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**JONES COUNTY JUNIOR COLLEGE**

Ellisville, Mississippi

Audited Financial Statements

Year Ended June 30, 2016

# JONES COUNTY JUNIOR COLLEGE

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## INDEPENDENT AUDITOR'S REPORT



**WM. F. HORNE**  
& Company, PLLC  
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## **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 year ended June 30, 2016, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of the College and its discretely presented component unit, as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 6 to the financial statements, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. As a result, there is an additional disclosure which provides information regarding the valuation methodologies.

### ***Other Matters***

#### ***Required Supplementary Information***

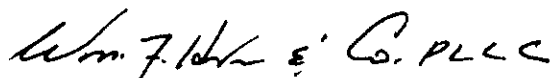
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability – Mississippi Public Employee Retirement System, and the Schedule of College Contributions – Mississippi 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 an opinion on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 December 28, 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  
December 28, 2016



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JONES COUNTY JUNIOR COLLEGE**  
Management's Discussion and Analysis  
June 30, 2016  
(Unaudited)

This section of the Jones County Junior College (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

As described in Note 6 to the financial statements, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. As a result, there is an additional disclosure which provides information regarding the valuation methodologies for investments held by Jones County Junior College Foundation, Inc.

### **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 incurred, regardless of when cash is exchanged.

### **Reporting the College's Financial Activities**

#### ***Statements of Net Position***

The statements of net position include 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 nonfinancial facts such as enrollment levels and the condition of the facilities.

**JONES COUNTY JUNIOR COLLEGE**  
Management's Discussion and Analysis  
June 30, 2016  
(Unaudited)

**Condensed Statements of Net Position**

	2016	2015	Change
Assets			
Current and other assets	\$ 15,770,615	\$ 13,465,657	\$ 2,304,958
Capital assets	71,166,206	72,934,183	(1,767,977)
Total assets	86,936,821	86,399,840	536,981
Deferred outflows of resources	11,301,001	3,520,788	7,780,213
Liabilities			
Current liabilities	6,280,506	4,504,597	1,775,909
Non-current liabilities	64,518,905	51,020,518	13,498,387
Total liabilities	70,799,411	55,525,115	15,274,296
Deferred inflows of resources	1,872,350	6,321,818	(4,449,468)
Net position			
Net investment in capital assets	54,782,621	56,507,202	(1,724,581)
Restricted			
Expendable	104,279	289,523	(185,244)
Unrestricted	(29,320,839)	(28,723,030)	(597,809)
Total net position	\$ 25,566,061	\$ 28,073,695	\$ (2,507,634)

The current and other asset position at June 30, 2016 is \$15.77 million. This represents primarily cash and accounts receivable. Total accounts receivable of \$3.75 million is reported net of an allowance for doubtful accounts of \$1.03 million.

The current liabilities are made up of accounts payable and accrued year-end liabilities. The noncurrent liabilities include a refunding bond payable, notes payable, and net pension liability.

The changes in the deferred outflows of resources, noncurrent liabilities, and deferred inflows of resources are largely attributable to the net pension activity during the year. The College did advance refund the 2009 bond issue which resulted in an increase in the deferred outflows of resources for the deferred costs of refunding debt in the amount of \$2.04 million.

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 accumulated depreciation and related debt. The decrease in the net investment in capital assets is due to current year depreciation expense in excess of current year capital outlays.

**JONES COUNTY JUNIOR COLLEGE**  
Management's Discussion and Analysis  
June 30, 2016  
(Unaudited)

Unrestricted net position decreased primarily as a result of the current year activity for the increase in the net pension liability. Unrestricted net position excluding the net pension liability is a positive \$17.39 million. Unrestricted net position may be used to meet the College's ongoing operating obligations as they become due.

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

The statements of revenues, expenses and changes in net position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State appropriations and gifts as nonoperating revenues. The College's dependency on State aid and gifts results in an operating deficit.

**JONES COUNTY JUNIOR COLLEGE**

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

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

	2016	2015	Change
Operating revenues			
Tuition and fees, net	\$ 4,786,731	\$ 4,104,267	\$ 682,464
Grants and contracts	17,304,712	17,570,637	(265,925)
Sales and services	107,287	113,000	(5,713)
Auxiliary enterprises	3,650,444	4,125,279	(474,835)
Other operating revenues	483,534	559,142	(75,608)
Total operating revenues	26,332,708	26,472,325	(139,617)
Operating expenses	51,266,985	49,381,132	1,885,853
Operating (loss)	(24,934,277)	(22,908,807)	(2,025,470)
Nonoperating revenues (expenses)			
State and local appropriations	19,504,483	19,004,062	500,421
Gifts and contributions	225,507	259,331	(33,824)
Interest expense	(644,534)	(807,860)	163,326
Investment income	6,063	8,142	(2,079)
Other nonoperating revenues	507,207	66,656	440,551
Bond issuance costs	(439,354)	-	(439,354)
Total nonoperating revenues (expenses)	19,159,372	18,530,331	629,041
(Loss) before capital appropriations	(5,774,905)	(4,378,476)	(1,396,429)
Capital appropriations	3,267,271	4,248,153	(980,882)
Change in net position	(2,507,634)	(130,323)	(2,377,311)
Net position, beginning (restated)	28,073,695	28,204,018	(130,323)
Net position, ending	\$ 25,566,061	\$ 28,073,695	\$ (2,507,634)

**JONES COUNTY JUNIOR COLLEGE**  
Management's Discussion and Analysis  
June 30, 2016  
(Unaudited)

**Revenues**

In fiscal year 2016, operating revenues totaled \$26.33 million and nonoperating revenues totaled \$19.16 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 nonoperating revenue is the State of Mississippi appropriation and state and local capital aid for the purchase, construction, renovation, and repair of capital assets.

