14,159,811
Local appropriations	2,751,889	-	2,751,889	2,653,289	-	2,653,289
Gifts and contributions	259,331	794,772	1,054,103	192,300	567,647	759,947
Investment income	8,142	388,924	397,066	15,455	1,084,489	1,099,944
Interest expense	(807,860)	-	(807,860)	(819,083)	-	(819,083)
Gain on disposition of fixed assets	-	-	-	859	-	859
Other nonoperating revenues	66,656	-	66,656	179,274	-	179,274
Total nonoperating revenues (expenses)	18,530,331	1,183,696	19,714,027	16,381,905	1,652,136	18,034,041
Income (loss) before capital appropriations and additions to permanent endowments	(4,378,476)	191,477	(4,186,999)	(5,782,093)	665,131	(5,116,962)
Capital appropriations and additions to permanent endowments						
Permanent endowment contributions	-	407,047	407,047	-	161,445	161,445
State appropriation restricted for capital	1,672,236	-	1,672,236	687,638	-	687,638
Local appropriations restricted for capital	2,575,917	-	2,575,917	2,457,012	-	2,457,012
Total capital appropriations and additions to permanent endowments	4,248,153	407,047	4,655,200	3,144,650	161,445	3,306,095
Changes in net position	(130,323)	598,524	468,201	(2,637,443)	826,576	(1,810,867)
Net position, beginning as previously stated	67,124,827	10,207,821	77,332,648	71,030,832	9,381,245	80,412,077
Restatement of net position; See note 12	(38,920,809)	-	(38,920,809)	(1,268,562)	-	(1,268,562)
Net position, beginning as restated	28,204,018	10,207,821	38,411,839	69,762,270	9,381,245	79,143,515
Net position, ending	\$ 28,073,695	\$ 10,806,345	\$ 38,880,040	\$ 67,124,827	\$ 10,207,821	\$ 77,332,648

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
Cash flows from operating activities						
Tuition and fees	\$ 4,365,779	\$ -	\$ 4,365,779	\$ 2,516,285	\$ -	\$ 2,516,285
Grants and contracts	18,064,815	-	18,064,815	17,922,596	-	17,922,596
Sales and services of educational departments	113,000	-	113,000	108,662	-	108,662
Payments for supplies and services	(14,233,537)	(475,391)	(14,708,928)	(11,944,705)	(484,059)	(12,428,764)
Payments for employees for salaries and benefits	(25,070,879)	(228,828)	(25,299,707)	(24,620,004)	(246,419)	(24,866,423)
Payments for utilities	(1,473,703)	-	(1,473,703)	(1,358,362)	-	(1,358,362)
Payments for scholarships and fellowships	(6,119,344)	(286,814)	(6,406,158)	(6,604,597)	(256,989)	(6,861,586)
Auxiliary enterprise charges						
Student housing	582,478	-	582,478	420,686	-	420,686
Food services	1,025,677	-	1,025,677	854,778	-	854,778
Bookstore	2,638,314	-	2,638,314	2,545,098	-	2,545,098
Other receipts	559,160	-	559,160	769,622	-	769,622
Net cash (used) by operating activities	(19,548,240)	(991,033)	(20,539,273)	(19,389,941)	(987,467)	(20,377,408)
Cash flows from noncapital financing activities						
State appropriations	15,836,920	-	15,836,920	14,139,301	-	14,139,301
Local appropriations	2,751,889	-	2,751,889	2,653,289	-	2,653,289
Gifts and contributions for other than capital purposes	259,331	832,311	1,091,642	286,838	698,126	984,964
Gifts and contributions for endowment purposes	-	407,047	407,047	-	161,445	161,445
Other sources	55,182	-	55,182	179,474	-	179,474
Net cash provided by noncapital financing activities	18,903,322	1,239,358	20,142,680	17,258,902	859,571	18,118,473
Cash flows from capital and related financing activities						
Cash paid for capital assets	(2,271,801)	-	(2,271,801)	(1,794,264)	-	(1,794,264)
Proceeds from sales of capital assets	-	-	-	859	-	859
Capital appropriations received	4,248,153	-	4,248,153	3,144,650	-	3,144,650
Principal paid on capital debt and leases	(539,222)	-	(539,222)	(510,871)	-	(510,871)
Interest paid on capital debt and leases	(793,132)	-	(793,132)	(813,855)	-	(813,855)
Other sources (uses)	-	-	-	(36,904)	-	(36,904)
Net cash provided by (used by) capital and related financing activities	643,998	-	643,998	(10,385)	-	(10,385)

