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JONES COUNTY JUNIOR COLLEGE

Ellisville, Mississippi

Audited Financial Statements

Years Ended June 30, 2005 and 2004

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

FINANCIAL AUDIT REPORT

JONES COUNTY JUNIOR COLLEGE

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the accompanying financial statements of Jones County Junior College and its component unit, Jones County Junior College Foundation, Inc. (collectively, the "College"), as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2006, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 5 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Jones County Junior College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Home LLP

Laurel, Mississippi
May 3, 2006

JONES COUNTY JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

This section of the Jones County Junior College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2005. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using this Annual Report

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

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

Reporting the College's Financial Activities

Statement of Net Assets

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

The condensed statement of net assets below indicates another year of growth in the College's net assets. This 9 percent increase is represented primarily in capital assets resulting from improvements to campus facilities.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

Condensed Statement of Net Assets

	2005	2004	2003
Assets			
Current assets	\$ 12,019,430	\$ 12,584,557	\$ 11,711,359
Non-current assets			
Capital, net	44,807,819	40,886,086	33,650,430
Other	7,385,199	6,974,049	9,583,681
Total assets	64,212,448	60,444,692	54,945,470
Liabilities			
Current liabilities	3,256,519	4,152,703	3,457,882
Non-current liabilities	311,468	658,236	976,174
Total liabilities	3,567,987	4,810,939	4,434,056
Net assets			
Invested in capital assets, net	44,287,613	40,381,304	32,773,154
Restricted			
Non-expendable	505,331	518,549	522,797
Expendable	7,659,258	6,809,975	9,840,973
Unrestricted	8,192,259	7,923,925	7,374,490
Total net assets	\$ 60,644,461	\$ 55,633,753	\$ 50,511,414

The current asset position at June 30, 2005 is \$12,019,430. This represents primarily cash, accounts receivable and investments. Total accounts receivable of \$3,635,146 is reported net of allowance for doubtful accounts of \$529,081.

The current asset position at June 30, 2004 was \$12,584,557. This represents primarily cash, accounts receivable and investments. Total accounts receivable of \$4,356,567 is reported net of allowance for doubtful accounts of \$670,619.

The current asset position at June 30, 2003 is \$11,711,359. This represents primarily cash, accounts receivable and investments. Total accounts receivable of \$3,326,635 is reported net of allowance for doubtful accounts of \$435,336.

The largest portion of the College's net assets (73 percent) is in the category of "invested in capital assets" (land, buildings and equipment), less the related debt. The restricted portion of the net assets represents resources subject to external restrictions. Restricted non-expendable net assets consist of endowment gifts with specific restrictions on spending the principal given. Restricted expendable net assets consist of gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, plant funds restricted for capital projects and loan funds.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

The following is a breakdown of the restricted net assets:

	2005	2004	2003
Non-expendable endowment funds	\$ 505,331	\$ 518,549	\$ 522,797
Scholarships	17,025	17,050	21,253
Capital projects	7,024,981	6,166,787	9,177,697
Loan funds	19,009	18,909	18,812
Other	598,243	607,229	623,211
Total restricted net assets	\$ 8,164,589	\$ 7,328,524	\$ 10,363,770

The remaining net assets are unrestricted and may be used to meet the College's operating obligations as they become due.

Statement of Revenues, Expenses and Changes in Net Assets

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

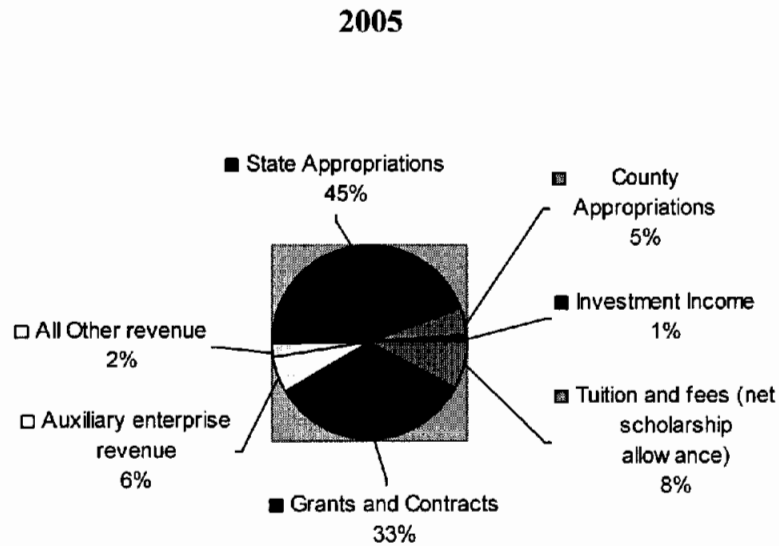
	2005	2004	2003	Percent Change*
Operating revenues				
Tuition and fees (net)	\$ 3,112,632	\$ 2,778,929	\$ 2,746,383	12.01 %
Grants and contracts	13,485,736	14,568,143	13,813,820	(7.43)
Sales and service	122,201	124,233	124,264	(1.64)
Auxiliary enterprises	2,532,034	2,708,478	2,249,992	(6.51)
Other operating revenues	644,795	775,525	467,681	(16.86)
Total operating revenues	19,897,398	20,955,308	19,402,140	(4.62)
Operating expenses	35,188,565	36,304,838	35,143,400	(3.07)
Operating loss	(15,291,167)	(15,349,530)	(15,741,260)	(.38)
Non-operating revenues				
State appropriations	12,096,018	12,504,200	12,643,864	(3.26)
County appropriations	1,880,186	1,775,620	1,671,809	5.89
Gifts	95,056	792,841	1,559	(88.01)
Investment income, net	372,738	354,758	393,873	5.07
Other non-operating revenues	88,659	463,950	363,464	(79.09)

JONES COUNTY JUNIOR COLLEGE
 Management's Discussion and Analysis
 June 30, 2005

	2005	2004	2003	Percent Change*
Non-operating expense				
Interest on indebtedness	\$ (29,903)	\$ -	\$ (60,718)	-
Other non-operating expense	(202,131)	-	-	-
Net non-operating revenues	14,300,623	15,891,369	15,013,851	(9.96)
Gain (loss) before other revenues	(990,544)	541,839	(727,409)	(281.27)
Capital appropriations	6,001,252	4,196,823	1,422,363	43.00
Change in net assets	5,010,708	4,738,662	694,954	
Net assets at beginning of year	55,633,753	50,895,091	49,816,460	
Net assets at end of year	\$ 60,644,461	\$ 55,633,753	\$ 50,511,414	

