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JONES COUNTY JUNIOR COLLEGE

Ellisville, Mississippi

Audited Financial Statements

Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

Jones County Junior College
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INDEPENDENT AUDITOR'S REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Jones County Junior College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jones County Junior College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Jones County Junior College Foundation, Inc. (the Foundation), which is a discretely presented component unit and constitutes 100% of the assets and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jones County Junior College Foundation, Inc., which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Jones County Junior College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Jones County Junior College and of its discretely presented component unit, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, and the Schedule of College's Contributions on pages 8 to 21 and 65 to 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Jones County Junior College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jones County Junior College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jones County Junior College's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 20, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

This section of Jones County Junior College's (the "College") annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes. A comparative analysis will be presented with figures from fiscal year ended June 30, 2016. The financial statements, notes and this discussion are the responsibility of management.

USING THE ANNUAL REPORT

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

One of the most important questions asked is whether the College as a whole is better or worse off because of the year's activities. The key to understanding this question is the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Reporting the College's Financial Activities

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

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

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

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

Condensed Statement of Net Position
June 30, 2017 and 2016

	2017	2016	% Change
ASSETS			
Current assets	\$ 16,637,942	15,649,730	6%
Noncurrent assets	115,552	120,885	(4)%
Capital assets, net	69,311,605	71,166,206	(3)%
Total assets	86,065,099	86,936,821	(1)%
DEFERRED OUTFLOWS OF RESOURCES			
Pension	11,585,350	9,262,620	25%
Debt	1,932,113	2,038,381	(5)%
Total Deferred Outflows of Resources	13,517,463	11,301,001	20%
LIABILITIES			
Current liabilities	5,677,111	6,280,506	(10)%
Long-term debt outstanding	17,146,194	17,804,744	(4)%
Net pension liability	53,563,378	46,714,161	15%
Total liabilities	76,386,683	70,799,411	8%
DEFERRED INFLOWS OF RESOURCES			
	742,087	1,872,350	(60)%
NET POSITION			
Net investment in capital assets	53,445,302	54,782,621	(2)%
Restricted	1,422,352	104,279	1264%
Unrestricted	(32,413,862)	(29,320,839)	11%
Total net position	\$ 22,453,792	25,566,061	(12)%

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

	2017	2016	
GASB 68 impact on Net Position			
Total Net Position	\$ 22,453,792	25,566,061	
Deferred outflows of resources - pension	(11,585,350)	(9,262,620)	25%
Deferred inflows of resources - pension	742,087	1,872,350	(60)%
Net pension liability	53,563,378	46,714,161	15%
Total impact on GASB 68	<u>42,720,115</u>	<u>39,323,891</u>	9%
Net Position net of GASB 68 impact	<u>65,173,907</u>	<u>64,889,952</u>	0%
Less net investment in capital assets	53,445,302	54,782,621	
Less restricted net position	<u>1,422,352</u>	<u>104,279</u>	
Unrestricted	<u>\$ <u>10,306,253</u></u>	<u><u>10,003,052</u></u>	

ASSETS

Current Assets

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of cash in the College's bank accounts and certificates of deposits. The total amount of cash and cash equivalents reported as current assets on the College's financial statements was \$10,649,769 at June 30, 2017, which is an increase compared to the June 30, 2016 figure of \$9,669,516.

Restricted Cash

Restricted cash are those funds that are held in the bank accounts and certificates of deposits. The amount of restricted cash at June 30, 2017 totaled \$1,405,669, which is a decrease compared to \$1,704,928 at June 30, 2016.

Accounts Receivable

Accounts receivable relate to several transactions including local appropriations, student tuition and fees and auxiliary services vendor credits. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College's receivables totaled \$3,903,447 at June 30, 2017, which is an increase compared to the June 30, 2016 figure of \$3,754,637.

Inventories

The amount of inventories at year end was \$341,052, an increase from \$313,718.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Prepaid Items

Prepaid items are payments to vendors that reflect costs applicable to future periods. Prepaid items amounted to \$338,005 at June 30, 2017 and \$206,931 at June 30, 2016.

Noncurrent Assets

Prepaid Bond Insurance Premium, Net

This item represents the portion related to prepaid insurance costs that were paid in conjunction with debt issuance costs. These are recorded as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The amount outstanding at year end was \$115,552.

Capital Assets, Net

Capital assets, net, consists of land, improvements other than buildings, buildings, equipment, and construction in progress at June 30, 2017. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$69,311,605 at June 30, 2017 which is a decrease from \$71,166,206 at June 30, 2016.

Deferred Outflows of Resources

The College recognized a deferred outflow of resources related to pension in the amount of \$11,585,350 at June 30, 2017, and one related to the cost of debt refunded in the amount of \$1,932,113. The total amount for deferred outflows of resources increased from prior year in the amount of \$2,216,462. The deferred outflow of resources related to pension is a result of GASB 68.

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year. The accounts payable and accrued expenses totaled \$3,291,217 at June 30, 2017, a decrease of \$392,535 over the balance of \$3,683,752 at June 30, 2016.

Compensated Absences

The amount of compensated absences at year end amounted to \$328,004, compared to the amount for the previous fiscal year \$274,604.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Unearned Revenue

Unearned revenue at year end was \$1,405,668, a decrease of \$299,260. This figure was \$1,704,928 at June 30, 2016.

Long-Term Liabilities – Current Portion

Long-term liabilities – current portion represents the portion of long-term debt that would be payable by the end of the June 30, 2017 fiscal year. The amount of the current portion of long-term debt at June 30, 2017 was \$652,222, an increase of \$35,000 over the balance on June 30, 2016.

Noncurrent Liabilities

Long-Term Liabilities - Net of Current Portion

This liability consists of long-term debt for outstanding bonds and notes. The total amount of the noncurrent portion of long-term debt was \$17,009,074 at June 30, 2017. This is a decrease from the balance of \$17,804,744 (including premium), reported as of June 30, 2016.

Bond Premiums

Bond premiums, net of amortization totaled \$137,120 for 2017. This is a decrease from the balance of \$143,448 reported as of June 30, 2016.

Net Pension Liability

The net pension liability for June 30, 2017 is \$53,563,378, which is an increase from the balance of \$46,714,161 reported at June 30, 2016. The net pension liability represents the College's proportionate share of the collective net pension liability reported in the Public Employees' Retirement System of Mississippi for the year ended June 30, 2017. See Note 7 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Deferred Inflows of Resources

The College recognized a deferred inflow of resources related to pension in the amount of \$742,087 at June 30, 2017, which is a decrease from \$1,872,350 at June 30, 2016.