Fall 2015 and Spring 2016 headcount enrollment increased from fiscal year 2015 by 5.7 percent and 4.8 percent, respectively, by the end of the drop/add date. Tuition increased accordingly.

The reduction in auxiliary revenue is largely due to the complete overhaul of the way the College distributes course materials. In fiscal year 2016, the College entered into a site license agreement with Pearson Education to provide 90 percent of electronic texts. The site license allowed the College to significantly reduce the course material fees, thereby reducing the cost to attend college for students. In addition, to receive an e-text, students have the option to receive loose leaf copies of texts at no additional cost. Bookstore profitability increased approximately 20 percent as a result of the new site license model.

The increase in nonoperating revenue is due to the Mississippi Power refund of utility payments in the amount of \$460,000.

**Expenses**

Operating expenses in fiscal year 2016 increased \$1.88 million to \$51.27 million.

Staffing levels and salary expenditures increased 3 percent, mostly as a result of a 3 percent increase given to nonfaculty staff and a small increase in FTE.

Fringe benefits increased \$2.6 million largely due to the change in the net pension liability. For fiscal year 2015, pension expense decreased \$1.04 million for the change in the net pension liability, and for 2016 pension expense increased \$1.45 million for the change in the net pension liability, which is an overall increase to fringe benefits of \$2.49 million.

Travel expense increased by \$142,000, primarily due to an increase in post-season travel expenses related to championships and tournaments, the band taking a trip to Chicago for Thanksgiving, and additional travel related to the re-accreditation process.

The College actively manages its utility usage through their energy management strategy and has enjoyed a modest reduction of costs in recent years. The decrease in utility costs is a direct result of taking an initiative to be more energy efficient and an overall decrease in usage because of switching to LED bulbs and buying more energy efficient air conditioning units, in addition to a decrease in the cost per kilowatt hour. During fiscal year 2016, Mississippi Power refunded the college \$460,000 for over charges.

**JONES COUNTY JUNIOR COLLEGE**

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

Commodities expenditures decreased largely due to the reduction of costs of goods sold, again, related to the site license model adopted by the bookstore in fiscal year 2016.

The drop in other operating expenses is due to a \$173,000 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 23 percent improvement in bad debts.

	2016	2015	Change
Expenses by object			
Salaries and wages	\$ 20,120,878	\$ 19,528,569	\$ 592,309
Fringe benefits	7,734,584	5,120,589	2,613,995
Travel	597,323	454,701	142,622
Contractual services	5,942,787	5,831,466	111,321
Utilities	1,254,467	1,567,295	(312,828)
Scholarships and fellowships	6,365,019	6,119,344	245,675
Commodities	4,899,535	6,219,028	(1,319,493)
Depreciation expense	3,243,622	3,237,042	6,580
Other operating expense	1,108,770	1,303,098	(194,328)
Total operating expenses by object	\$ 51,266,985	\$ 49,381,132	\$ 1,885,853

	2016	2015	Change
Expenses by function			
Instruction	\$ 18,999,033	\$ 17,060,568	\$ 1,938,465
Instructional support	911,009	922,490	(11,481)
Student services	2,706,929	2,595,573	111,356
Athletics	2,290,868	1,771,206	519,662
Institutional support	7,172,485	6,775,940	396,545
Operation of plant	5,011,195	5,512,627	(501,432)
Student aid	6,335,108	6,107,750	227,358
Auxiliary enterprises	4,596,736	5,397,936	(801,200)
Depreciation	3,243,622	3,237,042	6,580
Total operating expenses by function	\$ 51,266,985	\$ 49,381,132	\$ 1,885,853

**JONES COUNTY JUNIOR COLLEGE**  
Management's Discussion and Analysis  
June 30, 2016  
(Unaudited)

**Capital Assets**

At June 30, 2016, the College had \$118.03 million in capital assets, less accumulated depreciation of \$46.86 million, for net capital assets of \$71.17 million. Depreciation charges for fiscal year 2016 totaled \$3.24 million. The following table summarizes the College's capital assets, net of accumulated depreciation at June 30:

<b>Capital Assets</b>	<b>2016</b>	<b>2015</b>
Land	\$ 509,050	\$ 509,050
Construction in progress	89,982	1,241,368
Buildings	62,442,976	62,809,108
Improvements other than buildings	6,686,226	6,776,583
Equipment	1,437,972	1,598,074
Capital assets, net	<u>\$ 71,166,206</u>	<u>\$ 72,934,183</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) increased from \$16.42 million to \$18.42 million. This increase is the result of issuing refunding debt in the amount of \$16.77 million to advance refunds the Series 2009 bonds, as well as other debt service costs. 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, 2016  
(Unaudited)

Entering fiscal year 2017, the College plans to add five navigator positions, in an effort to improve retention rates between registration and the beginning of each semester. In addition, these navigators will monitor student success and intervene early to prevent withdrawals and increase student success.