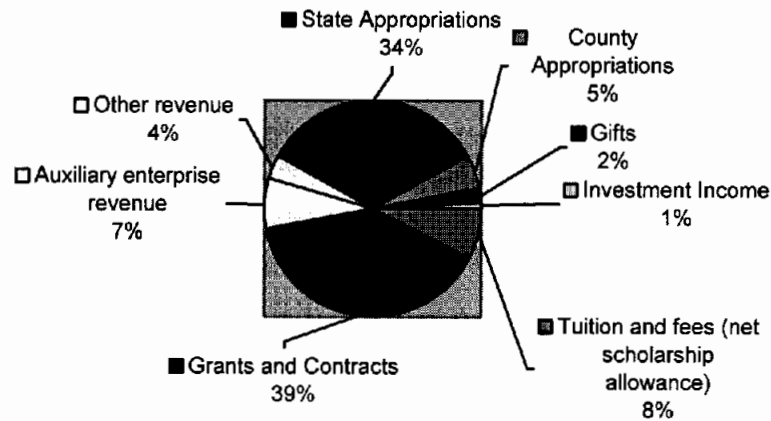
*Percentage change from 2004 to 2005.

Total Revenue by Source



JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2005

2004



In fiscal year 2005, operating revenues totaled \$19.9 million and non-operating revenues totaled \$14.3 million. The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues. The College's largest source of non-operating revenue is the State of Mississippi appropriation and state capital aid for the purchase, construction, renovation, and repair of capital assets.

Total operating loss for the fiscal year 2005 was \$15,291,167. Because the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will always show a significant operating loss.

Observations regarding the changes in operating and non-operating revenues follow.

Operating Revenues

- **Tuition and fees (net)** reflect an increase in 2005 of \$333,703. This is a result of tuition and fee increases approved by the Board of Trustees effective fiscal year 2005.
- **Grants and contracts revenue**, the College saw a decrease of \$1,082,407 in 2005 due primarily to a decrease in federal funding for PELL grants to students. Financial aid attributes this to fewer eligible PELL students enrolled.

The College saw an increase of \$754,323 in 2004 due primarily to increased federal funding for PELL grants to students and increased awards from the U.S. Department of Labor for employment training.

Grants and contracts revenue includes all federal and state 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. Non-exchange revenues are recorded when received or when eligibility criteria have been met.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

The following table details the College's grant and contract awards for the fiscal years ended June 30, 2005, 2004 and 2003:

	2005	2004	2003
Federal sources			
Department of Education	\$ 9,470,687	\$ 10,306,600	\$ 10,017,055
Department of Agriculture	130,734	141,426	159,681
Department of Labor	690,704	1,205,562	561,548
National Science Foundation	49,287	44,487	66,393
Department of Defense	35,093	41,913	65,733
Small Business Administration	47,166	42,996	40,003
Total federal sources	\$ 10,423,671	\$ 11,782,984	\$ 10,910,413
State sources			
Mississippi Department of Education	\$ 407,537	\$ 2,758,785	\$ 2,307,423
State Board of Community and Junior Colleges	2,509,362	16,374	580,526
Mississippi Small Business Development	7,000	7,000	12,576
Total state sources	\$ 2,923,899	\$ 2,782,159	\$ 2,900,525
Other sources	\$ 138,166	\$ 3,000	\$ 2,882

- Auxiliary enterprises revenue**, net of fee discount, consists of enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. Auxiliary enterprises include the following:

	2005	
	Fee Discount	Result of Operations, Net
Bookstore	\$ 912,103	\$ 1,837,694
Food services	625,078	429,261
Housing	368,527	265,079
	2004	
	Fee Discount	Result of Operations, Net
Bookstore	\$ 997,963	\$ 1,627,598
Food services	483,648	645,841
Housing	255,111	435,039

JONES COUNTY JUNIOR COLLEGE
 Management's Discussion and Analysis
 June 30, 2005

	2003	
	Fee Discount	Result of Operations, Net
Bookstore	\$ 1,167,027	\$ 1,351,547
Food services	612,009	548,067
Housing	281,071	350,378

Auxiliary revenue decreased in fiscal year 2005 by \$176,444, attributable to a drop in housing and food service revenue due to fewer housing students.

Auxiliary revenue increased in fiscal year 2004 by \$458,486, generally attributable to College bookstore operations.

- **Other operating revenue** decreased by \$130,730 in 2005 due to the completion of several long-term workforce projects in 2004, affecting program income in the Career Resource Center.

Other operating revenue increased by approximately \$307,844 in 2004, due largely to a 100 percent growth in program income in the Career Resource Center, as well as a 100 percent growth in auto registration/violation revenue resulting from increased fees and fines.

Non-Operating Revenues

- **State appropriation** funding in 2005 dropped by \$408,182, due to funding cuts. State appropriation funding in 2004 dropped by \$139,664, due to funding cuts.
- **Local county appropriation** increases in 2005 of \$104,566 are a result of an increase in the assessed valuation of property. This revenue is received from the eight counties of the State Community College District in which the College resides.

Local county appropriation increases in 2004 of \$103,811 are a result of an increase in the assessed valuation of property. This revenue is received from the eight counties of the State Community College District in which the College resides.

- **Gifts revenue** reflects a large decrease in 2005 of \$697,785 resulting from large gifts from the JCJC Foundation in 2004 for cost sharing on the Advanced Technology Center and a campus beautification project.

Gifts revenue reflects a large increase in 2004 due to gifts from the JCJC Foundation, totaling \$756,000, for cost sharing on the Advanced Technology Center and a campus beautification project.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

- **Interest** on investments fell by \$39,115 in 2004 due to lower interest rates and balances available for investment.
- **Other non-operating revenue** was down sharply in 2005 because of large proceeds from insurance claims in 2004. Other non-operating revenue was up by \$100,486 in 2004 due primarily to increased proceeds from insurance claims.
- **Capital appropriations** increased due to state funding of two major construction projects: the Advanced Technology Center and renovation of the J. B. Young Technology Building. Total state funds for this construction were \$4,693,614 in 2005 and \$3,042,077 in 2004.

Operating Expenses

Operating expenses, including depreciation of \$1,706,410, totaled \$35,188,565. Of this total \$16,553,712 or 47 percent was for instruction.