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
Cash flows from investing activities						
Proceeds from sales and maturities of investments	\$ -	\$ 8,765,205	\$ 8,765,205	\$ -	\$ 4,145,199	\$ 4,145,199
Interest received on investments	8,142	185,735	193,877	15,455	432,823	448,278
Purchases of investments	-	(9,872,868)	(9,872,868)	-	(4,220,832)	(4,220,832)
Net cash provided by (used by) investing activities	8,142	(921,928)	(913,786)	15,455	357,190	372,645
Net increase (decrease) in cash and cash equivalents	7,222	(673,603)	(666,381)	(2,125,969)	229,294	(1,896,675)
Cash and cash equivalents, beginning of year	8,786,256	1,436,866	10,223,122	10,912,225	1,207,572	12,119,797
Cash and cash equivalents, end of year	\$ 8,793,478	\$ 763,263	\$ 9,556,741	\$ 8,786,256	\$ 1,436,866	\$ 10,223,122
Reconciliation of cash and cash equivalents to the statements of net assets						
Cash and cash equivalents classified as current assets	\$ 8,793,478	\$ 763,263	\$ 9,556,741	\$ 8,786,256	\$ 1,436,866	\$ 10,223,122

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Jones County Junior College	Component Unit	Totals	Jones County Junior College	Component Unit	Totals
Reconciliation of operating (loss) to net cash (used by) operating activities						
Operating (loss)	\$ (22,908,807)	\$ (992,219)	\$ (23,901,026)	\$ (22,163,998)	\$ (987,005)	\$ (23,151,003)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities						
Depreciation expense	3,237,042	-	3,237,042	3,209,390	-	3,209,390
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources						
(Increase) decrease in assets and deferred outflows of resources						
Receivables, net	828,192	-	828,192	(610,303)	-	(610,303)
Inventories	73,013	-	73,013	15,793	-	15,793
Prepaid items	(20,658)	-	(20,658)	9,560	-	9,560
Student notes receivable	18	-	18	18	-	18
Deferred outflows related to pensions	(3,520,788)	-	(3,520,788)	-	-	-
Increase (decrease) in liabilities and deferred inflows of resources						
Accounts payable	(445,868)	1,186	(444,682)	(360,186)	(462)	(360,648)
Accrued liabilities	713,883	-	713,883	508,921	-	508,921
Compensated absences	17,965	-	17,965	864	-	864
Deferred inflows related to pensions	6,321,818	-	6,321,818	-	-	-
Net pension liability	(3,844,050)	-	(3,844,050)	-	-	-
Total adjustments	3,360,567	1,186	3,361,753	2,774,057	(462)	2,773,595
Net cash (used by) operating activities	\$ (19,548,240)	\$ (991,033)	\$ (20,539,273)	\$ (19,389,941)	\$ (987,467)	\$ (20,377,408)
Noncash transactions						
State appropriations restricted for capital purposes	\$ 1,672,236	\$ -	\$ 1,672,236	\$ 687,638	\$ -	\$ 687,638

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies

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

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

- B. Component Unit - Jones County Junior College Foundation, Inc. (the "Foundation") is an independent corporation formed for the purpose of receiving funds for the sole benefit of the College. The Foundation is separately audited, and the financial statements of the Foundation have been included in the presentation of the financial statements of the College. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended by the provisions GASB Statement No. 61, requires the Foundation's financial statements to be included in the financial statements of the College as a discretely presented component unit.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Statement of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The separately issued audited financial statements of the Foundation are available through the business department at the College. The Foundation is not required to report cash flows based upon the direct method of accounting under FASB standards, and therefore, the audited financial statements for the Foundation have been modified for the GASB reporting model.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

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

Amounts representing services and facilities contributed to the Foundation by the College for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Salaries, wages and benefits	\$ 228,828	\$ 246,419
Office and occupancy	19,583	22,718
Total	\$ 248,411	\$ 269,137

Amounts paid to the College by the Foundation for scholarships were \$286,814 and \$256,989 for the years ended June 30, 2015 and 2014, respectively.

- C. Basis of Presentation - The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College's financial activities.
- D. Measurement Focus and Basis of Accounting - The basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

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

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

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

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

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.

- E. Cash - The College's cash is considered to be cash on hand and demand deposits with financial institutions. The College deposits excess funds in financial institutions selected by the Board of Trustees. State statutes specify how these depositories are to be selected.
- F. Investments - Investments for the component unit are reported at fair market value based on quoted market rates. Interest, dividends, realized and unrealized gains and losses on investments are reported in the statement of revenues, expenses and changes in net position as investment income.
- G. Accounts Receivable, Net - Accounts receivable consists of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivable is recorded net of an allowance for doubtful accounts, which is based on historical losses and an analysis of currently outstanding amounts. Accounts without activity for more than one year are written off on an annual basis.
- H. Inventories and Prepaid Items - Inventories consist of bookstore, physical plant, and printing supplies. These inventories are valued at the lower of cost or market, on the first-in, first-out ("FIFO") basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.
- I. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. They consist of true endowment funds, which are funds received from a donor with the restriction that only the income is to be utilized.
- J. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net position as current assets. Those balances that either are in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net position.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

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

- K. Capital Assets, Net - Capital assets are recorded at historical cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Building	40 years	20%	\$ 50,000
Building improvements	20 years	20%	25,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 10 years	1 - 10%	5,000

- L. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports deferred outflows of resources which represent 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 that time. The College is reporting deferred outflows for the difference between expected and actual experience related to the pension and College pension contributions subsequent to the measurement date. The deferred outflow of resources for the difference between the expected and actual experience related to the pension is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan.