**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.

## BASIC FINANCIAL STATEMENTS

**JONES COUNTY JUNIOR COLLEGE**

## Statements of Net Position

June 30, 2016

	<b>Jones County Junior College</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 9,669,516	\$ 761,501
Restricted cash - SNAP grant funds	1,704,928	-
Accounts receivable, net of allowance of \$1,035,884 in 2016	3,754,637	-
Contributions receivable	-	3,946
Other receivable	-	100,207
Investments	-	3,820,687
Inventories	313,718	-
Prepaid items	206,931	-
Total current assets	15,649,730	4,686,341
Noncurrent assets		
Endowment investments	-	6,107,807
Contributions receivable, net of current portion	-	983
Prepaid bond insurance premiums, net	120,885	-
Nondepreciable capital assets	599,032	201,999
Depreciable capital assets, net	70,567,174	-
Total noncurrent assets	71,287,091	6,310,789
Total assets	86,936,821	10,997,130
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	9,262,620	-
Deferred costs of refunding debt	2,038,381	-
Total deferred outflows of resources	11,301,001	-

	Jones County Junior College	Component Unit
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 887,994	\$ 1,875
Accrued liabilities	2,795,758	-
Compensated absences	274,604	-
Unearned revenue	1,704,928	-
Long-term debt, current portion	617,222	-
Total current liabilities	6,280,506	1,875
Noncurrent liabilities		
Net pension liability	46,714,161	-
Long-term debt, net of current portion	17,804,744	-
Total noncurrent liabilities	64,518,905	-
Total liabilities	70,799,411	1,875
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	1,872,350	-
<b>NET POSITION</b>		
Net investment in capital assets	54,782,621	-
Restricted for		
Nonexpendable		
Scholarships and fellowships	-	7,543,915
Expendable		
Scholarships and fellowships	104,279	1,875,080
College program support and expenses	-	919,639
Unrestricted	(29,320,839)	656,621
Total net position	\$ 25,566,061	\$ 10,995,255

See accompanying notes.

**JONES COUNTY JUNIOR COLLEGE**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2016**

	<b>Jones County Junior College</b>	<b>Component Unit</b>
Operating revenues		
Tuition and fees, net of scholarship allowances of \$8,407,927	\$ 4,786,731	\$ -
Federal grants and contracts	13,411,166	-
State grants and contracts	3,547,979	-
Nongovernmental grants and contracts	345,567	-
Sales and services of educational departments	107,287	-
Auxiliary enterprises		
Student housing, net of scholarship allowances of \$797,762	558,912	-
Food services, net of scholarship allowances of \$1,143,134	896,164	-
Bookstore, net of scholarship allowances of \$353,608	2,195,368	-
Other operating revenues	483,534	-
	<hr/>	<hr/>
Total operating revenues	26,332,708	-
	<hr/>	<hr/>
Operating expenses		
Salaries and wages	20,120,878	225,987
Fringe benefits	7,734,584	-
Travel	597,323	-
Contractual services	5,942,787	-
Utilities	1,254,467	-
Scholarships and fellowships	6,365,019	339,117
College support	-	296,878
Commodities	4,899,535	-
Depreciation expense	3,243,622	-
Other operating expenses	1,108,770	141,861
	<hr/>	<hr/>
Total operating expenses	51,266,985	1,003,843
	<hr/>	<hr/>
Operating (loss)	(24,934,277)	(1,003,843)
	<hr/>	<hr/>

	<b>Jones County Junior College</b>	<b>Component Unit</b>
Nonoperating revenues (expenses)		
State appropriations	\$ 16,728,337	\$ -
Local appropriations	2,776,146	-
Gifts and contributions	225,507	672,593
Investment income	6,063	395,902
Interest expense	(644,534)	-
Other nonoperating revenues	507,207	-
Bond issuance costs	(439,354)	-
Total nonoperating revenues (expenses)	19,159,372	1,068,495
Income (loss) before capital appropriations and additions to permanent endowments	(5,774,905)	64,652
Capital appropriations and additions to permanent endowments		
Permanent endowment contributions	-	124,258
State appropriation restricted for capital	679,440	-
Local appropriations restricted for capital	2,587,831	-
Total capital appropriations and additions to permanent endowments	3,267,271	124,258
Changes in net position	(2,507,634)	188,910
Net position, beginning	28,073,695	10,806,345
Net position, ending	\$ 25,566,061	\$ 10,995,255

See accompanying notes.

# JONES COUNTY JUNIOR COLLEGE

## Statements of Cash Flows For the Year Ended June 30, 2016

	Jones County Junior College	Component Unit
Cash flows from operating activities		
Tuition and fees	\$ 2,652,044	\$ -
Grants and contracts	18,743,614	-
Sales and services of educational departments	107,287	-
Payments for supplies and services	(11,867,396)	(438,503)
Payments for employees for salaries and benefits	(26,446,584)	(225,987)
Payments for utilities	(1,348,059)	-
Payments for scholarships and fellowships	(6,365,019)	(339,117)
Auxiliary enterprise charges		
Student housing	810,419	-
Food services	1,315,343	-
Bookstore	3,201,396	-
Other receipts	492,018	-
	<hr/>	<hr/>
Net cash (used by) operating activities	(18,704,937)	(1,003,607)
Cash flows from noncapital financing activities		
State appropriations	17,222,164	-
Local appropriations	2,776,146	-
Gifts and contributions for other than capital purposes	225,507	681,099
Gifts and contributions for endowment purposes	-	124,258
Other sources	528,747	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	20,752,564	805,357
Cash flows from capital and related financing activities		
Net proceeds from refunding debt	16,909,662	-
Payments to escrow agent to refund debt	(16,477,061)	-
Acquisition of capital assets	(1,475,645)	-
Capital appropriations received	3,267,271	-
Principal paid on debt	(483,222)	-
Interest paid on debt	(781,583)	-
Bond issue costs	(432,146)	-
	<hr/>	<hr/>
Net cash provided by capital and related financing activities	527,276	-
Cash flows from investing activities		
Proceeds from sales and maturities of investments	-	2,475,959
Proceeds from life insurance policy	-	100,132
Purchases of investments	-	(2,586,637)
Interest received on investments	6,063	207,034
	<hr/>	<hr/>
Net cash provided by investing activities	6,063	196,488