	2005	2004	2003	Percent Change*
Expenses by object				
Salaries and wages	\$ 16,833,957	\$ 17,098,925	\$ 16,429,125	(1.55)%
Fringe benefits	4,351,171	4,200,263	4,064,950	3.59
Travel	412,764	481,705	401,987	(14.31)
Contractual services	2,969,089	3,322,245	3,279,178	(7.65)
Utilities	882,439	863,053	1,010,915	(9.35)
Scholarships and fellowships	3,606,828	4,567,881	4,202,333	(21.04)
Commodities	3,916,321	3,766,011	3,820,089	7.06
Depreciation expense	1,706,410	1,549,616	1,478,074	10.12
Other operating expense	509,586	455,139	456,749	(8.95)
Total	\$ 35,188,565	\$ 36,304,838	\$ 35,143,400	

***Percentage change from 2004 to 2005.**

	2005	2004	2003
Expenses by function			
Instruction	\$ 16,553,712	\$ 16,287,834	\$ 15,927,383
Academic support	888,691	828,798	876,135
Student services	3,056,810	2,686,867	2,878,954
Institutional support	3,128,242	3,351,715	3,398,932
Operations and maintenance of plant	2,602,740	3,355,882	2,928,643
Student financial aid	3,548,479	4,526,747	4,183,271
Auxiliary enterprises	3,682,306	3,706,245	3,455,879
Depreciation	1,706,410	1,549,616	1,478,074
Endowment operations	21,175	11,134	16,129
Total operating expenses by function	\$ 35,188,565	\$ 36,304,838	\$ 35,143,400

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

Expenditures in 2005 were reduced from 2004 by approximately \$1,116,000. Many expenditure budgets were cut in 2005 in response to continued reductions in state appropriation funding.

The following factors address some causes of increased expenses in 2004:

- Expenditures for salaries and wages increased in all functional categories due to salary increases. Salary schedule increases averaged 3 percent. Staff increases were commensurate.
- Fringe benefits expenditures increased \$135,313 due to the rising cost of employee insurance benefits.
- Expenditures for travel increased due to the marching band's trip to the Cotton Bowl in Dallas, Texas.
- Scholarships and fellowships increased due to larger federal grant awards to students, as well as larger institutional scholarship awards resulting from higher tuition costs.
- Other operating expense saw an increase due to a 369 percent growth in industry reimbursements related to new state-funded workforce training projects.

Statement of Cash Flows

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

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

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

Condensed Statement of Cash Flows (Direct Method)

Fiscal Years Ended June 30, 2005, 2004 and 2003

	2005	2004	2003
Cash and cash equivalents provided by (used by)			
Operating activities	\$ (13,438,668)	\$ (13,941,935)	\$ (12,841,428)
Noncapital financing activities	13,803,165	15,698,947	14,279,493
Capital and related financing activities	(284,092)	(4,675,798)	(888,117)
Investing activities	1,280,741	4,143,079	1,856,559
Net increase in cash and cash equivalents	1,361,146	1,224,293	2,406,507
Cash and cash equivalents, beginning of year	5,507,555	4,283,262	1,876,755
Cash and cash equivalents, end of year	\$ 6,868,701	\$ 5,507,555	\$ 4,283,262

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

The major sources of funds included in operating activities include student tuition and fees, \$3,779,365; auxiliary enterprises, \$2,438,412; and grants and contracts, \$13,713,166. The major uses of funds were payments made to employees, \$10,848,633; to suppliers, \$18,260,482; and to students, \$3,791,855.

The largest inflow of cash in the non-capital financing activities group is the state appropriation of \$11,871,237 and county appropriation of \$1,858,249.

Significant Capital Asset Transactions

In fiscal year 2005, construction of the Advanced Technology Center continued with construction costs of \$3,913,410. The project is scheduled for completion in fiscal year 2006 and is funded by state bond monies. The College also completed structural renovations to the J. B. Young Technical Building. The renovations totaled \$781,042 and were added to the value of that building. State bond monies funded 100 percent of those renovations. In an effort to achieve greater efficiencies and reduce future expenditures, the College completed energy-saving improvements to several buildings totaling \$78,596. This amount was added to the value of those buildings.

In fiscal year 2004, the College completed construction of the new Bobcat Football Stadium with construction costs of \$1,287,478. Construction of the Advanced Technology Center began with construction costs of \$3,094,969. The entire project was budgeted at \$6,735,587, of which \$4,654,587 was funded by state bond funds, and was scheduled for completion in fiscal year 2006. The College also made structural renovations to the J. B. Young Technical Building. The renovations totaled \$2,028,108 and were added to the value of that building. State bond monies funded 100 percent of those renovations. In an effort to achieve greater efficiencies and reduce future expenditures, the College made energy-saving improvements to several buildings totaling \$1,558,818. This amount was added to the value of those buildings. The College made improvements to campus roads and parking with resurfacing costs at \$41,662. This amount was recorded as infrastructure at June 30, 2004.

Factors Impacting Future Periods

There are a number of issues of community college-wide importance that directly impacted the fiscal year 2005 financial situation. The level of state support, compensation increases, student tuition and fee increases, and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately 35 percent of total revenue (excluding capital appropriations). The level of State support is, therefore, one of the key factors influencing the College's financial condition. 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 future increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

JONES COUNTY JUNIOR COLLEGE

Management's Discussion and Analysis

June 30, 2005

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the College in the years to come.

JONES COUNTY JUNIOR COLLEGE FOUNDATION, INC.

Chartered in May 1988, the Jones County Junior College Foundation, Inc. is a non-profit corporation designed to accept tax deductible gifts and bequests of cash, real estate, equipment, securities, life insurance, and other property. All gifts are used to enhance the high quality of education offered at JCJC.