In addition to liabilities, the statement of net position reports deferred inflows of resources which represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College is reporting deferred inflows for changes in the College's proportionate share of contributions and net pension liability, as well as differences in the projected earnings for the pension. The deferred inflow of resources related to changes in the College's proportionate share of contributions and net pension liability is amortized over the service life of all employees that are provided with pensions through the pension plan, and the differences in the projected earnings related to the pension are amortized over five years.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

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

- M. Compensated Absences - Full-time employees earn monthly vacation leave at a rate of 6.67 hours for employees scheduled for 8 hours per day; 6.25 hours for employees scheduled for 7.50 hours per day; 6.04 hours for employees scheduled for 7.25 hours per day; 5.83 hours for employees scheduled for 7.00 hours per day; 5.42 hours for employees scheduled for 6.50 hours per day; 5.21 hours for employees scheduled for 6.25 hours per day; and 5.00 hours for employees scheduled for 6.00 hours per day. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to ten days of accumulated annual leave.
- N. Long-Term Liabilities and Bond Discounts/Premiums - In the financial statements, outstanding debt is reported as a liability. Bond discounts and premiums are deferred and amortized over the terms of the respective bonds using a method that approximates the effective interest method.
- O. Cost of Borrowing - Costs incurred in connection with obtaining financing are expensed in the period the debt is issued.
- P. Net Pension Liability - 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, information about the fiduciary net position of the PERS defined benefit plan and additions to/deductions from the PERS have been determined on the same basis as they are reported by PERS.
- Q. Classification of Revenues and Expenses - The College has classified its revenues and expenses as either operating or nonoperating revenues and expenses according to the following criteria:
- Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.
 - Nonoperating revenues and expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state and local appropriations, and investment income, and those that are defined as nonoperating revenues by GASB pronouncements.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

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

- R. State Appropriations - The College receives funds from the State of Mississippi based on the number of students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. The funding calculation is based on the number of full-time equivalents which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- S. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loan funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition, 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.
- T. 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 is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs. Unrestricted net position consists of all other components of net position that do not meet any of the previous criteria.

The College reported a deficit for unrestricted net position of \$28,723,030. This deficit can be attributed to the full recognition of net pension liabilities.

(2) Cash and Investments

In accordance with state statute, the College is authorized to invest excess funds 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.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(2) Cash and Investments (Continued)

The carrying amounts of deposits and investments as of June 30 were as follows:

	2015	2014
Cash	\$ 9,556,741	\$ 10,223,122
Investments	9,829,287	8,518,435
Total	<u>\$ 19,386,028</u>	<u>\$ 18,741,557</u>

All investments were held by the Foundation at June 30, 2015 and 2014. The Foundation's investments consisted of the following:

	Fair Value	
	2015	2014
Equity securities	\$ 5,842,968	\$ 7,882,428
Mutual funds	2,443,962	190,473
Bonds	1,082,230	-
Certificates of deposit	236,018	234,949
Cash value of life insurance policies	224,109	210,585
Total investments, at fair value	<u>\$ 9,829,287</u>	<u>\$ 8,518,435</u>

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

Bonds held by the Foundation as of June 30, 2015 mature as follows: \$930,122 mature in 6 to 10 years and \$152,108 mature in over 10 years. \$74,201 of these bonds are rated AA by Standard & Poor and Aa2 by Moody, with the remaining bonds unrated.

As of June 30, 2015 and 2014, the Foundation maintained investments in equity securities, mutual funds, and bonds. Although these funds reduce risk through diversification of investment holdings and are held with reputable brokers, they are exposed to market risk. Additionally, these investments were not covered under FDIC or the Securities Investor Protection Corporation ("SIPC"), subjecting the Foundation to the risk of uninsured loss.

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

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(2) Cash and Investments (Continued)

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

Custodial Credit Risk. 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 policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the College. 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.

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. As of June 30, 2015, the College did not have any investments to which this would apply.