NET POSITION

Net position represent the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Total net position at June 30, 2017 was \$22,453,792 which is a decrease of \$3,112,269 from the balance of \$25,566,061, at June 30, 2016.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Analysis of Net Position

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

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

	<u>2017</u>	<u>2016</u>
Scholarships and fellowships	\$ 16,683	104,279
College program support and expenses	<u>1,405,669</u>	
Total restricted net position	<u>\$ 1,422,352</u>	<u>104,279</u>

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

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

	<u>2017</u>	<u>2016</u>
Unrestricted net position	\$ <u>(32,413,862)</u>	<u>(29,320,839)</u>

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

Total unrestricted net position (deficit)	\$ (32,413,862)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>42,720,115</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 10,306,253</u>

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Operating revenues		
Tuition and fees (net of scholarship allowances) \$	3,721,793	4,786,731
Grants and contracts	18,313,596	17,304,712
Sales and services	85,440	107,287
Auxiliary enterprises	5,152,818	3,650,444
(Net of scholarship allowances)		
Other operating revenue	537,609	483,534
Total operating revenues	27,811,256	26,332,708
Operating expenses	52,609,413	51,266,985
Net operating loss	(24,798,157)	(24,934,277)
Nonoperating revenues (expenses)		
State and local appropriations	19,738,928	19,504,483
Gifts and contributions	219,301	225,507
Investment income	6,719	6,063
Interest expense	(672,013)	(644,534)
Gains and loss on sale of fixed assets	11,700	
Other nonoperating income (expense)	(5,333)	507,207
Bond issuance costs		(439,354)
Total nonoperating revenues, net	19,299,302	19,159,372
Income (loss) before capital appropriations	(5,498,855)	(5,774,905)
Capital appropriations	2,386,586	3,267,271
Change in net position	(3,112,269)	(2,507,634)
Net Position - Beginning	25,566,061	28,073,695
Net Position - Ending \$	22,453,792	25,566,061

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

	2017	2016
GASB 68 and other none cash items impact on the Change of Net Position		
Change in Net Position	\$ (3,112,269)	(2,507,634)
GASB 68 impact	3,396,224	1,446,102
Depreciation	3,159,845	3,243,622
Compensated absences	53,400	29,946
Change in Net Position after GASB 68 and other none cash items	\$ 3,497,200	2,212,036
Change in Net Position - operations	1,639,656	599,364
Change in Net Position - plant	1,857,544	1,612,672

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

- Decrease in net capital assets in the amount of \$1,854,601.
- The principal retirement of \$617,222 of long-term debt.
- Increase in net pension liability in the amount of \$6,849,217.

Net operating loss for the fiscal year 2017 was \$24,798,157, a decrease of \$136,120 over the net operating loss for fiscal year 2016 in the amount of \$24,934,277. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning in fiscal year 2003 and going forward, the College has shown a significant operating loss.

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

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

Total operating revenues for fiscal year 2017 were \$27,811,256. Tuition and fees were \$3,721,793. The tuition allowance was \$9,989,812. Operating expenses, including depreciation of \$3,159,845, totaled \$52,609,413.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

REVENUES**Operating Revenues****Tuition and Fees**

This category includes all tuition and fees assessed for educational purposes totaling \$3,721,793. The tuition allowance for the 2017 fiscal year was \$9,989,812.

Grants and Contracts

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

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2017 with prior year figures:

	<u>2017</u>	<u>2016</u>
Federal	\$ 14,036,969	13,411,166
State	3,956,488	3,547,979
Non governmental	320,139	345,567
Total all sources	\$ <u>18,313,596</u>	<u>17,304,712</u>

Sales and Services of Educational Departments

Other operating revenues consist of income from educational activities that totaled \$85,440 for the 2017 fiscal year, a decrease of \$21,847 compared to fiscal year 2016.

Sales and Services, Net

Auxiliary enterprises consist of housing, bookstore and meal plans.

Operating Expenses

Operating expenses totaling \$52,609,413 include salaries and benefits of \$30,524,628, utilities of \$1,340,192, commodities of \$4,772,108, contractual services of \$5,834,862 and depreciation of \$3,159,845.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Operating Expenses by Function with prior year figures and changes

		June 30, 2017	June 30, 2016	Increase (Decrease)
Instruction	\$	18,133,362	18,999,033	(865,671)
Academic support		859,799	911,009	(51,210)
Student services		2,870,429	2,706,929	163,500
Athletics		2,488,703	2,290,868	197,835
Institutional support		10,178,006	7,172,485	3,005,521
Operations and maintenance of plant		4,721,317	5,011,195	(289,878)
Student financial aid (net of scholarship allowance)		5,471,292	6,335,108	(863,816)
Auxiliary enterprises		4,726,660	4,596,736	129,924
Depreciation		3,159,845	3,243,622	(83,777)
Total operating expenses by function	\$	<u>52,609,413</u>	<u>51,266,985</u>	<u>1,342,428</u>
Less effect of GASB 68		(3,396,224)	(1,446,102)	(1,950,122)
Less change in compensated absences		(53,400)	(29,946)	(23,454)
Less Depreciation		<u>(3,159,845)</u>	<u>(3,243,622)</u>	<u>83,777</u>
Total expenses after adjustments	\$	45,999,944	46,547,315	(547,371)

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Operating Expenses by Object with prior year figures and changes

		June 30, 2017	June 30, 2016	Increase (Decrease)
Salaries and wages	\$	20,673,547	20,120,878	552,669
Fringe benefits		9,851,081	7,734,584	2,116,497
Travel		464,926	597,323	(132,397)
Contractual services		5,834,862	5,942,787	(107,925)
Utilities		1,340,192	1,254,467	85,725
Scholarships and fellowships		5,575,502	6,365,019	(789,517)
Commodities		4,772,108	4,899,535	(127,427)
Other		937,350	1,108,770	(171,420)
Depreciation		3,159,845	3,243,622	(83,777)
Total operating expenses by object	\$	<u>52,609,413</u>	<u>51,266,985</u>	<u>1,342,428</u>
Less effect of GASB 68		(3,396,224)	(1,446,102)	(1,950,122)
Less change in compensated absences		(53,400)	(29,946)	(23,454)
Less Depreciation		<u>(3,159,845)</u>	<u>(3,243,622)</u>	<u>83,777</u>
Total expenses after adjustments	\$	45,999,944	46,547,315	(547,371)

Nonoperating Revenues (Expenses)

State Appropriations

The College's largest source of nonoperating revenue is the State of Mississippi's appropriation. The College received \$16,959,703 for fiscal year ended June 30, 2017. This represents an increase of \$231,366 from \$16,728,337 for the year ended June 30, 2016.