Statement of Net Assets

	2005	2004
Assets		
Current assets	\$ 928,514	\$ 976,272
Non-current assets	5,229,699	4,557,431
Capital, net	8,462	9,453
Other	-	4,500
Total assets	6,166,675	5,547,656
Net assets		
Non-expendable	3,710,424	3,482,361
Temporarily restricted	1,341,089	1,256,767
Unrestricted	1,115,162	808,528
Total net assets	\$ 6,166,675	\$ 5,547,656

Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004
Operating revenues		
Contributions	\$ 928,845	\$ 722,510
Investment income	129,242	162,188
Other operating revenues	190,128	105,727
Total operating revenues	1,248,215	990,425
Operating expenses		
Salaries and wages	124,230	175,805
Contractual services	750	10,074
Utilities	47,803	24,100
Scholarships and fellowships	172,144	164,091
Supplies, expenses and other distributions	278,178	864,242
Depreciation expense	991	2,218
Other operating expense	5,100	15,659
Total operating expenses	629,196	1,256,189
Operating income (loss)	\$ 619,019	\$ (265,764)

JONES COUNTY JUNIOR COLLEGE
Management's Discussion and Analysis
June 30, 2005

Statement of Cash Flows (Direct Method)

	2005	2004
Operating activities	\$ (147,853)	\$ (834,685)
Non-capital financing activities	572,627	603,835
Investing activities	(554,719)	(61,735)
Net decrease in cash and cash equivalents	(129,945)	(292,585)
Cash and cash equivalents, beginning of year	261,374	553,959
Cash and cash equivalents, end of year	\$ 131,429	\$ 261,374

JONES COUNTY JUNIOR COLLEGE

AUDITED FINANCIAL STATEMENTS

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE
 Statements of Net Assets
 June 30, 2005 and 2004

	2005			2004		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,646,342	\$ 131,429	\$ 4,777,771	\$ 4,592,045	\$ 261,374	\$ 4,853,419
Short-term investments	3,413,797	-	3,413,797	3,413,797	-	3,413,797
Accounts receivable, net of allowances of \$529,081 and \$670,619	3,106,065	797,085	3,903,150	3,685,948	714,898	4,400,846
Inventories	530,633	-	530,633	541,647	-	541,647
Prepaid expenses	322,593	-	322,593	351,120	-	351,120
Total current assets	12,019,430	928,514	12,947,944	12,584,557	976,272	13,560,829
Noncurrent assets						
Restricted cash and cash equivalents	2,219,534	-	2,219,534	899,304	-	899,304
Restricted investments	4,650,000	-	4,650,000	5,550,000	-	5,550,000
Endowment cash and cash equivalents	2,825	-	2,825	16,206	-	16,206
Endowment investments	502,149	5,229,699	5,731,848	499,848	4,557,431	5,057,279
Student notes receivable, net	10,691	-	10,691	8,691	-	8,691
Other assets	-	-	-	-	4,500	4,500
Capital assets, net of accumulated depreciation	44,807,819	8,462	44,816,281	40,886,086	9,453	40,895,539
Total noncurrent assets	52,193,018	5,238,161	57,431,179	47,860,135	4,571,384	52,431,519
Total assets	\$ 64,212,448	\$ 6,166,675	\$ 70,379,123	\$ 60,444,692	\$ 5,547,656	\$ 65,992,348
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 2,515,534	\$ -	\$ 2,515,534	\$ 3,470,285	\$ -	\$ 3,470,285
Deferred revenues	116,739	-	116,739	58,823	-	58,823
Compensated absences	142,719	-	142,719	163,804	-	163,804
Deposits refundable	55,945	-	55,945	45,320	-	45,320
Long-term liabilities, current portion	346,768	-	346,768	329,929	-	329,929
Other current liabilities	78,814	-	78,814	84,542	-	84,542
Total current liabilities	3,256,519	-	3,256,519	4,152,703	-	4,152,703
Noncurrent liabilities						
Long-term liabilities	311,468	-	311,468	658,236	-	658,236
Total liabilities	3,567,987	-	3,567,987	4,810,939	-	4,810,939

JONES COUNTY JUNIOR COLLEGE
Statements of Net Assets
June 30, 2005 and 2004

	2005			2004		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
NET ASSETS						
Invested in capital assets, net of related debt	\$ 44,287,613	\$ -	\$ 44,287,613	\$ 40,381,304	\$ -	\$ 40,381,304
Restricted for						
Nonexpendable						
Scholarships and fellowships	505,331	3,710,424	4,215,755	518,549	3,482,361	4,000,910
Expendable						
Scholarships and fellowships	17,025	-	17,025	17,050	-	17,050
Capital projects	7,024,981	-	7,024,981	6,166,787	-	6,166,787
Loans	19,009	-	19,009	18,909	-	18,909
Other purposes	598,243	-	598,243	607,229	-	607,229
Temporarily restricted	-	1,341,089	1,341,089	-	1,256,767	1,256,767
Unrestricted	8,192,259	1,115,162	9,307,421	7,923,925	808,528	8,732,453
Total net assets	60,644,461	6,166,675	66,811,136	55,633,753	5,547,656	61,181,409
Total liabilities and net assets	\$ 64,212,448	\$ 6,166,675	\$ 70,379,123	\$ 60,444,692	\$ 5,547,656	\$ 65,992,348

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2005 and 2004

	2005			2004		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Operating revenues						
Tuition and fees, net of scholarship allowances of \$5,181,342 and \$4,906,795	\$ 3,112,632	\$ -	\$ 3,112,632	\$ 2,778,929	\$ -	\$ 2,778,929
Federal grants and contracts	10,423,671	-	10,423,671	11,782,984	-	11,782,984
State grants and contracts	2,923,899	-	2,923,899	2,782,159	-	2,782,159
Nongovernmental grants and contracts	138,166	-	138,166	3,000	-	3,000
Sales and services of educational departments	122,201	-	122,201	124,233	-	124,233
Auxiliary enterprises						
Student housing, net of scholarship allowances of \$368,527 and \$255,111	265,079	-	265,079	435,039	-	435,039
Food services, net of scholarship allowances of \$625,078 and \$483,648	429,261	-	429,261	645,841	-	645,841
Bookstore, net of scholarship allowances of \$912,103 and \$997,963	1,837,694	-	1,837,694	1,627,598	-	1,627,598
Contributions	-	928,845	928,845	-	722,510	722,510
Net unrealized and realized gains on long-term investments	-	129,242	129,242	-	162,188	162,188
Investment income	-	190,128	190,128	-	105,727	105,727
Other operating revenues	644,795	-	644,795	775,525	-	775,525
Total operating revenues	19,897,398	1,248,215	21,145,613	20,955,308	990,425	21,945,733
Operating expenses						
Salaries and wages	16,833,957	124,230	16,958,187	17,098,925	175,805	17,274,730
Fringe benefits	4,351,171	-	4,351,171	4,200,263	-	4,200,263
Travel	412,764	-	412,764	481,705	-	481,705
Contractual services	2,969,089	750	2,969,839	3,322,245	10,074	3,332,319
Utilities	882,439	47,803	930,242	863,053	24,100	887,153
Scholarships and fellowships	3,606,828	172,144	3,778,972	4,567,881	164,091	4,731,972
Commodities	3,916,321	-	3,916,321	3,766,011	-	3,766,011
Supplies, expenses and other distributions	-	278,178	278,178	-	864,242	864,242
Depreciation expense	1,706,410	991	1,707,401	1,549,616	2,218	1,551,834
Other operating expense	509,586	5,100	514,686	455,139	15,659	470,798
Total operating expenses	35,188,565	629,196	35,817,761	36,304,838	1,256,189	37,561,027
Operating income (loss)	(15,291,167)	619,019	(14,672,148)	(15,349,530)	(265,764)	(15,615,294)
Nonoperating revenues (expenses)						
State appropriations	12,096,018	-	12,096,018	12,504,200	-	12,504,200
Local appropriations	1,880,186	-	1,880,186	1,775,620	-	1,775,620
Gifts	95,056	-	95,056	792,841	-	792,841
Investment income	372,738	-	372,738	354,758	-	354,758