(3) Accounts Receivable

Accounts receivable of the College consisted of the following at June 30, 2015 and 2014:

	2015	2014
Student tuition	\$ 98,294	\$ 549,914
Auxiliary enterprises and other operating activities	1,851,792	1,972,982
Federal, state, and private grants and contracts	1,995,660	2,489,838
State appropriations	909,293	494,040
Other	75,102	63,628
Total accounts receivable	4,930,141	5,570,402
Less allowance for doubtful accounts	(1,107,621)	(1,346,417)
Net accounts receivable	\$ 3,822,520	\$ 4,223,985

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2015

(4) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015 is presented as follows:

	Jones County Junior College				Jones County Junior College Foundation			
	Beginning	Additions	Deletions	Ending Balance	Beginning	Additions	Deletions	Ending Balance
Nondepreciable capital assets								
Land	\$ 509,050	\$ -	\$ -	\$ 509,050	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	320,754	1,151,386	(230,772)	1,241,368	-	-	-	-
Total nondepreciable capital assets	829,804	1,151,386	(230,772)	1,750,418	201,999	-	-	201,999
Depreciable capital assets								
Buildings	94,827,068	486,853	-	95,313,921	-	-	-	-
Improvements other than buildings	11,560,852	75,496	-	11,636,348	-	-	-	-
Equipment	7,063,786	788,838	-	7,852,624	-	-	-	-
Total depreciable capital assets	113,451,706	1,351,187	-	114,802,893	-	-	-	-
Less accumulated depreciation for								
Buildings	30,147,900	2,353,620	-	32,501,520	-	-	-	-
Improvements other than buildings	4,441,772	418,121	-	4,859,893	-	-	-	-
Equipment	5,792,414	465,301	-	6,257,715	-	-	-	-
Total accumulated depreciation	40,382,086	3,237,042	-	43,619,128	-	-	-	-
Total depreciable capital assets, net	73,069,620	(1,885,855)	-	71,183,765	-	-	-	-
Capital assets, net	\$ 73,899,424	\$ (734,469)	\$ (230,772)	\$ 72,934,183	\$ 201,999	\$ -	\$ -	\$ 201,999

A summary of changes in capital assets for the year ended June 30, 2014 is presented as follows:

	Jones County Junior College				Jones County Junior College Foundation			
	Beginning	Additions	Deletions	Ending Balance	Beginning	Additions	Deletions	Ending Balance
Nondepreciable capital assets								
Land	\$ 509,050	\$ -	\$ -	\$ 509,050	\$ 201,999	\$ -	\$ -	\$ 201,999
Construction in progress	257,982	62,772	-	320,754	-	-	-	-
Total nondepreciable capital assets	767,032	62,772	-	829,804	201,999	-	-	201,999
Depreciable capital assets								
Buildings	93,616,528	1,210,540	-	94,827,068	-	-	-	-
Improvements other than buildings	11,438,234	122,618	-	11,560,852	-	-	-	-
Equipment	6,802,038	398,334	(136,586)	7,063,786	-	-	-	-
Total depreciable capital assets	111,856,800	1,731,492	(136,586)	113,451,706	-	-	-	-
Less accumulated depreciation for								
Buildings	27,820,030	2,327,870	-	30,147,900	-	-	-	-
Improvements other than buildings	3,986,952	454,820	-	4,441,772	-	-	-	-
Equipment	5,539,204	426,700	(173,490)	5,792,414	-	-	-	-
Total accumulated depreciation	37,346,186	3,209,390	(173,490)	40,382,086	-	-	-	-
Total depreciable capital assets, net	74,510,614	(1,477,898)	36,904	73,069,620	-	-	-	-
Capital assets, net	\$ 75,277,646	\$ (1,415,126)	\$ 36,904	\$ 73,899,424	\$ 201,999	\$ -	\$ -	\$ 201,999

There are no commitments for construction contracts as of June 30, 2015.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(5) Long-Term Liabilities

Long-term liabilities of the College consisted of bonds, notes payable and a net pension liability.

The long-term liabilities at June 30, 2015 are as follows:

Description	Original Issue	Annual Interest Rate	Maturity	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015	Due Within One Year
Special Obligation Bonds, Series 2009	18,215,000	Variable	3/1/2039	\$ 16,456,890	\$ -	\$ (371,649)	\$ 16,085,241	\$ 395,000
Notes payable, Singing River	360,000	-	6/1/2016	78,000	-	(72,000)	6,000	6,000
Notes payable, Singing River	740,000	-	7/1/2019	417,962	-	(82,222)	335,740	82,222
Total bonds and notes payable				16,952,852	-	(525,871)	16,426,981	483,222
Net pension liability				41,700,689	3,449,941	(10,073,871)	35,076,759	-
Total long-term liabilities				\$ 58,653,541	\$ 3,449,941	\$ (10,599,742)	\$ 51,503,740	\$ 483,222

The beginning balance for the net pension liability for fiscal year ended June 30, 2015 resulted from the implementation of GASB Statement No. 68.