	Jones County Junior College	Component Unit
Net increase (decrease) in cash and cash equivalents	\$ 2,580,966	\$ (1,762)
Cash and cash equivalents, beginning of year	8,793,478	763,263
Cash and cash equivalents, end of year	<u>\$ 11,374,444</u>	<u>\$ 761,501</u>
Reconciliation of cash and cash equivalents to the statements of net position		
Cash	\$ 9,669,516	\$ 761,501
Restricted cash - SNAP grant funds	<u>1,704,928</u>	<u>-</u>
	<u>\$ 11,374,444</u>	<u>\$ 761,501</u>
Reconciliation of operating (loss) to net cash (used by) operating activities		
Operating (loss)	<u>\$ (24,934,277)</u>	<u>\$ (1,003,843)</u>
Adjustments to reconcile operating (loss) to net cash (used by) operating activities		
Depreciation expense	3,243,622	-
Changes in assets, deferred outflows of resources liabilities, and deferred inflows of resources		
(Increase) decrease in assets and deferred outflows of resources		
Receivables, net	(447,484)	-
Inventories	163,451	-
Prepaid items	28,982	-
Student notes receivable	8,484	-
Deferred outflows related to pensions	(6,979,016)	-
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable	425,062	236
Accrued liabilities	(373,753)	-
Compensated absences	29,946	-
Unearned revenue	1,704,928	-
Deferred inflows related to pensions	(3,212,284)	-
Net pension liability	<u>11,637,402</u>	<u>-</u>
Total adjustments	<u>6,229,340</u>	<u>236</u>
Net cash (used by) operating activities	<u>\$ (18,704,937)</u>	<u>\$ (1,003,607)</u>
Noncash transactions		
Deferred costs of refunding debt	<u>\$ 2,038,381</u>	<u>\$ -</u>

See accompanying notes.



## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements

Year Ended June 30, 2016

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#### (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 - Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100 and 2600. These criteria were used to evaluate potential component units for which the Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on the application of these criteria, Jones County Junior College Foundation, Inc.'s (the "Foundation") financial information is reported as a discretely presented component unit.

The Foundation is a legally separate entity formed for the purpose of receiving funds for the sole benefit of the College. The Foundation uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, following the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation is not required to report cash flows based upon the direct method of accounting under FASB standards, and therefore, the audited financial statements for the Foundation have been modified for the GASB reporting model. The separately issued audited financial statements of the Foundation are available through the business department at the College.

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

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

Amounts representing services and facilities contributed to the Foundation by the College for the year ended June 30, 2016 were as follows:

Salaries, wages and benefits	\$ 225,987
Office and occupancy	<u>21,937</u>
Total	<u>\$ 247,924</u>

Amounts paid to the College by the Foundation included \$339,117 for scholarships and \$296,878 for supplies, expenses, and other support for the year ended June 30, 2016.

- C. Basis of Presentation - The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public college and universities as prescribed by the GASB. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College's financial activities.
- D. Measurement Focus and Basis of Accounting - Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resource, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange activities are generally recognized when all applicable eligibility requirements, including timing requirements, are met.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related 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

Year Ended June 30, 2016

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#### (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

Year Ended June 30, 2016

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### (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:

	<b>Estimated Useful Lives</b>	<b>Salvage Value</b>	<b>Capitalization Threshold</b>
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, changes in pension assumptions, 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 and changes in pension assumptions 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

Year Ended June 30, 2016

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#### (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. **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 \$29,320,839. This deficit can be attributed to the full recognition of the net pension liability in the amount of \$46,714,161.

- P. **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.

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements

Year Ended June 30, 2016

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

- 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.
- Q. 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.
- R. 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.
- S. Cost of Borrowing - Costs incurred in connection with obtaining financing are expensed in the period the debt is issued.
- T. Pension - In the statement of net position, a liability is recognized for the College's proportionate share of the net pension liability reported by the Mississippi Public Employees' Retirement System (PERS). For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to the pension, and pension expense, information about the fiduciary net position of the PERS defined benefit plan and additions to/deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements

Year Ended June 30, 2016

#### (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.

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

Cash	\$ 12,135,945
Investments	<u>9,928,494</u>
Total	<u>\$ 22,064,439</u>

All investments were held by the Foundation at June 30, 2016. The Foundation's investments consisted of the following:

	<b>Fair Value</b>
Equity securities	\$ 5,926,236
Mutual funds	2,258,574
Bonds	1,334,962
Certificates of deposit	242,607
Cash value of life insurance policies	<u>166,115</u>
Total investments, at fair value	<u>\$ 9,928,494</u>

Fair value is based on quoted market prices, with the exception of the cash value of life insurance policies which is based on the contractual cash surrender value of the policy.

Bonds held by the Foundation as of June 30, 2016 mature as follows: \$51,330 mature in 1 to 5 years and \$1,283,632 mature in 5 to 10 years. Bonds in the amount of \$1,173,925 are rated AA+ to AA by Standard & Poor and Aaa to Aa2 by Moody, with the remaining bonds unrated.

As of June 30, 2016, the Foundation maintained investments with an investment broker in cash, equity securities, mutual funds, bonds, and certificates of deposit. Although these funds reduce risk through diversification of investment holdings and are held with a reputable broker, they are exposed to market and custodial risk. Of these investments, \$9,359,519 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

Year Ended June 30, 2016

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#### (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, 2016, 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, 2016:

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Student tuition	\$ 1,884,729
Auxiliary enterprises and other operating activities	175,078
Federal, state, and private grants and contracts	2,261,686
State appropriations	415,466
Other	<u>53,562</u>
Total accounts receivable	4,790,521
Less allowance for doubtful accounts	<u>(1,035,884)</u>
Net accounts receivable	<u>\$ 3,754,637</u>



# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

### (4) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016 is presented as follows:

	Jones County Junior College			
	Beginning	Additions	Deletions	Ending Balance
Nondepreciable capital assets				
Land	\$ 509,050	\$ -	\$ -	509,050
Construction in progress	1,241,368	504,154	(1,655,540)	89,982
Total nondepreciable capital assets	1,750,418	504,154	(1,655,540)	599,032
Depreciable capital assets				
Buildings	95,313,921	1,990,682	-	97,304,603
Improvements other than buildings	11,636,348	381,759	-	12,018,107
Equipment	7,852,624	254,590	-	8,107,214
Total depreciable capital assets	114,802,893	2,627,031	-	117,429,924
Less accumulated depreciation for				
Buildings	(32,504,813)	(2,356,814)	-	(34,861,627)
Improvements other than buildings	(4,859,765)	(472,116)	-	(5,331,881)
Equipment	(6,254,550)	(414,692)	-	(6,669,242)
Total accumulated depreciation	(43,619,128)	(3,243,622)	-	(46,862,750)
Total depreciable capital assets, net	71,183,765	(616,591)	-	70,567,174
Capital assets, net	\$ 72,934,183	\$ (112,437)	\$ (1,655,540)	\$ 71,166,206

There are no commitments for construction contracts as of June 30, 2016.

### (5) Long-Term Liabilities

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

**JONES COUNTY JUNIOR COLLEGE**

## Notes to Financial Statements

Year Ended June 30, 2016

**(5) Long-Term Liabilities (Continued)**

The long-term liabilities at June 30, 2016 are as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Special Obligation Bonds, Series 2009	\$ 16,410,000	\$ -	\$ (15,150,000)	\$ 1,260,000	\$ 405,000
Discount	(327,111)	-	327,111	-	-
Special Obligation Refunding Bonds, Series 2016	-	16,765,000	-	16,765,000	130,000
Premium	-	144,662	(1,214)	143,448	-
Total bonds payable	16,082,889	16,909,662	(14,824,103)	18,168,448	535,000
Notes payable, Singing River	6,000	-	(6,000)	-	-
Notes payable, Singing River	335,740	-	(82,222)	253,518	82,222
Total notes payable	341,740	-	(88,222)	253,518	82,222
Total bonds and notes payable	16,424,629	16,909,662	(14,912,325)	18,421,966	617,222
Net pension liability	35,076,759	14,611,003	(2,973,601)	46,714,161	-
Total long-term liabilities	\$ 51,501,388	\$ 31,520,665	\$ (17,885,926)	\$ 65,136,127	\$ 617,222

The College executed two loan agreements with Singing River Electric Power Association in the amounts of \$360,000 and \$740,000 with no stated interest rate. Both notes were used for the construction of new educational classroom/training facilities by the College in Greene County. The \$360,000 note was paid off during the current fiscal year. The \$740,000 note requires monthly debt service payments of \$6,852 through July 2019. Both notes are secured by the credit and obligation authority of the College, in addition to the pledge of the full faith and credit obligations of the Board of Supervisors of Greene County, Mississippi.

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

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

### (5) Long-Term Liabilities (Continued)

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

The debt service requirements as of June 30, 2016 are as follows:

	Principal	Interest	Total
2017	\$ 617,222	\$ 590,375	\$ 1,207,597
2018	652,222	560,320	1,212,542
2019	667,222	543,039	1,210,261
2020	616,852	524,162	1,141,014
2021	620,000	511,962	1,131,962
2022 - 2026	3,350,000	2,328,010	5,678,010
2027 - 2031	3,895,000	1,796,015	5,691,015
2032 - 2036	4,645,000	1,088,040	5,733,040
2037 - 2039	3,215,000	229,432	3,444,432
	18,278,518	\$ 8,171,355	\$ 26,449,873
Unamortized bond premium	143,448		
Total	\$ 18,421,966		

*Advance Refunding* - On April 21, 2016, the College issued \$16,765,000 in Mississippi Development Bank Special Obligation Refunding Bonds, Series 2016 with interest rates ranging from 2.0 percent to 4.0 percent. The proceeds were used to advance refund \$14,755,000 of the outstanding Mississippi Development Bank Special Obligation Bonds, Series 2009, maturing March 1, 2020 through March 1, 2039, which had interest rates ranging from 3.875 percent to 5.25 percent. The net proceeds of \$16,477,061 (including a \$144,662 premium and \$432,601 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the Mississippi Development Bank Special Obligation Bonds, Series 2009, maturing March 1, 2020 and thereafter, are considered defeased and the liability for those bonds has been removed from the statement of net position.

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements

Year Ended June 30, 2016

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#### (5) Long-Term Liabilities (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by 2,038,381. This amount reported as a deferred outflow of resources is amortized over the remaining life of the refunding debt using the effective interest method. The government advance refunded the Mississippi Development Bank Special Obligation Bonds, Series 2009 to reduce its total debt service payments by \$1,112,029 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$877,880.

#### (6) Fair Value Disclosures

As of July 1, 2015, the College adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

Under the GASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy of inputs to valuation techniques used to measure fair value into three levels.

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements

Year Ended June 30, 2016

#### (6) Fair Value Disclosures (Continued)

The estimated fair values of the College's short-term financial instruments including cash, cash equivalents, accounts receivable, and accounts payable arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, fair value is based upon estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable debt.

Following is a description of the valuation methodologies used for investments measured at fair value.

*Equity Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. These mutual funds are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

*Bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Certificates of Deposit:* Valued at estimates based upon matrix or model pricing methodology provided by an independent third party.

*Cash value of life insurance:* Values are based on the contractual cash surrender value of the policy.