Local Appropriations

The College also receives revenue from the counties that make up its local district. They include Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne Counties. The College received \$2,779,225 in the fiscal year 2017 and \$2,776,146 for the 2016 fiscal year, which is an increase of \$3,079 over the amount received in the previous fiscal year.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Gifts and Contributions

The amount received in the current fiscal year was \$219,301. This represents a decrease of \$6,206 when compared to the \$225,507 received in the prior year.

Investment Income

This includes the interest income from the cash in the bank accounts. \$6,719 was earned during the 2017 fiscal year versus the \$6,063 earned in the 2016 fiscal year.

Interest Expense

The amount of interest expense for the fiscal year under audit (2017) was \$672,013 and \$644,534 in the prior year.

Other Nonoperating Revenues (Expenses)

Other nonoperating income (expense) for fiscal years 2017 and 2016 totaled (\$5,333) and \$507,207, respectively.

Bond Issuance Costs

The amount of issuance costs in the current fiscal year was \$0. This represents a decrease of \$439,354 when compared to the \$439,354 in the prior year.

Other Revenues

Local Appropriations for Capital Purposes

This includes revenue received from the Clarke, Jasper, Perry, Smith, Wayne, Covington and Jones counties support districts for capital projects or retirement of debt during the fiscal year. The amount of this revenue totaled \$2,386,586 for the 2017 fiscal year, which is a decrease of \$201,245 over the \$2,587,831 for the 2016 fiscal year.

State Appropriations for Capital Purposes

This is the amount of revenue received from the State of Mississippi to purchase, construct, renovate or repair capital assets during the fiscal year. The College received \$0 and \$679,440 in fiscal years 2017 and 2016, respectively, which is a decrease of \$679,440.

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

payments of the College during a period. The Statement of Cash Flows also helps users assess:

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

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016	Increase (Decrease)
Cash and cash equivalents provided (used) by			
Operating activities	\$ (19,082,428)	(18,704,937)	(377,491)
Non capital financing activities	19,958,229	20,752,564	(794,335)
Capital and related financing activities	470,487	527,276	(56,789)
Investing activities	(665,294)	6,063	(671,357)
Net increase (decrease) in cash and cash equivalents	680,994	2,580,966	(1,899,972)
Cash and cash equivalents - beginning of year	11,374,444	8,793,478	2,580,966
Cash and cash equivalents - end of year	\$ 12,055,438	11,374,444	680,994

The major source of funds included in operating activities include cash received from grants and contracts in the amount of \$18,313,596. The major uses of funds were: payments made to employees, (\$27,075,004); to suppliers for goods and services, (\$12,963,031).

The largest inflow of cash in the noncapital financing activities group is the State appropriation of \$19,738,928.

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

Capital Assets

At June 30, 2017, the College had \$119,334,200 in capital assets. This includes land, construction in progress, buildings, improvements other than buildings and equipment. This amount was an increase of \$1,305,244 from the 2016. Total accumulated depreciation as of June 30, 2017, was \$50,022,595, and total depreciation expense for the year was \$3,159,845, resulting in total net capital assets of \$69,311,605.

Jones County Junior College
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 509,050	509,050	0%
Construction in progress	205,123	89,982	128%
Buildings	60,153,063	62,442,976	(4)%
Improvements other than buildings	6,756,109	6,686,226	1%
Equipment	1,688,245	1,437,972	17%
Total	<u>\$ 69,311,590</u>	<u>71,166,206</u>	<u>(3)%</u>

Long Term Debt

At June 30, 2017, the College had \$17,798,416 in outstanding long-term debt, of which \$652,222 is due within one year. The liability for compensated absences increased \$53,400 from the prior year.

Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Special obligation bonds payable	\$ 17,490,000	18,025,000	(3)%
Premium	137,120	143,448	(4)%
Notes payable	171,296	253,518	(32)%
Compensated absences payable	328,004	274,604	19%
Total	<u>\$ 18,126,420</u>	<u>18,696,570</u>	<u>(3)%</u>

Factors Impacting Future Periods

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 06/30/2018. At this point, we do not have enough information to judge the impact this will have on the College.

Contact Information

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

FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE

Statement of Net Position

June 30, 2017

Assets

Current assets:

Cash and cash equivalents	\$	10,649,769
Retricted Cash - SNAP grant funds		1,405,669
Accounts receivable, net of allowance of \$959,007 in 2017		3,903,447
Inventories		341,052
Prepaid items		338,005
Total Current Assets		<u>16,637,942</u>

Non-current assets:

Prepaid bond insurance premiums, net		115,552
Nondepreciable capital assets		714,173
Depreciable capital assets, net		68,597,432
Total Non-current Assets		<u>69,427,157</u>

Total Assets

86,065,099**Deferred Outflows of Resources**

Pensions		11,585,350
Deferred costs of refunding debt		1,932,113
Total Deferred Outflows of Resources		<u>13,517,463</u>

Liabilities

Current Liabilities:

Accounts payable and accrued expenses		256,358
Accrued liabilities		3,034,859
Compensated absences		328,004
Unearned revenue		1,405,668
Long-term debt - current portion		652,222
Total Current Liabilities		<u>5,677,111</u>

Non-current liabilities:

Long-term debt, net of current portion		17,009,074
Bond premium, net of amortization		137,120
Net pension liability		53,563,378
Total Non-current Liabilites		<u>70,709,572</u>

Total Liabilities

76,386,683**Deferred Inflows of Resources**

Pensions		742,087
Total Deferred Inflows of Resources		<u>742,087</u>

Net Position

Net Investment in capital assets		53,445,302
Restricted for:		
Expendable		
Scholarships and fellowships		16,683
College program support and expenses		1,405,669
Unrestricted		<u>(32,413,862)</u>
Total Net Position	\$	<u><u>22,453,792</u></u>