The long-term liabilities at June 30, 2014 are as follows:

Bonds and Notes Payable	Original Issue	Annual Interest Rate	Maturity	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014	Due Within One Year
Special Obligation Bonds, Series 2009	18,215,000	Variable	3/1/2039	\$ 16,811,186	\$ -	\$ (354,296)	\$ 16,456,890	\$ 385,000
Notes payable, Singing River	360,000	-	6/1/2016	150,000	-	(72,000)	78,000	72,000
Notes payable, Singing River	740,000	-	7/1/2019	502,537	-	(84,575)	417,962	82,222
Total long-term liabilities				\$ 17,463,723	\$ -	\$ (510,871)	\$ 16,952,852	\$ 539,222

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(5) Long-Term Liabilities (Continued)

The debt service requirements as of June 30, 2015 are as follows:

	Principal	Interest	Total
2016	\$ 483,222	\$ 781,588	\$ 1,264,810
2017	487,222	769,738	1,256,960
2018	502,222	757,081	1,259,303
2019	517,222	742,801	1,260,023
2020	464,204	726,924	1,191,128
2021 - 2025	2,580,000	3,333,275	5,913,275
2026 - 2030	3,270,000	2,658,290	5,928,290
2031 - 2035	4,215,000	1,748,956	5,963,956
2036 - 2039	4,235,000	556,319	4,791,319
	16,754,092	\$ 12,074,972	\$ 28,829,064
Unamortized bond discount	(327,111)		
Total	\$ 16,426,981		

The total interest incurred for the years ended June 30, 2015 and 2014 was \$807,860 and \$819,083, respectively.

The interest payments reflected in the 2015 table above were calculated based upon the interest rate in effect for the outstanding bonds at the maturity date.

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

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(6) Functional Classification of Expenses

The College's operating expenses by functional classification were as follows for the year ended June 30, 2015:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 11,288,514	\$ 2,749,205	\$ 216,393	\$ 818,417	\$ 149,240
Instructional support	580,868	149,349	3,210	144,411	-
Student services	1,750,454	462,945	43,334	238,534	-
Athletics	1,037,584	226,668	94,201	196,060	-
Institutional support	2,903,572	936,127	89,209	1,477,960	-
Operation of plant	1,593,183	495,141	6,381	878,731	1,415,619
Student aid	-	-	1,973	136	-
Auxiliary enterprises	374,394	101,154	-	2,077,217	2,436
Total operating expenses	\$ 19,528,569	\$ 5,120,589	\$ 454,701	\$ 5,831,466	\$ 1,567,295

	Scholarships and Fellowships	Commodities	Depreciation Expenses	Other	Total
Instruction	\$ 14,569	\$ 1,495,252	\$ -	\$ 328,978	\$ 17,060,568
Instructional support	-	44,652	-	-	922,490
Student services	-	100,306	-	-	2,595,573
Athletics	-	216,693	-	-	1,771,206
Institutional support	-	474,661	-	894,411	6,775,940
Operation of plant	-	1,123,572	-	-	5,512,627
Student aid	6,104,775	866	-	-	6,107,750
Auxiliary enterprises	-	2,763,026	-	79,709	5,397,936
Depreciation	-	-	3,237,042	-	3,237,042
Total operating expenses	\$ 6,119,344	\$ 6,219,028	\$ 3,237,042	\$ 1,303,098	\$ 49,381,132

The Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2015:

	Salaries and Wages	Scholarships and Fellowships	Other	Total
Student aid	\$ -	\$ 286,814	\$ -	\$ 286,814
College support	-	-	342,997	342,997
Endowment operations	228,828	-	133,580	362,408
Total operating expenses	\$ 228,828	\$ 286,814	\$ 476,577	\$ 992,219

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(6) Functional Classification of Expenses (Continued)

The College's operating expenses by functional classification were as follows for the year ended June 30, 2014:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 10,932,783	\$ 3,244,802	\$ 103,661	\$ 838,037	\$ 102,042
Instructional support	531,368	164,965	3,838	101,166	-
Student services	1,414,512	457,584	36,184	296,422	-
Athletics	864,426	229,315	149,672	182,890	-
Institutional support	2,816,223	1,448,155	83,146	1,508,225	-
Operation of plant	1,132,863	436,026	1,233	737,244	921,361
Student aid	-	-	1,344	-	-
Auxiliary enterprises	756,095	116,386	-	2,134,722	334,959
Total operating expenses	<u>\$ 18,448,270</u>	<u>\$ 6,097,233</u>	<u>\$ 379,078</u>	<u>\$ 5,798,706</u>	<u>\$ 1,358,362</u>

	Scholarships and Fellowships	Commodities	Depreciation Expenses	Other	Total
Instruction	\$ 37,000	\$ 1,184,833	\$ -	\$ 348,808	\$ 16,791,966
Instructional support	-	159,476	-	-	960,813
Student services	-	90,452	-	-	2,295,154
Athletics	-	203,619	-	-	1,629,922
Institutional support	-	348,036	-	1,223,277	7,427,062
Operation of plant	-	491,914	-	501	3,721,142
Student aid	6,567,597	704	-	-	6,569,645
Auxiliary enterprises	-	3,276,674	-	115,206	6,734,042
Depreciation	-	-	3,209,390	-	3,209,390
Total operating expenses	<u>\$ 6,604,597</u>	<u>\$ 5,755,708</u>	<u>\$ 3,209,390</u>	<u>\$ 1,687,792</u>	<u>\$ 49,339,136</u>

The Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2014:

	Salaries and Wages	Scholarships and Fellowships	Other	Total
Student aid	\$ -	\$ 256,989	\$ -	\$ 256,989
College support	-	-	346,094	346,094
Endowment operations	246,419	-	137,503	383,922
Total operating expenses	<u>\$ 246,419</u>	<u>\$ 256,989</u>	<u>\$ 483,597</u>	<u>\$ 987,005</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(7) Retirement Plan – Defined Benefit Pension Plan

General Information about the Defined Benefit Pension Plan

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

Benefits Provided - Cost-sharing plan participating members who are vested and retire at or after age 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 2.00 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 2.50 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions - PERS members are required to contribute 9.00 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate, which was 15.75 percent of annual covered payroll for fiscal year ending June 30, 2015 and 2014. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The College's contributions to PERS for the years ended June 30, 2015 was \$2,973,601, equal to the required contribution for the year.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(7) Retirement Plan – Defined Benefit Pension Plan (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the College reported a liability of \$35,076,759 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 contributions to the pension plan relative to the projected contributions of all participating PERS members, actuarially determined. At June 30, 2014, the College's proportion was 0.29 percent, which was a decrease of 0.01 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$1,930,582. At June 30, 2014, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 547,187	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,084,634
Changes in proportion and differences between College contributions and proportionate share of contributions	-	16,381
Changes in the College's proportion of the collective net pension liability since the prior measurement date	-	1,220,803
College contributions subsequent to the measurement date	2,973,601	-
	<u>\$ 3,520,788</u>	<u>\$ 6,321,818</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(7) Retirement Plan – Defined Benefit Pension Plan (Continued)

There was \$2,973,601 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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 Ended June 30,

2016	\$ (1,519,360)
2017	(1,519,360)
2018	(1,464,754)
2019	<u>(1,271,157)</u>
Total	<u>\$ (5,774,631)</u>

Actuarial assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Payroll growth	4.25% - 19.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males, with adjustments for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate 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.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(7) Retirement Plan – Defined Benefit Pension Plan (Continued)

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	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the current employer contribution rate (15.75 percent). 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.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, 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-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate (amounts in thousands):

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
College's proportionate share of the net pension liability	\$ 47,824	\$ 35,079	\$ 24,449

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(7) Retirement Plan – Defined Benefit Pension Plan (Continued)

Payables to the Pension Plan - At June 30, 2015, the District reported a payable of \$407,628 for the outstanding amount of contributions to PERS required for the fiscal year.

(8) Contingencies

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

The College is involved in litigation and other matters, many of which occur in the normal course of business. It is not possible at the present time to estimate the outcome of liability, if any, of the College with respect to the various proceedings. However, based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the College's future financial position or on the results of its future operations.

(9) Contingent Liabilities

During 2009, the College issued \$18,215,000 in general obligation bonds for capital improvements. The Internal Revenue Code (IRC) and Arbitrage Rebate Regulations issued by the Internal Revenue Service (IRS) require a rebate to the Federal Government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Excess earnings must be rebated every five years, or upon maturity of the bonds, whichever is earlier. Earnings have not exceeded the effective yield on these bonds.

(10) Risk Management

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

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2015

(11) Subsequent Events

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the College evaluated the activity of the College through March 11, 2016 and determined that there are no subsequent events that have occurred that would require disclosure in the notes to the financial statements.

(12) Restatements/Prior Period Adjustment

The College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. GASB Statement No. 68 is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. As a result, beginning net position for the College was restated and decreased \$38,920,809 due to the adoption of this statement as of July 1, 2014.

The College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also requires that debt issuance costs, except any portion related to prepaid bond insurance costs, be expensed in the period in which that debt was issued. As a result, beginning net position for the College was restated and reduced by \$170,968 to expense the unamortized bond issuance costs as of July 1, 2013.

On July 1, 2013, beginning net position was restated as a result of errors discovered in the class lives assigned for certain capital assets in prior years. As a result, beginning net position was restated and decreased \$1,097,594 as of July 1, 2013, and depreciation expense for 2013 was increased \$212,965.