The following table sets forth the level, within the fair value hierarchy, of the Foundation's investments at June 30, 2016:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 5,926,236	\$ 5,926,236	\$ -	\$ -
Mutual funds	2,258,574	2,258,574	-	-
Bonds	1,334,962	-	1,334,962	-
Certificates of deposit	242,607	-	242,607	-
Cash value of life insurance policies	166,115	-	166,115	-
	<u>\$ 9,928,494</u>	<u>\$ 8,184,810</u>	<u>\$ 1,743,684</u>	<u>\$ -</u>

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

### (7) Functional Classification of Expenses

The College's operating expenses by functional classification were as follows for the year ended June 30, 2016:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 11,901,617	\$ 4,265,952	\$ 262,591	\$ 822,890	\$ 133,415
Instructional support	546,110	206,322	1,414	100,954	-
Student services	1,701,370	637,910	46,787	235,474	-
Athletics	1,248,636	417,711	174,642	225,422	-
Institutional support	2,818,576	1,359,346	109,544	1,646,243	-
Operation of plant	1,540,916	691,739	2,245	829,338	1,118,909
Student aid	-	-	100	34	-
Auxiliary enterprises	363,653	155,604	-	2,082,432	2,143
Total operating expenses	\$ 20,120,878	\$ 7,734,584	\$ 597,323	\$ 5,942,787	\$ 1,254,467

	Scholarships and Fellowships	Commodities	Depreciation Expenses	Other	Total
Instruction	\$ 30,787	\$ 1,245,899	\$ -	\$ 335,882	\$ 18,999,033
Instructional support	-	56,209	-	-	911,009
Student services	-	85,388	-	-	2,706,929
Athletics	-	224,457	-	-	2,290,868
Institutional support	-	550,066	-	688,710	7,172,485
Operation of plant	-	828,048	-	-	5,011,195
Student aid	6,334,232	742	-	-	6,335,108
Auxiliary enterprises	-	1,908,726	-	84,178	4,596,736
Depreciation	-	-	3,243,622	-	3,243,622
Total operating expenses	\$ 6,365,019	\$ 4,899,535	\$ 3,243,622	\$ 1,108,770	\$ 51,266,985

The Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2016:

	Salaries and Wages	Scholarships and Fellowships	Other	Total
Instructional support	\$ -	\$ -	\$ 296,878	\$ 296,878
Student aid	-	339,117	-	339,117
Institutional support	225,987	-	141,861	367,848
Total operating expenses	\$ 225,987	\$ 339,117	\$ 438,739	\$ 1,003,843

## JONES COUNTY JUNIOR COLLEGE

### Notes to Financial Statements

Year Ended June 30, 2016

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#### (8) 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by state law and may be amended only by the Mississippi State Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System and is available at [www.PERS.ms.gov](http://www.PERS.ms.gov).

*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.

A member who terminates employment and who is not eligible to receive monthly retirement benefits may request a full refund of accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

A cost-of-living adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3.00 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00 percent compounded for each fiscal year thereafter.

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

### (8) Retirement Plan – Defined Benefit Pension Plan (Continued)

*Contributions* - PERS members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees of PERS. The current rates are 15.75 percent for employer contributions and 9.00 percent for members. The College's contributions to PERS for the years ended June 30, 2016, 2015, and 2014 were \$3,023,304, \$2,973,601, and \$2,779,880, respectively, equal to the required contribution for the year.

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

At June 30, 2016, the College reported a liability of \$46,714,161 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the College's proportion was 0.30 percent, which was an increase of 0.01 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the College recognized pension expense of \$4,469,406. At June 30, 2016, 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	\$ 1,069,264	\$ -
Change of assumptions	4,024,266	-
Net difference between projected and actual earnings on pension plan investments	-	1,080,197
Changes in proportionate share of net pension liability and contributions	1,145,786	792,153
College contributions subsequent to the measurement date	3,023,304	-
	<u>\$ 9,262,620</u>	<u>\$ 1,872,350</u>



# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

### (8) Retirement Plan – Defined Benefit Pension Plan (Continued)

There was \$3,023,304 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,

2017	\$ 1,329,019
2018	1,383,625
2019	971,003
2020	<u>683,319</u>
Total	<u>\$ 4,366,966</u>

*Actuarial assumptions* - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth	3.75% - 19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

# JONES COUNTY JUNIOR COLLEGE

## Notes to Financial Statements

Year Ended June 30, 2016

### (8) Retirement Plan – Defined Benefit Pension Plan (Continued)

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 7.75 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate (amounts in thousands):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$ 61,574	\$ 46,714	\$ 34,384

*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.

*Payables to the Pension Plan* - At June 30, 2016, the District reported a payable of \$418,649 for the outstanding amount of contributions to PERS required for the fiscal year.

## JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Year Ended June 30, 2016

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### (8) Retirement Plan – Defined Benefit Pension Plan (Continued)

*Changes in Actuarial Assumptions and Methods* – In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50 percent to 3.00 percent and 8.00 percent to 7.75 percent, respectively.

There were no changes in plan provisions since the last valuation.

### (9) Contingencies

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

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

### (10) 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**

**Year Ended June 30, 2016**

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### **(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 December 28, 2016 and determined that there are no subsequent events that have occurred that would require disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

# JONES COUNTY JUNIOR COLLEGE

Required Supplementary Information

Year Ended June 30, 2016

## 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, 2016	June 30, 2015	0.302200%	\$ 46,714,161	\$ 18,879,993	247.43%	61.70%
June 30, 2015	June 30, 2014	0.288979%	35,076,759	17,650,012	198.74%	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 Contractually Required Contribution	PERS Contribution Deficiency (Excess)	College's Covered Employee Payroll	Contributions as a Percentage Covered Employee Payroll
June 30, 2016	\$ 3,023,304	\$ 3,023,304	\$ -	\$ 19,195,563	15.75%
June 30, 2015	2,973,601	2,973,601	-	18,879,993	15.75%
June 30, 2014	2,779,880	2,779,880	-	17,650,012	15.75%

**JONES COUNTY JUNIOR COLLEGE**  
Notes to Required Supplementary Information  
Year Ended June 30, 2016

*Changes in Actuarial Assumptions and Methods* - In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50 percent to 3.00 percent and 8.00 percent to 7.75 percent, respectively.