JONES COUNTY JUNIOR COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2017

Operating Revenues:		
Tuition and fees (net of scholarship allowances of \$9,989,812)	\$	3,721,793
Federal grants and contract		14,036,969
State grants and contracts		3,956,488
Nongovernmental grants and contracts		320,139
Sales and services of educational departments		85,440
Auxiliary enterprises:		
Student housing (net of scholarship allowances of \$783,044)		686,851
Food Services (net of scholarship allowances of \$1,121,290)		880,516
Bookstore (net of scholarship allowances of \$275,999)		3,585,451
Other operating revenues		537,609
Total Operating Revenues		<u>27,811,256</u>
Operating Expenses:		
Salaries and wages		20,673,547
Fringe benefits		9,851,081
Travel		464,926
Contractual services		5,834,862
Utilities		1,340,192
Scholarships and fellowships		5,575,502
Commodities		4,772,108
Depreciation expense		3,159,845
Other operating expense		937,350
Total Operating Expenses		<u>52,609,413</u>
Operating (Loss)		<u>(24,798,157)</u>
Non-operating Revenues(Expenses)		
State appropriations		16,959,703
County appropriations		2,779,225
Gifts		219,301
Investment income		6,719
Interest expense on capital asset-related debt		(672,013)
Gain and loss on sale of fixed assets		11,700
Other non-operating expenses		(5,333)
Total Net Non-operating Revenue		<u>19,299,302</u>
Loss before capital appropriations		<u>(5,498,855)</u>
Local Capital Appropriations restricted for capital		<u>2,386,586</u>
Total Other Revenues		<u>2,386,586</u>
Change in Net Position		<u>(3,112,269)</u>
Net Position:		
Net Position-Beginning		<u>25,566,061</u>
Net Position-End of Year	\$	<u><u>22,453,792</u></u>

JONES COUNTY JUNIOR COLLEGE

Statement of Cash Flows

For the year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	3,658,423
Cash received from grants		18,313,596
Sales and services of auxiliary enterprises		5,152,818
Cash payments to employees		(27,075,004)
Cash payments to suppliers for goods and services		(12,963,031)
Cash payments to others		(5,575,502)
Other receipts (payments)		(593,728)
Net Cash Provided (Used) from Operating Activities		<u>(19,082,428)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Apropriations		19,738,928
Gifts received		219,301
Net Cash Provided (Used) from Non-capital Financing Activities		<u>19,958,229</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal and interest paid		(622,555)
Acquisition of capital assets		(1,293,544)
Appropriations		2,386,586
Net Cash Provided (Used) from Capital and Related Financing Activities		<u>470,487</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest		(665,294)
Net Cash Provided (Used) from Investing Activities		<u>(665,294)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

		<u>680,994</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		11,374,444
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<u><u>12,055,438</u></u>

JONES COUNTY JUNIOR COLLEGE

Statement of Cash Flows

For the year ended June 30, 2017

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

Operating Income (Loss)	\$	<u>(24,798,157)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:		
Depreciation		3,159,845
Amortization		105,273
Changes in assets, deferred outflows, liabilities and deferred inflows of resources:		
Accounts receivable, net		(148,810)
Inventories		(27,334)
Prepaid expenses		(131,074)
Deferred outflows		(2,322,730)
Accounts payable and accrued expenses		(392,535)
Unearned revenues		(299,260)
Net pension liability		6,849,217
Deferred inflows		(1,130,263)
Compensated absences		<u>53,400</u>
Total Adjustments		<u>5,715,729</u>
Net Cash Provided (Used) from Operating Activities	\$	<u><u>(19,082,428)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$	10,649,769
Restricted cash		<u>1,405,669</u>
Total Cash and Cash Equivalents	\$	<u><u>12,055,438</u></u>

FINANCIAL STATEMENTS

Jones County Junior College Foundation, Inc.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Statements of Financial Position

June 30, 2017 and 2016

A component unit of the Jones County Junior College

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 819,229	\$ 761,501
Contributions receivable, net	520	4,929
Accounts receivable - other	-	100,207
Investments	10,636,785	9,762,379
Cash surrender value of insurance policies	172,255	166,115
Land	201,999	201,999
Total assets	<u>\$ 11,830,788</u>	<u>\$ 10,997,130</u>
LIABILITIES AND NET ASSETS		
Liabilities	<u>\$ 8,750</u>	<u>\$ 1,875</u>
Net assets		
Unrestricted	697,993	656,621
Temporarily restricted	3,406,666	2,794,719
Permanently restricted	7,717,379	7,543,915
Total net assets	<u>11,822,038</u>	<u>10,995,255</u>
Total liabilities and net assets	<u>\$ 11,830,788</u>	<u>\$ 10,997,130</u>

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2017

A component unit of the Jones County Junior College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, other support				
Contributions	\$ 269,417	\$ 369,119	\$ 203,494	\$ 842,030
Investment income	-	209,541	-	209,541
Net change in cash surrender value of insurance policies	4,627	-	-	4,627
Net unrealized and realized gains on long-term investments	26,629	852,278	-	878,907
Net assets transferred	997	29,033	(30,030)	-
Net assets released from satisfaction of program restrictions	848,024	(848,024)	-	-
Total revenues and other support	<u>1,149,694</u>	<u>611,947</u>	<u>173,464</u>	<u>1,935,105</u>
Expenses				
Foundation administration expenses				
Salaries, wages, and benefits	181,957	-	-	181,957
Office, occupancy, and other	212,639	-	-	212,639
Total foundation administration expenses	<u>394,596</u>	<u>-</u>	<u>-</u>	<u>394,596</u>
College support				
Grants, scholarships, and awards	328,333	-	-	328,333
Supplies, expenses, and other support	385,393	-	-	385,393
Total college support	<u>713,726</u>	<u>-</u>	<u>-</u>	<u>713,726</u>
Total expenses	<u>1,108,322</u>	<u>-</u>	<u>-</u>	<u>1,108,322</u>
Changes in net assets	41,372	611,947	173,464	826,783
Net assets, beginning of year	656,621	2,794,719	7,543,915	10,995,255
Net assets, end of year	<u>\$ 697,993</u>	<u>\$ 3,406,666</u>	<u>\$ 7,717,379</u>	<u>\$ 11,822,038</u>

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2016

A component unit of the Jones County Junior College

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, other support				
Contributions	\$ 274,355	\$ 398,238	\$ 124,258	\$ 796,851
Investment income	-	207,034	-	207,034
Net change in cash surrender value of insurance policies	142,345	-	-	142,345
Net unrealized and realized gains on long-term investments	2,500	44,023	-	46,523
Net assets transferred	(7,050)	10,908	(3,858)	-
Net assets released from satisfaction of program restrictions	706,066	(705,066)	(1,000)	-
Total revenues and other support	1,118,216	(44,863)	119,400	1,192,753
Expenses and losses				
Foundation administration expenses				
Salaries, wages, and benefits	225,987	-	-	225,987
Office, occupancy, and other	140,248	-	-	140,248
Total foundation administration expenses	366,235	-	-	366,235
College support				
Grants, scholarships, and awards	339,117	-	-	339,117
Supplies, expenses, and other support	298,491	-	-	298,491
Total college support	637,608	-	-	637,608
Total expenses and losses	1,003,843	-	-	1,003,843
Changes in net assets	114,373	(44,863)	119,400	188,910
Net assets, beginning of year	542,248	2,839,582	7,424,515	10,806,345
Net assets, end of year	\$ 656,621	\$ 2,794,719	\$ 7,543,915	\$ 10,995,255