JONES COUNTY JUNIOR COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

JONES COUNTY JUNIOR COLLEGE
Required Supplementary Information
Years Ended June 30, 2015

Schedule of the College's Proportionate Share of the Net Pension Liability
Mississippi Public Employees' Retirement System (PERS)

College Fiscal Year Ended	Plan Sponsor Measurement Date	College's Proportion of the PERS Net Pension Liability	College's Proportionate Share of the PERS Net Pension Liability	College's Covered Employee Payroll	College's Proportionate Share of the PERS Net Pension Liability as a Percentage of Covered Payroll	PERS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2015	June 30, 2014	0.288979%	\$ 35,076,759	\$ 16,861,020	208.03%	67.21%
June 30, 2014	June 30, 2013	0.300959%	41,700,689	17,526,582	237.93%	61.02%

Schedule of College's Contributions
Mississippi Public Employees' Retirement System (PERS)

College Fiscal Year Ended	PERS Contractually Required Contribution	PERS Contributions in Relation to the Contractally Required Contribution	PERS Contribution Deficiency (Excess)	College's Covered Employee Payroll	Contributions as a Percentage Covered Employee Payroll
June 30, 2015	\$ 2,973,601	\$ 2,973,601	\$ -	\$ 17,844,387	16.66%
June 30, 2014	2,779,880	2,779,880	-	16,861,020	16.49%

JONES COUNTY JUNIOR COLLEGE
Notes to Required Supplementary Information
Years Ended June 30, 2015

Changes of Assumptions – In 2013 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2013. In 2013, withdrawal rates, pre-retirement mortality rates, disability rates, and retirement rates were adjusted to more closely reflect actual experience. In 2013, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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. 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	30 years
Asset valuation method	5-year smoothed market
Price inflation	3.50 percent
Salary increase	4.50 percent to 20.00 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

JONES COUNTY JUNIOR COLLEGE

SUPPLEMENTARY INFORMATION

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/ Identifying Numbers	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Programs</i>			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	NA	\$ 9,031,039
Federal Direct Student Loans	84.268	NA	3,243,516
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	NA	148,537
Federal Work-Study Program (FWS)	84.033	NA	<u>105,922</u>
Total Student Financial Aid Cluster			12,529,014
<i>Pass-through Programs</i>			
Mississippi Department of Education Career & Technical Education - Basic Grants to States	84.048	3403	174,495
State Board of Community and Junior Colleges Adult Education - Basic Grants to States	84.002	2015-208-017	<u>206,402</u>
Total U.S. Department of Education			<u>12,909,911</u>
<u>Department of Labor</u>			
<i>Direct Programs</i>			
Trade Adjustment Assistance	17.245	NA	8,415
WIA/WIOA Youth Activities	17.259	NA	83,427
<i>Pass-through Programs</i>			
Southern MS Planning and Development District			
WIA/WIOA Dislocated Worker Formula Grants	17.278	14-352-812-591	79,207
WIA/WIOA Dislocated Worker Formula Grants	17.278	14-352-216-591	72,911
WIA/WIOA Dislocated Worker Formula Grants	17.278	NA	<u>10,000</u>
Total Department of Labor			<u>253,960</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,163,871</u></u>

JONES COUNTY JUNIOR COLLEGE
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "SEFA") includes the federal grant activity of Jones County Junior College using the accrual basis accounting for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Pass-through entity identifying numbers are presented where available.

JONES COUNTY JUNIOR COLLEGE

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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

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

Board of 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 Jones County Junior College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 11, 2016. The financial statements of the discretely presented component unit, Jones County Junior College Foundation, Inc. (the "Foundation"), were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

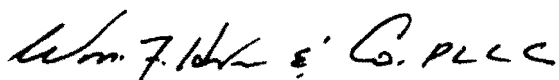
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

College's Response to Finding

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

Purpose of this Report

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



Laurel, Mississippi
March 11, 2016



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Jones County Junior College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wm. F. H. & Co. PLLC

Laurel, Mississippi
March 11, 2016



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

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

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the financial statements of Jones County Junior College (the "College") as of and for the year ended June 30, 2015 and its discretely presented component unit which collectively comprise the College's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 11, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. The financial statements of the discretely presented component unit, Jones County Junior College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

As required by the Mississippi Office of the State Auditor, we performed tests of compliance with certain provisions of state laws and regulations. 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 material instances of noncompliance with state laws and regulations.

This report is intended for the information and use of Jones County Junior College's management, the Board of Trustees, and the Mississippi Office of the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties..

WM. F. HORNE & CO. PLLC

Laurel, Mississippi
March 11, 2016

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Any audit finding(s) reported as required by Section 510(a) of Circular A-133?	Yes
The dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes
Federal programs identified as a major program:	
Student financial aid cluster:	
CFDA #84.007 – Federal Supplemental Educational Opportunity Grants	
CFDA #84.033 – Federal Work-Study Program	
CFDA #84.063 – Federal Pell Grant Program	
CFDA #84.268 – Federal Direct Student Loans	

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section 2: Financial Statement Findings

Finding 2015-001

Criteria: The College is responsible for accurate financial reporting which includes detecting and preventing misstatements in the financial statements, as well as within the underlying financial records, on a timely basis.

Condition: The client discovered prior period errors in depreciation calculations when converting to a new fixed asset system. As a result, a prior period adjustment, as well as several other current year adjustments were necessary to correct the amounts reported for capital assets.