JONES COUNTY JUNIOR COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2005 and 2004

	2005			2004		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Interest expense on capital asset-related debt	\$ (29,903)	\$ -	\$ (29,903)	\$ -	\$ -	\$ -
Other nonoperating revenues (expenses)	(113,472)	-	(113,472)	463,950	-	463,950
Total nonoperating revenues	14,300,623	-	14,300,623	15,891,369	-	15,891,369
Gain (loss) before other revenues, expenses, gains and losses	(990,544)	619,019	(371,525)	541,839	(265,764)	276,075
State appropriation restricted for capital purposes	4,693,614	-	4,693,614	3,042,077	-	3,042,077
Local appropriations restricted for capital purposes	1,307,638	-	1,307,638	1,154,746	-	1,154,746
Change in net assets	5,010,708	619,019	5,629,727	4,738,662	(265,764)	4,472,898
Net assets, beginning of year	55,633,753	5,547,656	61,181,409	50,895,091	5,813,420	56,708,511
Net assets, end of year	<u>\$ 60,644,461</u>	<u>\$ 6,166,675</u>	<u>\$ 66,811,136</u>	<u>\$ 55,633,753</u>	<u>\$ 5,547,656</u>	<u>\$ 61,181,409</u>

See accompanying notes.

JONES COUNTY JUNIOR COLLEGE
 Statements of Cash Flows
 Years Ended June 30, 2005 and 2004

	2005			2004		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Cash flows from operating activities						
Tuition and fees	\$ 3,360,090	\$ -	\$ 3,360,090	\$ 2,518,129	\$ -	\$ 2,518,129
Grants and contracts	13,713,166	-	13,713,166	14,208,005	-	14,208,005
Contributions	-	1,011,032	1,011,032	-	531,732	531,732
Sales and services of educational departments	122,201	-	122,201	124,233	-	124,233
Payments to suppliers	(18,260,482)	(986,702)	(19,247,184)	(17,694,235)	(1,164,497)	(18,858,732)
Payments to employees for salaries and benefits	(10,848,633)	(172,183)	(11,020,816)	(11,022,804)	(201,920)	(11,224,724)
Payments for utilities	(872,144)	-	(872,144)	(863,896)	-	(863,896)
Payments for scholarships and fellowships	(3,777,365)	-	(3,777,365)	(4,555,017)	-	(4,555,017)
Loans issued to students and employees	(2,000)	-	(2,000)	-	-	-
Auxiliary enterprise charges						
Student housing	228,891	-	228,891	435,039	-	435,039
Food services	382,183	-	382,183	645,841	-	645,841
Bookstore	1,827,338	-	1,827,338	1,488,860	-	1,488,860
Other receipts	688,087	-	688,087	773,910	-	773,910
Net cash used by operating activities	(13,438,668)	(147,853)	(13,586,521)	(13,941,935)	(834,685)	(14,776,620)
Cash flows from noncapital financing activities						
State appropriations	11,871,237	-	11,871,237	12,618,019	-	12,618,019
Local appropriations	1,858,249	-	1,858,249	1,816,556	-	1,816,556
Gifts and grants for other than capital purposes	12,820	-	12,820	792,732	-	792,732
Private gifts for endowment purposes	509	-	509	109	-	109
Proceeds from contributions restricted for investment in long-term investments	-	572,627	572,627	-	603,835	603,835
Other sources	60,350	-	60,350	471,531	-	471,531
Net cash provided by noncapital financing activities	13,803,165	572,627	14,375,792	15,698,947	603,835	16,302,782
Cash flows from capital and related financing activities						
Cash paid for capital assets	(1,243,903)	-	(1,243,903)	(8,511,320)	-	(8,511,320)
Capital appropriations received	1,289,740	-	1,289,740	4,217,523	-	4,217,523
Principal paid on capital debt and leases	(329,929)	-	(329,929)	(302,742)	-	(302,742)
Other source (uses)	-	-	-	(79,259)	-	(79,259)
Net cash used by capital and related financing activities	(284,092)	-	(284,092)	(4,675,798)	-	(4,675,798)
Cash flows from investing activities						
Proceeds from sales and maturities of investments	8,500,000	3,432,888	11,932,888	5,705,000	328,711	6,033,711
Interest received on investments	380,741	-	380,741	446,879	-	446,879
Purchases of investments	(7,600,000)	(3,982,507)	(11,582,507)	(2,008,800)	(381,546)	(2,390,346)
Premiums paid on life insurance policies	-	(5,100)	(5,100)	-	(8,900)	(8,900)
Net cash provided by (used by) investing activities	1,280,741	(554,719)	726,022	4,143,079	(61,735)	4,081,344
Net increase (decrease) in cash and cash equivalents	1,361,146	(129,945)	1,231,201	1,224,293	(292,585)	931,708

JONES COUNTY JUNIOR COLLEGE
Statements of Cash Flows
Years Ended June 30, 2005 and 2004