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.**Statements of Cash Flows****Years Ended June 30, 2017 and 2016**

A component unit of the Jones County Junior College

	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ 826,783	\$ 188,910
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Contributions restricted for endowments	(203,494)	(124,258)
Increase in cash surrender value of insurance policies	(4,627)	(142,345)
Net unrealized and realized gain on long-term investments	(878,907)	(46,523)
Decrease in contributions receivable, net	4,409	8,506
Increase in accounts payable	6,875	236
Net cash used by operating activities	(248,961)	(115,474)
Cash flows from investing activities		
Proceeds from life insurance policy	100,207	100,132
Proceeds from sale of investments	2,253,479	2,475,959
Purchases of investments	(2,250,491)	(2,586,637)
Net cash provided (used) by investing activities	103,195	(10,546)
Cash flows from financing activities		
Proceeds from contributions received for endowments	203,494	124,258
Net increase (decrease) in cash and cash equivalents	57,728	(1,762)
Cash and cash equivalents at beginning of year	761,501	763,263
Cash and cash equivalents at end of year	\$ 819,229	\$ 761,501

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE

Notes to the Financial Statements
For the Year Ended June 30, 2017

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Jones County Junior College Foundation, Inc. (the "Foundation") is a not-for-profit that is a fund-raising arm of the College. Its purpose is to receive funds for the sole benefit of the College. The Foundation uses the economic resources measurement focus and accrual basis of accounting. It follows the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial report for these differences. The Foundation is not required to report cash flows based upon the direct method of accounting under FASB standards. The separately issued audited financial statements of the Foundation are available through the business department at the College.

Amounts representing services and facilities contributed to the Foundation by the College for the year ended June 30, 2017 were as follows:

Salaries, wages and benefits	\$	181,957
Office and occupancy		20,545
Total	\$	<u>202,502</u>

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, respectively. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the College's financial activities.

Basis of Accounting

The basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the statement of net position.

Accounts Receivables, Net

Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the College from vendors. Accounts receivable is recorded net of an allowance for doubtful accounts, which is based on historical losses and an analysis of currently outstanding amounts. Accounts without activity for more than one year are written off on an annual basis.

Inventories and Prepaid Items

Inventories consist of bookstore and printing supplies. These inventories are valued at the lower of cost or market, on the first-in, first-out (FIFO) basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Prepaid Bond Insurance Premium, Net

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

Capital Assets, Net of Accumulated Depreciation

Capital assets are recorded at historical cost at the date of acquisition, or if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

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

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

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

Deferred Outflows and Inflows of Resources

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

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

Deferred outflows and inflows of resources related to the pension plan are further described in Note 7.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2017 for goods and services received before the end of the fiscal year.

Compensated Absences

Full-time employees earn monthly vacation leave at a rate of 6.67 hours for employees scheduled for 8 hours per day; 6.25 hours for employees scheduled for 7.50 hours per day; 6.04 hours for employees scheduled for 7.25 hours per day; 5.83 hours for employees scheduled for 7.00 hours per day; 5.42 hours for employees scheduled for 6.50 hours per day; 5.21 hours for employees scheduled for 6.25 per day; and 5.00 hours for employees scheduled for 6.00 hours per day. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to ten days of accumulated annual leave.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Bond Discounts and Premiums

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

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Nonexpendable restricted net position represents gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes and funds held in federal loan programs. Unrestricted net position consists of all other components of net position that do not meet any of the previous criteria.

The College reported a deficit for unrestricted net position of \$32,413,862. This deficit can be attributed to the full recognition of the net pension liability in the amount of \$53,563,378.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state and local appropriations and investment income.

State and Local Appropriations

The College receives funds from the State of Mississippi based on the number of students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. The funding calculation is based on the number of full-time equivalents which is based on total credit hours generated by all students with special consideration given only to high cost programs.

Scholarship Discounts and Allowance

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid, such as loans, funds provided to students as awarded by third-parties and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition, housing, food services and books. Under the alternative method, these amounts are computed on a college-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Cost of Borrowing

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

Pension

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

Note 2. Cash and Cash Equivalents

Policies

As set forth by policy and state statute, the College is authorized to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

In 2017 the carrying amount of unrestricted and restricted deposits as of June 30th was \$10,649,769 and \$1,405,669, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the College. As of June 30, 2017, none of the College's bank balance of \$12,405,438 was exposed to custodial credit risk.

Restricted Assets

The restricted assets represent the cash balance, totaling \$1,405,669, of the SNAP Grant.

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2017:

Student tuition	\$ 1,104,291
Auxiliary enterprises and other operating activities	1,844,026
Federal, state, and private grants and contracts	1,469,424
State appropriations	435,680
Other	9,033
Total accounts receivable	4,862,454
Less: allowance for doubtful accounts	(959,007)
Net accounts receivable	\$ 3,903,447

Note 4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017 is presented as follows:

	Balance 7-1-2016	Additions	Retirements	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 509,050			509,050
Construction in progress	89,982	115,141		205,123
Total non-depreciable capital assets	599,032	115,141	0	714,173
<u>Depreciable capital assets:</u>				
Buildings	97,304,603	27,585		97,332,188
Improvements other than buildings	12,018,107	520,177		12,538,284
Equipment	8,107,214	642,341		8,749,555
Total depreciable capital assets	117,429,924	1,190,103	0	118,620,027
<u>Less accumulated depreciation for:</u>				
Buildings	34,861,627	2,317,498		37,179,125
Improvements other than buildings	5,331,881	450,294		5,782,175
Equipment	6,669,242	392,053		7,061,295
Total accumulated depreciation	46,862,750	3,159,845	0	50,022,595
Total depreciable capital assets, net	70,567,174	(1,969,742)	0	68,597,432
Total capital assets, net	\$ 71,166,206	(1,854,601)	0	69,311,605

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

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

		Spent to June 30, 2017	Remaining Commitment
Soccer Facility	\$	85,979	364,021
Smith & Wayne Hall		89,982	2,418,786
Greene County Expansion		29,162	1,170,838
Total	\$	<u>205,123</u>	<u>3,953,645</u>

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

Note 5. Long-Term Liabilities

The long-term liabilities as of June 30, 2017 are as follows:

		Beginning Balances	Deletions	Ending Balances	Due Within One Year
Special obligation bonds, Series 2009	\$	1,260,000	405,000	855,000	420,000
Special obligation bonds, Series 2016		16,765,000	130,000	16,635,000	150,000
Premium		143,448	6,328	137,120	
Notes payable, Singing River		253,518	82,222	171,296	82,222
Total Long-Term Liabilities	\$	<u>18,421,966</u>	<u>623,550</u>	<u>17,798,416</u>	<u>652,222</u>

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

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

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

limitation, the county tax. All bonds maturing on or after March 1, 2020, are subject to redemption at par value plus accrued interest at the option of the College. A portion of these bonds were refunded during the year by the Mississippi Development Bank Special Obligation Refunding Bonds, Series 2016.