*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	32.2 years
Asset valuation method	5-year smoothed market
Price inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment

## SUPPLEMENTARY INFORMATION



**JONES COUNTY JUNIOR COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity/ Identifying Numbers</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Education</u></b>			
<i>Direct Programs</i>			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	NA	\$ 9,485,230
Federal Direct Student Loans	84.268	NA	3,025,753
Federal Supplemental Educational Opportunity Grants	84.007	NA	175,790
Federal Work-Study Program	84.033	NA	<u>111,561</u>
Total Student Financial Aid Cluster			12,798,334
<i>Pass-through Programs</i>			
Mississippi Department of Education Career & Technical Education			
Basic Grants to States	84.048	3403	204,568
State Board of Community and Junior Colleges Adult Education - Basic Grants to States	84.002	2016-208-017	<u>250,332</u>
Total U.S. Department of Education			<u>13,253,234</u>
<b><u>U.S. Department of Labor</u></b>			
<i>Direct Programs</i>			
WIA/WIOA Youth Activities	17.259	NA	74,703
<i>Pass-through Programs</i>			
Southern Mississippi Planning and Development District			
WIA/WIOA Dislocated Worker Formula Grants	17.278	15-3525-18-701	73,150
WIA/WIOA Dislocated Worker Formula Grants	17.278	15-3535-18-140	<u>23,757</u>
Total U.S. Department of Labor			<u>171,610</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Pass-through Program</i>			
Mississippi Department of Human Services Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under Supplemental Nutrition Assistance Program	10.596	NA	<u>176,424</u>
Total Expenditures of Federal Awards			<u>\$ 13,601,268</u>

**JONES COUNTY JUNIOR COLLEGE**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Jones County Junior College (the "College") under programs of the Federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The College has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 28, 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-002 and 2016-003 to be significant deficiencies.

### **Compliance and Other Matters**

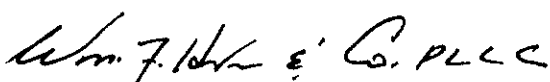
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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  
December 28, 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  
AS REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

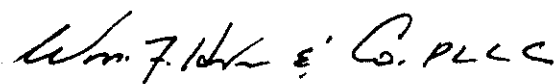
### **Report on Internal Control Over Compliance**

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Laurel, Mississippi  
December 28, 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, 2016 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 December 28, 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  
December 28, 2016



**JONES COUNTY JUNIOR COLLEGE**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

**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? Yes

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? None reported

Any audit finding(s) reported as required by 2 CFR 200.516(a)? No

The dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? No

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, 2016

**Section 2: Financial Statement Findings**

**Finding 2016-001 - Adjustments**

*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:* Audit adjustments were made to correct amounts reported in the College's financial statements for the year ending June 30, 2016 to reflect a fair presentation.

*Context/Cause:* Prior to the adjustments, liabilities, revenues, expenses, and net position were materially misstated. These adjustments were likely due to lack of adequate staffing within the accounting department in connection with general ledger activity and the year-end close process.

*Effect:* Material misstatement of financial statements.

*Recommendation:* Management should review current staffing within the Accounting Department, as it relates to the financial record keeping and applicable reporting requirements.

*Views of responsible officials and corrective action plan:*

AJE #10 balance cash account and transfers. The Transfer Revenue account is used for manual interfund transactions and should have a zero balance at all times. The Accounting Staff has been made aware of the proper use of the transfer accounts; and a year-end process has been added to investigate and clear any balances in the transfer accounts at year-end.

AJE #14 to capitalize electrical projects. This project was funded with the Mississippi Power refund of previous utility payments. The refund was booked as a revenue, and as the funds were expended, the refund was debited to wash the effect of the refund. The accounting for the refund was chosen to avoid modifying expense budgets and to remove, over time, the revenue from the books, as it was a reduction of expense instead of a true revenue. Since the electrical project was not accounted for as a capital improvement, the capitalization of the project was overlooked in the year-end capitalization process. The Mississippi Power refund is more than likely a one-time event; however, the year-end audit steps have been modified to ensure all capital projects are recognized. Additionally, all capital improvement projects will be recorded as such regardless of the source of funding.

AJE #15 to accrue the June PERS and Department of Revenue. The different control accounts are reconciled by the personnel responsible for them. Additional training has been scheduled for those individuals. The training will include the documentation of processes to ensure the subsidiary ledgers, control accounts, and general ledger accurately reflects the year's transactions at year-end.

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AJE #19 to write off obsolete inventory. The Bookstore Manager and the VP of Business Affairs have been discussing the need to remove obsolete inventory for several years, since the College's move toward digital textbooks. The obsolete inventory not only overstates assets, but the textbooks also take up valuable space. The digital transition changed the bookstore operations and had an adverse effect on top line revenue. The Bookstore Manager and VP of Business Affairs decided to write off the obsolete inventory in a strong financial year, after operational adjustments were made to replace top line revenue. The auditor's decision to write-off the \$142,566 of obsolete inventory in fiscal year 2016 was not specifically finalized with the Bookstore Manager during fieldwork, but it was the Bookstore that identified the obsolescence and communicated its existence with the auditors. The Bookstore Manager was fully aware of the obsolete inventory and had developed a plan to write it off.