	2005			2004		
	Jones County Junior College	Component Unit JCJC Foundation	Totals	Jones County Junior College	Component Unit JCJC Foundation	Totals
Cash and cash equivalents, beginning of year	\$ 5,507,555	\$ 261,374	\$ 5,768,929	\$ 4,283,262	\$ 553,959	\$ 4,837,221
Cash and cash equivalents, end of year	\$ 6,868,701	\$ 131,429	\$ 7,000,130	\$ 5,507,555	\$ 261,374	\$ 5,768,929
Reconciliation of cash and cash equivalents to the statements of net assets						
Cash and cash equivalents classified as current assets	\$ 4,646,342	\$ 131,429	\$ 4,777,771	\$ 4,592,045	\$ 261,374	\$ 4,853,419
Cash and cash equivalents classified as noncurrent assets	2,222,359	-	2,222,359	915,510	-	915,510
	\$ 6,868,701	\$ 131,429	\$ 7,000,130	\$ 5,507,555	\$ 261,374	\$ 5,768,929
Reconciliation of operating income (loss) to net cash used by operating activities						
Operating income (loss)	\$ (15,291,167)	\$ 619,019	\$ (14,672,148)	\$ (15,349,530)	\$ (265,764)	\$ (15,615,294)
Adjustments to reconcile net income (loss) to net cash used by operating activities						
Bad debt expense	280,081	-	280,081	235,283	-	235,283
Depreciation expense	1,706,410	991	1,707,401	1,549,616	2,218	1,551,834
Expenditure to record donated supplies and equipment	20,642	-	20,642	-	-	-
Release of collection items	-	4,500	4,500	-	-	-
Changes in assets and liabilities						
(Increase) decrease in assets						
Receivables, net	566,514	(82,187)	484,327	(1,297,508)	190,778	(1,106,730)
Contributions restricted for long-term investments	-	(572,627)	(572,627)	-	(603,835)	(603,835)
Decrease in cash surrender value of life insurance policies and other gains	-	11,693	11,693	-	4,106	4,106
Net unrealized and realized gains on long-term investments	-	(129,242)	(129,242)	-	(162,188)	(162,188)
Inventories	11,017	-	11,017	(1,478)	-	(1,478)
Prepaid expenses	28,527	-	28,527	108,851	-	108,851
Other assets						
Loans to students and employees	(2,000)	-	(2,000)	-	-	-
Increase (decrease) in liabilities						
Accounts payable and accrued liabilities	(800,420)	-	(800,420)	807,431	-	807,431
Deferred revenues	57,916	-	57,916	(5,675)	-	(5,675)
Deposits refundable	10,625	-	10,625	(15,450)	-	(15,450)
Accrued leave liability	(21,085)	-	(21,085)	20,051	-	20,051
Other liabilities	(5,728)	-	(5,728)	6,474	-	6,474
Total adjustments	1,852,499	(766,872)	1,085,627	1,407,595	(568,921)	838,674
Net cash used by operating activities	\$ (13,438,668)	\$ (147,853)	\$ (13,586,521)	\$ (13,941,935)	\$ (834,685)	\$ (14,776,620)

See accompanying notes

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

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

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

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

- B. Component Units - Jones County Junior College Foundation, Inc. (the Foundation) is an independent corporation formed for the purpose of receiving funds for the sole benefit of the College. The Foundation is separately audited, and the financial statements of the Foundation have been included in the financial statements of the College. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which became effective for the fiscal year ended June 30, 2004, requires the Foundation's financial statements to be included in the financial statements of the College as a component unit.
- C. Basis of Presentation - The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November 1999, respectively. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the College's financial activities.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

- D. 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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College applies the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. FASB statements issued subsequent to November 30, 1989 are not applicable.

- E. Cash Equivalents - For purposes of the statement of cash flows, the College considers all highly liquid investments (restricted and non-restricted) with an original maturity of three months or less to be cash equivalents.
- F. Short-Term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments. Investments are carried at fair value based on quoted market rates, and unrealized gains and losses are reported in the statement of revenues, expenses and changes in net assets.
- G. 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 receivables are 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 charged to the allowance for doubtful accounts.
- H. Inventories - Inventories consist of bookstore, physical plant, printing and food service supplies. These inventories are valued at the lower of cost or market, on the first-in, first-out ("FIFO") basis.
- I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the statement of net assets.
- J. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. They consist of true endowment funds, which are funds received from a donor with the restrictions that only the income is to be utilized.

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

- K. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net assets.
- L. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at 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 is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. See Note 7 for additional details concerning useful lives, salvage values and capitalization thresholds.
- M. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- N. Compensated Absences - Full-time employees earn monthly vacation leave at a rate of 6.67 hours for employees scheduled for 8 hours per day; 6.25 hours for employees scheduled for 7.50 hours per day; 6.04 hours for employees scheduled for 7.25 hours per day; 5.83 hours for employees scheduled for 7.00 hours per day; 5.42 hours for employees scheduled for 6.50 hours per day; 5.21 hours for employees scheduled for 6.25 hours per day; and 5.00 hours for employees scheduled for 6.00 hours per day. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to ten days of accumulated annual leave.
- O. Classification of Revenues and Expenses - The College has classified its revenues and expenses as either operating or nonoperating revenues and expenses according to the following criteria:

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Nonoperating revenues and expenses: Nonoperating revenues and expenses 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 appropriations, local appropriations and investment income.

- P. State Appropriations - The College receives funds from the State of Mississippi based on the number of full-time 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. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.
- Q. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as 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. Under the alternative method, these amounts are computed on a college 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 Financial Statements
Years Ended June 30, 2005 and 2004

- R. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net assets invested in capital assets, net of related debt, consist 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 assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.
- S. Reclassifications - Certain amounts in the 2004 financial statements have been reclassified to conform to their 2005 financial statement presentation.

(2) Cash and Investments.

Policies:

- A. Cash, Cash Equivalents and Short-Term Investments - Investment policies as set forth by policy and state statute authorize the College to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the College's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. 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 Depository Insurance Corporation.

- B. Investments - Investment policies as set forth by policy and state statute also authorize the College to invest in equity, debt and other securities. Investments are reported at fair value (market).

The following table summarizes the carrying values of the long-term investments reported on the statement of net assets as of June 30, 2005:

	Jones County Junior College	Jones County Junior College Foundation
Investments restricted for capital expansion	\$ 4,650,000	\$ -
Endowment investments	502,149	5,229,699
Total	\$ 5,152,149	\$ 5,229,699

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements

Years Ended June 30, 2005 and 2004

The following table summarizes the carrying values of the long-term investments reported on the statement of net assets as of June 30, 2004:

	Jones County Junior College	Jones County Junior College Foundation
Investments restricted for capital expansion	\$ 5,550,000	\$ -
Endowment investments	499,848	4,557,431
Total	\$ 6,049,848	\$ 4,557,431

The statutes of the State of Mississippi restrict the authorized investments of the College to obligations of the U.S. Treasury, agencies and instrumentalities of the United States, and certain other types of investments.