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

The debt service requirements as of June 30, 2017 are as follows:

Year Ending June 30	<u>Special Obligation Bonds</u>		<u>Notes Payable</u>	
	Principal	Interest	Principal	Interest
2018	\$ 570,000	560,320	82,222	
2019	585,000	543,039	82,222	
2020	610,000	524,162	6,852	
2021	620,000	511,962		
2022	630,000	499,562		
2023 - 2027	3,445,000	2,237,361		
2028 - 2032	4,035,000	1,667,465		
2033 - 2037	4,810,000	924,221		
2038 - 2039	2,185,000	112,888		
Total	<u>\$ 17,490,000</u>	<u>7,580,980</u>	<u>171,296</u>	<u>0</u>

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Note 6. Functional Classification of Expenses

The College's operating expenses by functional classification were as follows for the year ended June 30, 2017:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 12,001,713	3,490,612	130,681	748,660	151,646
Academic support	528,142	160,719	4,249	111,177	975
Student services	1,903,471	565,896	38,916	258,991	
Athletics	1,463,459	401,878	175,998	222,272	
Institutional support	2,902,918	4,544,408	112,895	1,587,695	
Operation of plant	1,485,601	551,293	2,067	872,975	1,185,471
Student aid			120		
Auxiliary enterprises	388,243	136,275		2,033,092	2,100
Depreciation					
Total operating expenses	<u>\$ 20,673,547</u>	<u>9,851,081</u>	<u>464,926</u>	<u>5,834,862</u>	<u>1,340,192</u>

	Scholarships and Fellowships	Commodities	Depreciation Expense	Other	Balance
Instruction	\$ 107,210	1,140,772		362,068	18,133,362
Academic support		54,537			859,799
Student services		103,155			2,870,429
Athletics		225,096			2,488,703
Institutional support		502,496		527,594	10,178,006
Operating of plant		623,910			4,721,317
Student aid	5,468,292	2,880			5,471,292
Auxiliary enterprises		2,119,262		47,688	4,726,660
Depreciation			3,159,845		3,159,845
Total operating expenses	<u>\$ 5,575,502</u>	<u>4,772,108</u>	<u>3,159,845</u>	<u>937,350</u>	<u>52,609,413</u>

Note 7. Retirement Plan

General Information about the Pension Plan

Plan Description. The College contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after 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 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the College is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The College's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$3,116,491, \$3,023,304, and \$2,973,601, respectively, which equaled the required contributions for each year.

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

At June 30, 2017, the College reported a liability of \$53,563,378 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The College's proportionate share used to calculate the June 30, 2017 net pension liability was 0.299865 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.002335 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of \$6,512,715. At June 30, 2017 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	\$ 1,491,754	
Net difference between projected and actual earnings on pension plan investments	3,740,268	
Changes of assumptions	2,544,757	142,335
Changes in proportion and differences between College contributions and proportionate share of contributions	692,080	599,752
College contributions subsequent to the measurement date	3,116,491	
Total	\$ 11,585,350	742,087

\$3,116,491 reported as deferred outflows of resources related to pensions resulting from College's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Year ending June 30:		
2018	\$	2,625,733
2019		2,213,111
2020		1,829,772
2021		1,058,156
Total	\$	<u><u>7,726,772</u></u>

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, 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, 2016 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u><u>100 %</u></u>	

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

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 employer contribution rate. 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$ 68,680,258	\$ 53,563,378	\$ 41,021,265

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

Note 8. Other Commitments

Commitments under construction contracts are described in Note 4.

Note 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.

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

Jones County Junior College

Notes to the Financial Statements For the Year Ended June 30, 2017

Note 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.

Note 11. Prior Year Defeasance of Debt

In prior years, the College defeased certain special obligation bond by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the College's financial statements. On June 30, 2017, \$855,000 of bonds outstanding are defeased.

Note 12. Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,413,862) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$3,116,491 resulting from the college contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$8,468,859 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and decrease unrestricted net position over the next 3 years.

The net investment in capital assets net position amount of \$53,445,302 includes the effect of deferring the recognition expenses resulting from a deferred outflow on refunding of College debt. The \$1,932,113, balance of the deferred outflow of resources at September 30, 2017 will be recognized as an expense and decrease the net investment in capital assets net position in the next 21 years.

The unrestricted net position amount of (\$32,413,862) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$742,087 balance of deferred inflow of resources, at June 30, 2017 will be recognized as revenue and will increase unrestricted net position over the next 3 years.

Jones County Junior College

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 13. Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the College evaluated the activity of the College through the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Jones County Junior College Foundation, Inc.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

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

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. In accordance with Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*, the Foundation's financial position and activities have been recorded according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted – Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time.
- Permanently restricted – Net assets subject to donor-imposed restrictions that the assets be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income from these assets to fund scholarships and other support activities.

Cash and Cash Equivalents

The Foundation considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.
Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value which approximates fair value at the date of the pledge. Unconditional promises to give in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The discount rates are determined at the time the unconditional promise to give is initially received. Contributions to be received in future years are discounted using a risk-free rate of approximately 3.25 percent for the years ended June 30, 2017 and 2016. Contributions receivable are written off on an annual basis when determined by management to be uncollectible. Management determines that a contribution receivable is uncollectible based on the length of time that has passed since the last contribution has been received from that donor, which is usually in excess of one year. At June 30, 2017 and 2016, all amounts were deemed collectible.

Accounts Receivable

Accounts receivable at June 30, 2016 consists of proceeds due from a life insurance contract for which the insured had deceased prior to year-end.

Investments

Investments in marketable equity securities and debt securities, including mutual funds are recorded at their estimated fair values, which are based on quoted market prices or recognized pricing services. Unrealized gains and losses are reported in the statements of activities. All funds maintained by the Foundation are pooled for purposes of reporting and managing cash and investments, and the pool is operated on the fair value method. Each fund is assigned a value based on the relationship of cash and fair values of all investments in the pool.