AJE #20 accrue items that should have been in accounts payable. The Accounting Office staff is responsible for reconciling the accounts payable control account. In previous years, the Accounting staff has demonstrated a thorough understanding of the need for accruals and the identification of and recording of the proper entries for accruing accounts payable invoices. The VP of Business Affairs has developed a trust and confidence in the year-end accounts payable reconciliation process. Additional training has been scheduled for those individuals. The training will include the documentation of processes to ensure the subsidiary ledgers, control accounts, and general ledger accurately reflects the year's transactions at year-end.

AJE #23 to adjust the SNAP grant revenue to the amount that was earned. The College operates almost all of the external grants on a reimbursement basis. However, the DHHS SNAP grant provided the entire grant award up front. The College only spent a portion of the SNAP grant during fiscal year 2016, as it is a three-year grant. While all of the internal financial reports and communication included the caveat of grossly overstated revenue due to the up-front payment, the year-end entry for unearned revenue was not booked. Communication with auditors during fieldwork explained the amount of revenue compared to the amount of expenditures during fiscal year 2016; it was clear the College had a complete grasp on the nature of the unearned revenue. The VP of Business Affairs calculates the unearned student fee revenue at year-end. Going forward, the unearned revenue calculation will include a review of external grant funds and other funds that have the potential for being included in the unearned revenue adjusting journal entry.

AJE #24 to correct FICA payments improperly booked to payable account. The different control accounts are reconciled by the personnel responsible for them. Additional training has been scheduled for those individuals. The training will include the documentation of processes to ensure the subsidiary ledgers, control accounts, and general ledger accurately reflects the year's transactions at year-end.

*Anticipated Completion Date:* See corrective action plan above.

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**Finding 2016-002 – Capital Asset Inventory**

*Criteria:* A capital asset inventory is essential to ensure the accuracy of the capital assets being reported.

*Condition:* The College has not performed an inventory of its capital assets for the last two years.

*Context:* An inventory of capital assets provides accountability for all capital assets and provides assurance that capital assets are properly safeguarded.

*Effect:* Capital assets that are obsolete, lost, or misappropriated may go undetected and amounts reported by the College in the financial statements may be inaccurate.

*Cause:* Lack of management oversight.

*Recommendation:* We recommend that an inventory of capital assets be performed at least once every two years by an employee not in custody of the capital assets.

*Views of responsible officials and corrective action plan:* The Accounting Office added an employee in December 2015 who manages grant accounting and capital assets. Beginning in January 2017, capital asset and tagged asset inventories will be the highest priority for the Grant Accountant. He has begun building a schedule for spring 2017 inventories, and he is compiling a disposal list for board approval at the January 2017 board meeting. The inventories will test for completeness and existence. During the inventory process, the asset attributes, custodian, and location will be updated in the Financial Edge Fixed Asset system.

*Anticipated Completion Date:* The goal is to visually inspect 100 percent of the tagged assets in the Financial Edge Fixed Asset system before January 2018.

**Finding 2016-003 - Wire Transfers**

*Criteria:* Proper safeguards over wire transfers are essential in preventing fraudulent, erroneous, and malicious activity.

*Condition:* Our review of banking agreements and procedures over wire transfers disclosed there is not a proper segregation of duties over the wire transfer process, and there is no formal agreement with the bank to address or limit the risk of fraudulent, erroneous, and malicious activity.

*Context/Effect:* A wire transfer can be performed by one person to any bank account.

*Cause:* Since the College does not customarily perform wire transfers, the College does not have established procedures over wire transfers, and there has been no specific agreement or procedures in place with their financial institutions regarding wire transfers.

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*Recommendation:* We recommend that the College adopt agreements with all of their financial institutions requiring authorization from two members of management before any wire transfer can be executed. In addition, adequate documentation supporting the purpose of the wire transfer should be reviewed and approved by both members of management before the wire is executed.

*Views of responsible officials and corrective action plan:* The College has adopted a policy of requiring two signatures for wire transfers and ACH payments. The same policy has been communicated to BancorpSouth and Community Bank. The necessary forms and paperwork are in process to officially require two authorizing signatures for wires and ACH payments. The Student Accounts Office uses wire transfers for student refunds, and the BancorpSouth InView system already requires two authorized employees to approve.

*Anticipated Completion Date:* Immediately

**Section 3: Federal Award Findings and Questioned Costs**

No matters were reported.

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

**Finding 2016-004 (Repeat Finding)**

*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 become an employee, the entity should file the PERS Form 4-B "Certification/Acknowledgement of Reemployment of Retiree" within five days of employment.

*Condition/Context:* Form 4-B was not completed and filed with PERS for fiscal year 2016 for four out of twenty-eight PERS retirees tested.

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

*Cause:* Oversight by management. Form 4-B for fiscal year 2016 was not completed and submitted to PERS as required.

*Repeat Finding:* This is third year this finding has been reported (2014-002 and 2015-003).

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*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 Department will visit each retiree personally and obtain the required signature on the PERS Form 4-B. In the event the Human Resources Department does not have a signed Form 4-B for a retiree, the retired employee's paycheck will be withheld until the form is received.

*Anticipated Completion Date:* Immediately

**JONES COUNTY JUNIOR COLLEGE**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2016**

<b>Reference Number</b>	<b>Summary of Findings</b>	<b>Status</b>
2015-001	The College had a prior period adjustment, as well as several other adjustments to correct amounts reported in the financial statements.	Not Corrected See Finding 2016-001 in the current year.
2015-002	The College was not disbursing post-withdrawal Pell grant funds owed to students within 45 days of the withdrawal date.	Corrected No current year exceptions noted.
2014-002 2015-003	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 new employees that are previous retirees from PERS within five days of employment.	Not Corrected See Finding 2016-004 in the current year.