The College's investments consist of the following at June 30:

	Fair Value	
	2005	2004
Certificate of deposit	\$ 8,563,318	\$ 9,461,017
Fixed income funds	2,628	2,628
Total	\$ 8,565,946	\$ 9,463,645

The Foundation's investments consist of the following at June 30:

	Fair Value	
	2005	2004
Equity securities	\$ 2,031,817	\$ 1,310,940
Certificates of deposit	132,460	427,445
Money market accounts	210	1,056,681
Fixed income funds	2,841,724	1,569,000
Money funds	66,014	47,574
Cash value of life insurance policies	157,474	145,791
Total	\$ 5,229,699	\$ 4,557,431

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

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

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

	2005	2004
Cash and cash equivalents	\$ 4,646,342	\$ 4,592,045
Short-term investments	3,413,797	3,413,797
Total current cash and cash investments	<u>8,060,139</u>	<u>8,005,842</u>
Restricted cash and cash equivalents	2,219,534	899,304
Restricted investments	4,650,000	5,550,000
Endowment cash and cash equivalents	2,825	16,206
Endowment investments	502,149	499,848
Total non-current cash and cash investments	<u>7,374,508</u>	<u>6,965,358</u>
Total	<u>\$ 15,434,647</u>	<u>\$ 14,971,200</u>

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

	2005	2004
Cash and cash equivalents	\$ 131,429	\$ 261,374
Endowment cash and cash equivalents	5,229,699	4,557,431
Total	<u>\$ 5,361,128</u>	<u>\$ 4,818,805</u>

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

(3) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2005 and 2004:

	2005	2004
Student tuition	\$ 952,738	\$ 1,629,572
Auxiliary enterprises and other operating activities	125,995	183,525
Federal, state, and private grants and contracts	1,596,114	1,832,055
State appropriations	658,719	433,938
Local appropriations	161,351	121,516
Accrued interest	139,729	150,053
Other	500	5,908
Total accounts receivable	3,635,146	4,356,567
Less allowance for doubtful accounts	529,081	670,619
Net accounts receivable	\$ 3,106,065	\$ 3,685,948

The Foundation had pledges receivable of \$797,085 and \$714,898 at June 30, 2005 and 2004, respectively, included in accounts receivable.

(4) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2005:

	Interest Rates	Total	Current Portion	Non-Current Portion
Perkins student loans	3% to 5%	\$ 3,527	\$ 3,527	\$ -
Nursing student loans	3% to 6%	7,600	7,600	-
Institutional loans	0%	13,831	1,360	12,471
Total notes receivable		24,958	12,487	12,471
Less allowance for doubtful accounts		14,267	12,487	1,780
Net notes receivable		\$ 10,691	\$ -	\$ 10,691

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2004:

	Interest Rates	Total	Current Portion	Non-Current Portion
Perkins student loans	3% to 5%	\$ 3,527	\$ 3,527	\$ -
Nursing student loans	3% to 6%	7,600	7,600	-
Institutional loans	0%	11,831	1,360	10,471
Total notes receivable		22,958	12,487	10,471
Less allowance for doubtful accounts		14,267	12,487	1,780
Net notes receivable		\$ 8,691	\$ -	\$ 8,691

(5) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2005 is presented as follows:

	Jones County Junior College				Jones County Junior College Foundation			
	Beginning Balance	Additions	Deletions	Ending Balance	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets								
Land	\$ 328,595	\$ -	\$ -	\$ 328,595	\$ -	\$ -	\$ -	\$ -
Construction in progress	6,989,244	4,807,327	(4,648,946)	7,147,625	7,045	-	-	7,045
Total nondepreciable capital assets	7,317,839	4,807,327	(4,648,946)	7,476,220	7,045	-	-	7,045
Depreciable capital assets								
Buildings	40,646,004	4,780,760	(332,002)	45,094,762	-	-	-	-
Improvements other than buildings	5,534,919	365,864	(181,432)	5,719,351	-	-	-	-
Equipment	4,653,210	493,421	(61,112)	5,085,519	145,841	-	-	145,841
Library books	1,734,206	31,847	(12,199)	1,753,854	-	-	-	-
Total depreciable capital assets	52,568,339	5,671,892	(586,745)	57,653,486	145,841	-	-	145,841
Less accumulated depreciation for								
Buildings	12,474,727	1,072,644	(172,269)	13,375,102	-	-	-	-
Improvements other than buildings	1,316,448	222,184	(145,146)	1,393,486	-	-	-	-
Equipment	3,774,326	340,022	(55,001)	4,059,347	143,433	991	-	144,424
Library books	1,434,591	71,560	(12,199)	1,493,952	-	-	-	-
Total accumulated depreciation	19,000,092	1,706,410	(384,615)	20,321,887	143,433	991	-	144,424
Total depreciable capital assets, net	33,568,247	3,965,482	(202,130)	37,331,599	2,408	(991)	-	1,417
Capital assets, net	\$40,886,086	\$ 8,772,809	\$(4,851,076)	\$44,807,819	\$ 9,453	\$ (991)	\$ -	\$ 8,462

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements Years Ended June 30, 2005 and 2004

A summary of changes in capital assets for the year ended June 30, 2004 is presented as follows:

	Jones County Junior College				Jones County Junior College Foundation			
	Beginning Balance	Additions	Deletions	Ending Balance	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets								
Land	\$ 328,595	\$ -	\$ -	\$ 328,595	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,730,306	8,115,226	(2,856,288)	6,989,244	7,045	-	-	7,045
Total nondepreciable capital assets	2,058,901	8,115,226	(2,856,288)	7,317,839	7,045	-	-	7,045
Depreciable capital assets								
Buildings	38,709,896	1,936,108	-	40,646,004	-	-	-	-
Improvements other than buildings	4,284,077	1,250,842	-	5,534,919	-	-	-	-
Equipment	4,439,727	350,402	(136,919)	4,653,210	145,841	-	-	145,841
Library books	1,737,741	36,152	(39,687)	1,734,206	-	-	-	-
Total depreciable capital assets	49,171,441	3,573,504	(176,606)	52,568,339	145,841	-	-	145,841
Less accumulated depreciation for								
Buildings	11,518,929	955,798	-	12,474,727	-	-	-	-
Improvements other than buildings	1,108,898	207,550	-	1,316,448	-	-	-	-
Equipment	3,548,161	315,914	(89,749)	3,774,326	141,215	2,218	-	143,433
Library books	1,403,924	70,354	(39,687)	1,434,591	-	-	-	-
Total accumulated depreciation	17,579,912	1,549,616	(129,436)	19,000,092	141,215	2,218	-	143,433
Total depreciable capital assets, net	31,591,529	2,023,888	(47,170)	33,568,247	4,626	(2,218)	-	2,408
Capital assets, net	\$33,650,430	\$10,139,114	\$(2,903,458)	\$40,886,086	\$ 11,671	\$ (2,218)	\$ -	\$ 9,453

Interest capitalized and included in construction in progress during the year ended June 30, 2004, amounted to \$45,750.