Investment in Life Insurance Policies

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

Amounts Due to Others and Agency Funds

Although it does not currently do so, the Foundation could, if requested, hold cash, investments, and other assets as an agent on behalf of the College for its organizations, clubs, and other funds with a restricted purpose. The Foundation would record transactions related to these funds as an asset and liability.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Foundation and the College are financially interrelated organizations. Therefore, any contributions that are received by the Foundation specifically for the College are recorded as unrestricted or restricted contribution revenue, depending on the donors' specific instructions. These contributions are recorded by the Foundation only.

Donated Goods and Services

Donated material, securities, equipment, rent, etc. are reflected as contributions at their estimated or quoted fair values at the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Foundation.

Revenue Recognition

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

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Pledges receivable in the accompanying statements of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as either current or long-term receivables on the statements of financial position. All long-term receivables are expected to be collected within five years.

Planned Giving

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain comparative figures have been reclassified to conform to the current year's presentation.

Note 2. Contributions Receivable, Net

The amounts of contributions receivable as of June 30, 2017 and 2016 are as follows:

	2017	2016
Contributions receivable	\$ 1,200	\$ 7,286
Less discounts for the time value of money	(680)	(2,357)
Contributions receivable, net	<u>\$ 520</u>	<u>\$ 4,929</u>

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.
Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 2. Contributions Receivable, Net (Continued)

Future scheduled collections of contributions receivable as of June 30, 2017 and 2016 are as follows:

	2017	2016
Within one year	\$ 1,200	\$ 3,946
In two to five years	-	3,340
Total	\$ 1,200	\$ 7,286

Note 3. Investments

Investments, at fair value, are composed of the following as of June 30, 2017 and 2016:

	2017	2016
Equity securities	\$ 6,658,625	\$ 5,926,236
Mutual funds	2,404,319	2,258,574
Bonds	1,335,942	1,334,962
Certificates of deposit	237,899	242,607
Cash value of life insurance policies	172,255	166,115
Total investments	\$ 10,809,040	\$ 9,928,494

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

	2017	2016
Interest and dividend income	\$ 209,541	\$ 207,034
Net realized and unrealized gains	878,907	46,523
Net change in cash surrender value of life insurance	4,627	142,345
Total investment return	\$ 1,093,075	\$ 395,902

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

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments (Continued)

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

The Foundation invests in a variety of investments which are generally subject to various risks and uncertainties such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Note 4. Fair Value of Financial Instruments

FASB ASC 820-10 (formerly, SFAS No. 157, *Fair Value Measurements*) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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.

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

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value of Financial Instruments (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes to the methodologies used at June 30, 2017 and 2016:

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

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

Long-lived assets are measured at fair value on a nonrecurring basis based upon inputs that are derived principally from, or corroborated by appraisals, comparable market data by correlation or other means only when there is evidence of impairment. The only asset measured at fair value, on a nonrecurring basis is the land held for use reported in the amount of \$201,999 at June 30, 2017 and 2016 as a Level 3 asset.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.
Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value of Financial Instruments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets at fair value at June 30, 2017 and 2016.

	Fair Value	Level 1	Level 2	Level 3
June 30, 2017				
Equity securities	\$ 6,658,625	\$ 6,658,625	\$ -	\$ -
Mutual funds	2,404,319	2,404,319	-	-
Bonds	1,335,942	-	1,335,942	-
Certificates of deposit	237,899	-	237,899	-
Cash value of life insurance	172,255	-	172,255	-
Total	\$ 10,809,040	\$ 9,062,944	\$ 1,746,096	\$ -
June 30, 2016				
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	166,115	-	166,115	-
Total	\$ 9,928,494	\$ 8,184,810	\$ 1,743,684	\$ -

Note 5. Restricted Net Assets

Restricted net assets at June 30, 2017 and 2016 are as follows.

Temporarily restricted net assets are available for the following purposes:

	2017	2016
College program support and expenses	\$ 750,191	\$ 919,639
Scholarships	2,656,475	1,875,080
Total	\$ 3,406,666	\$ 2,794,719

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 5. Restricted Net Assets (Continued)

Permanently restricted net assets are restricted to:

	2017	2016
Endowments restricted to scholarships and support	\$ 7,717,379	\$ 7,543,915

Note 6. Related Party Transactions

Amounts representing services and facilities contributed to the Foundation by the College for the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Salaries, wages, and benefits	\$ 181,957	\$ 225,987
Office, occupancy, and other	20,545	21,937
Total	\$ 202,502	\$ 247,924

The Foundation recognized revenue and related expenses for the above contributed services and facilities.

Amounts paid to the College for scholarships were \$328,333 and \$339,117 for the years ended June 30, 2017 and 2016, respectively. Amounts paid for supplies, expenses, and other support were \$385,393 and \$298,491 for the years ended June 30, 2017 and 2016, respectively.

Note 7. Concentrations of Credit Risks

The Foundation maintains cash accounts at various financial institutions. As of June 30, 2017, these accounts exceeded FDIC limits by \$190,019. As of June 30, 2016, these funds were fully insured by the FDIC. Cash deposits in the amounts of \$351,361 and \$339,747, which are held by the Foundation's investment broker as of June 30, 2017 and 2016, respectively, are not covered by the FDIC. However, these amounts are covered by the Securities Investor Protection Corporation (SIPC) up to \$250,000. As of June 30, 2017 and 2016 these funds exceeded the SIPC limits by \$101,361 and \$89,747, respectively.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 7. Concentrations of Credit Risks (Continued)

As of June 30, 2017 and 2016, the Foundation maintained \$10,636,785 and \$9,762,379, respectively, of securities in its investment portfolio. Although these funds reduce risk through diversification of investment holdings and are held with reputable brokers, they are exposed to custodial risk. Certificates of deposit included in the portfolio in the amount of \$237,899 and \$242,607 as of June 30, 2017 and 2016, are covered by FDIC insurance; however, \$10,398,886 and \$9,519,772, respectively, of the remaining investments are not covered by the Securities Investor Protection Corporation (SIPC), subjecting the Foundation to the risk of uninsured losses.

Note 8. Donor-Designated Endowment

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

Note 9. Uncertainty in Income Taxes

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2014.