Cause: During the year, the College changed fixed asset software. In doing so, management noticed that some of the assets that had been classified as buildings (40 year life) should have been classified as building improvements (20 year life). There was also an instance where the asset was classified as a building improvement and should have been classified as a building. These errors caused accumulated depreciation to be understated by a material amount.

Effect: The prior period financial statements were materially misstated, and audit adjustments were required to restate beginning net position in the prior year, as well as adjust depreciation expense in the prior and current year.

Recommendation: Management needs to closely monitor the future classifications and class lives of capital assets in order to avoid misclassifications which could lead to material misstatements. We recommend that a second person review and approve the classifications and class lives assigned for capital asset additions.

Views of responsible officials and corrective action plan: The fixed asset depreciation errors were discovered during the fixed asset software conversion. None of the assets affected were classified by the current Accountant/Vice President of Business Affairs. Going forward, there will not be any misclassification of capital assets due to a higher level of assessment and review of all capital asset transactions. A new Assistant Vice President of Business Affairs has been added to the accounting staff. The Assistant Vice President will manage the capital asset transactions, and the Vice President will review all additions, deletions, disposals, classifications, useful lives, and salvage values during the year and as part of the year-end procedures.

Anticipated Completion Date: Immediate

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section 3: Federal Award Findings and Questioned Costs

Finding 2015-002

Programs: Student Financial Aid Cluster, Federal Pell Grant Program CDFA (#84.063)

Criteria: CFR 34 Section 668.22(a)(6)(ii)(B) states that "The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew."

Condition: For two of the sixty students tested, the post-withdrawal disbursements to the students were made past 45 days after the institution determined that the students had withdrawn.

Effect: The College is not in compliance with Code of Federal Regulation regarding post-withdrawal disbursements.

Cause: Failure to disburse post-withdrawal funds within a timely manner.

Recommendation: Procedures need to be put in place to ensure that all post-withdrawal funds are disbursed within 45 days after the institution determines that a student has withdrawn.

Views of responsible officials and planned corrective actions: The two students that did not meet the 45 day post-withdrawal disbursement deadlines were caused by two separate issues. The first issue was due to the student never attending two classes that were scheduled. In this instance, the instructor failed to follow the College's procedures for reporting the student as a "never attend". Due to this issue, the R2T4 date reverted back to the last date of attendance determined by the College, where eligibility of funds was established due to class attendance. The Student Success Center will continue to work with instructors to ensure timely and accurate reporting of attendance and withdrawals.

The second issue was due to the school being unable to meet the return deadlines because verification was not complete due to conflicting information at the time of the student's withdrawal. After verification was complete and eligibility determined, the school calculated the return. The verification process was complete within a couple of days of the 45 day deadline for post-withdrawal disbursement. Procedures have been put in place to catch instances where verification is met right before the 45 day deadline in order to meet it in the future.

The Financial Aid Office will work with the Student Access Center and the Office of Admissions/Enrollment to ensure communication regarding student withdrawals improves and becomes more timely.

Anticipated Completion Date: Immediate

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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

Finding 2015-003

Criteria: Section 25-11-127, Miss. Code Ann. (1972), addresses reemployment of PERS retirees by an entity covered under the PERS system. Before an entity hires an individual as an employee, the entity should verify if the prospective employee is a current retiree of the Public Employees' Retirement System (PERS) receiving retirement benefits. If the prospective employee is a PERS retiree, and the person is determined to be an employee, the entity should file the PERS Form 4-B "Certification/Acknowledgement of Reemployment of Retiree" within five days of employment.

Condition: For eleven out of twenty-three employees tested, Form 4-B was not completed and filed with PERS for fiscal year 2015.

Effect: The College is not in compliance with Mississippi state statutes regarding the public employees' retirement system.

Cause: Form 4-B for fiscal year 2015 was not completed for the employees, and nothing was submitted to PERS.

Recommendation: Procedures need to be implemented to ensure that PERS Form 4-B is completed and submitted to PERS in a timely manner.

Views of responsible officials and planned corrective actions: The Human Resources Manager has always requested that each returning retiree complete and submit the PERS Form 4-B, and will continue to do so. However, going forward, the Human Resources Manager will personally complete the PERS Form 4-B for each retiree and collect the appropriate signatures face-to-face.

Anticipated Completion Date: Immediate

JONES COUNTY JUNIOR COLLEGE
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Summary of Findings	Status
2013-002 and 2014-001	Incorrect withdrawal dates resulted in incorrect calculations for Title IV Federal awards.	Corrected
2014-002	The College was not reporting and submitting Form 4-B "Certification/Acknowledgement of Reemployment of Retiree" to the Public Employees' Retirement System (PERS) for all new employees that are previous retirees from PERS within five days of employment.	Not Corrected See Finding 2015-003 in the current year.
2014-003	The College was not reporting and submitting Form 4-B "Certification/Acknowledgement of Reemployment of Retiree" to the Public Employees' Retirement System (PERS) for all contract revisions/extensions of employees that are previous retirees from PERS.	Corrected