Note 10. Endowments

The Foundation followed the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents through the year ended June 30, 2012. UMIFA required the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund was spendable under UMIFA. The investment income or net appreciation resulting from the donor-restricted endowment funds were to be used to provide scholarship assistance for worthy and deserving individuals enrolled at the College or other support for the College.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 10. Endowments (Continued)

The Mississippi Legislature enacted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2012 and the Foundation has adopted its provisions as of that date. UPMIFA replaces the historic value dollar limitation and further updates the prudence standard that applies to the management and investment of charitable funds. The governing board has discretion to determine the appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. These guidelines include consideration of the following factors: fund duration; institutional purposes; general economic conditions, including inflationary and deflationary factors; expected total return, other resources; and the overall investment policy of the institution.

The Board of Trustees has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Trustees has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine, unless an endowment agreement specifically prohibits distributions for any reason. The donor-restricted endowments of the Foundation are gifts which are to be held in perpetuity. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

The Foundation's spending policy is designed to achieve a target return, net of fees, equal to or greater than the total spending rate, administrative fees, and inflation. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment assets. Over the long-term, the current spending policy is designed to return a net positive gain in market value after spending. The annual spending rate is 4 percent, the administrative fee is 1 percent, and the inflation rate is 2.5 percent for a total target return of 7.5 percent.

The Foundation implements investing activities for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The primary objectives of investment activities are safety, liquidity, and yield. The Foundation targets a diversified asset allocation into such instruments as cash and cash equivalents, fixed income, and equity holdings. The purpose of this diversification is to provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.
Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 10. Endowments (Continued)

Endowment net asset composition as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (5,483)	\$ 2,474,091	\$ 7,717,379	\$ 10,185,987

Changes in endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ (7,011)	\$ 1,772,152	\$ 7,543,701	\$ 9,308,842
Contributions	-	49,295	203,503	252,798
Transfers	-	(6,963)	(29,825)	(36,788)
Amounts appropriated for expenditure	-	(293,330)	-	(293,330)
Investment earnings	1,528	952,937	-	954,465
Endowment net assets, end of year	\$ (5,483)	\$ 2,474,091	\$ 7,717,379	\$ 10,185,987

Endowment net asset composition as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (7,011)	\$ 1,772,152	\$ 7,543,701	\$ 9,308,842

Changes in endowment net assets as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ (13,218)	\$ 1,822,184	\$ 7,423,288	\$ 9,232,254
Contributions	-	3,442	124,270	127,712
Transfers	6,207	(7,136)	(3,857)	(4,786)
Amounts appropriated for expenditure	-	(240,972)	-	(240,972)
Investment earnings	-	194,634	-	194,634
Endowment net assets, end of year	\$ (7,011)	\$ 1,772,152	\$ 7,543,701	\$ 9,308,842

Note 11. Fundraising Expense

Total fundraising expense was \$43,838 and \$18,321 for the years ended June 30, 2017 and 2016, respectively.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.
Years Ended June 30, 2017 and 2016

NOTES TO FINANCIAL STATEMENTS

Note 12. Subsequent Events

Management has evaluated subsequent events through October 6, 2017, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Jones County Junior College

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

PERS

Last 10 Fiscal Years*

	2017	2016	2015	2014
College's proportion of the net pension liability (asset) \$	53,563,378	46,714,161	35,076,759	41,700,689
College's proportionate share of the net pension liability (asset)	0.299865%	0.302200%	0.288979%	0.300959%
College's covered - employee payroll	19,183,111	18,879,708	17,650,032	16,654,241
College's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	279.22%	247.43%	198.73%	250.39%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%	61.71%

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

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

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

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

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

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

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

Jones County Junior College

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

Pension Schedules

(1) Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

SUPPLEMENTARY INFORMATION

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Entity's Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-through programs from:			
Mississippi Department of Human Services			
Pilot Projects to Reduce Dependency and Increase Work			
Requirements and Work Effort under SNAP	10.596	N / A	\$ 299,259
Total U.S. Department of Agriculture			<u>299,259</u>
<u>U.S. Department of Labor</u>			
Direct Program:			
WIOA Youth Activities	17.259	N / A	<u>110,803</u>
Subtotal direct program			<u>110,803</u>
Pass-through programs from:			
Southern Mississippi Planning and Development District			
WIOA Dislocated Worker Formula Grants	17.278	16-3566-18-119	17,861
WIOA Dislocated Worker Formula Grants	17.278	16-3526-18-701	13,289
WIOA Dislocated Worker Formula Grants	17.278	16-3536-18-140	<u>23,945</u>
Total Pass-through Programs			<u>55,095</u>
Total U.S. Department of Labor			<u>165,898</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N / A	170,721
Federal Work-Study Program (FWS)	84.033	N / A	105,763
Federal Pell Grant Program	84.063	N / A	9,744,619
Federal Direct Student Loans	84.268	N / A	<u>3,058,548</u>
Total Student Financial Assistance Programs Cluster			<u>13,079,651</u>
Subtotal direct programs			<u>13,079,651</u>
Pass-through programs from:			
Mississippi Community College Board			
Adult Education - Basic Grants to States	84.002	2017-208-017	297,564
Mississippi Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N / A	<u>233,242</u>
Subtotal pass-through programs			<u>530,806</u>
Total U.S. Department of Education			<u>13,610,457</u>
Total Expenditures of Federal Awards			\$ <u>14,075,614</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Jones County Junior College

Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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 school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Jones County Junior College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jones County Junior College basic financial statements, and have issued our report thereon dated December 20, 2017. Our report includes a reference to other auditors who audited Jones County Junior College Foundation, Inc. as described in our report on Jones County Junior College's financial statements. The financial statements of the Jones County Junior College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jones County Junior College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 20, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance For Each Major Federal Program

We have audited the Jones County Junior College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jones County Junior College's major federal programs for the year ended June 30, 2017. The Jones County Junior College's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Jones County Junior College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jones County Junior College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Its Major Federal Program

In our opinion, the Jones County Junior College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 20, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Jones County Junior College as of and for the year ended June 30, 2017 and have issued our report thereon dated December 20, 2017. We did not audit the financial statements of the Jones County Junior College Foundation, Inc. for the years ended June 30, 2017 and 2016, a discretely presented component unit which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Jones County Junior College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 20, 2017

Certified Public Accountants

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jones County Junior College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

84.007, 84.033, 84.063 & 84.268

Student Financial Assistance Programs Cluster

8. Dollar threshold used to distinguish between type A and type B programs:
\$750,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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



SUMMARY OF PRIOR YEAR AUDIT FINDINGS

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 (UG), the Jones County Junior College has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2017:

<u>Finding</u>	<u>Status</u>
2016-001	Corrected
2016-002	Corrected
2016-003	Corrected
2016-004	Corrected