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

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 years	1 - 10%	5,000
Library books	10 years	0%	0

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

(6) Long-Term Liabilities.

Long-term liabilities of the College consist of notes payable and certain other liabilities that are expected to be liquidated after one year from June 30, 2005.

Information regarding original issue amounts, interest rates and maturity dates for notes payable in the long-term liabilities balance at June 30, 2005, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

	Beginning Balance	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Other long-term liabilities					
Accrued leave liabilities	\$ 163,804	\$ -	\$ (21,085)	\$ 142,719	\$ 142,719
Deposits refundable	45,320	10,625	-	55,945	55,945
Notes payable, with interest rates ranging from 0.00 to 5.86 percent	988,165	-	(329,929)	658,236	346,768
Total other long-term liabilities	<u>1,197,289</u>	<u>10,625</u>	<u>(351,014)</u>	<u>856,900</u>	<u>545,432</u>
Total	<u>\$ 1,197,289</u>	<u>\$ 10,625</u>	<u>\$ (351,014)</u>	856,900	<u>\$ 545,432</u>
Due within one year				<u>545,432</u>	
Total long-term liabilities				<u>\$ 311,468</u>	

The long-term liabilities balance at June 30, 2004 is listed in the following schedule.

	Beginning Balance	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Other long-term liabilities					
Accrued leave liabilities	\$ 143,753	\$ 20,051	\$ -	\$ 163,804	\$ 163,804
Deposits refundable	60,770	-	(15,450)	45,320	45,320
Notes payable, with interest rates ranging from 0.00 to 5.86 percent	1,278,494	-	(290,329)	988,165	329,929
Total other long-term liabilities	<u>1,483,017</u>	<u>20,051</u>	<u>(305,779)</u>	<u>1,197,289</u>	<u>539,053</u>
Total	<u>\$ 1,483,017</u>	<u>\$ 20,051</u>	<u>\$ (305,779)</u>	1,197,289	<u>\$ 539,053</u>
Due within one year				<u>(539,053)</u>	
Total long-term liabilities				<u>\$ 658,236</u>	

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

Scheduled repayments on long-term debts are as follows:

Year Ending June 30,	Principal	Interest
2006	\$ 346,768	\$ 12,898
2007	47,965	-
2008	47,965	-
2009	47,965	-
2010	47,965	-
2011-2014	119,608	-
Total	\$ 658,236	\$ 12,898

(7) Operating Leases.

Leased property under operating leases is composed of a building, copiers, and other equipment. The following is a schedule by year due of the future minimum rental payments required under those operating leases:

Year Ending June 30,	Amount
2006	\$ 18,547
Total minimum payments required	\$ 18,547

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal years ended June 30, 2005 and 2004 were \$40,613 and \$39,791, respectively.

(8) Functional Classification of Expenses.

The College's operating expenses by functional classification were as follows for the year ended June 30, 2005:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 11,817,050	\$ 2,890,589	\$ 226,468	\$ 474,763	\$ 8,231
Academic support	586,595	166,707	5,863	53,661	-
Student services	1,770,566	451,889	145,381	402,307	-
Institutional support	1,483,164	421,518	33,346	781,718	-
Operation of plant	839,021	297,973	1,020	319,119	708,393
Auxiliary enterprises	337,561	122,495	686	937,521	165,815
Total operating expenses	\$ 16,833,957	\$ 4,351,171	\$ 412,764	\$ 2,969,089	\$ 882,439

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Instruction	\$ 37,174	\$ 895,859	\$ -	\$ 203,578	\$ 16,553,712
Academic support	-	75,865	-	-	888,691
Student services	-	286,667	-	-	3,056,810
Institutional support	-	122,546	-	285,950	3,128,242
Operation of plant	-	437,214	-	-	2,602,740
Student aid	3,548,479	-	-	-	3,548,479
Auxiliary enterprises	-	2,098,170	-	20,058	3,682,306
Depreciation	-	-	1,706,410	-	1,706,410
Endowment operations	21,175	-	-	-	21,175
Total operating expenses	\$ 3,606,828	\$ 3,916,321	\$ 1,706,410	\$ 509,586	\$ 35,188,565

The College's operating expenses by functional classification were as follows for the year ended June 30, 2004:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Instruction	\$ 12,112,400	\$ 2,832,057	\$ 290,417	\$ 556,320	\$ 11,423
Academic support	592,173	159,163	13,507	45,754	-
Student services	1,676,556	405,039	137,445	406,620	-
Institutional support	1,489,155	395,362	37,057	1,149,964	-
Operation of plant	869,477	287,632	1,493	304,026	687,338
Auxiliary enterprises	359,164	121,010	1,786	859,561	164,292
Total operating expenses	\$ 17,098,925	\$ 4,200,263	\$ 481,705	\$ 3,322,245	\$ 863,053

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Instruction	\$ 30,000	\$ 251,918	\$ -	\$ 203,299	\$ 16,287,834
Academic support	-	18,201	-	-	828,798
Student services	-	61,207	-	-	2,686,867
Institutional support	-	42,077	-	238,100	3,351,715
Operation of plant	-	1,205,916	-	-	3,355,882
Student aid	4,526,747	-	-	-	4,526,747
Auxiliary enterprises	-	2,186,692	-	13,740	3,706,245
Depreciation	-	-	1,549,616	-	1,549,616
Endowment operations	11,134	-	-	-	11,134
Total operating expenses	\$ 4,567,881	\$ 3,766,011	\$ 1,549,616	\$ 455,139	\$ 36,304,838

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

Jones County Junior College Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2005:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Student aid	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Endowment operations	124,230	-	-	750	47,803
Total operating expenses	\$ 124,230	\$ -	\$ -	\$ 750	\$ 47,803

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Student aid	\$ 172,144	\$ -	\$ -	\$ -	\$ 172,144
Depreciation	-	-	991	-	991
Endowment operations	-	-	-	283,278	456,061
Total operating expenses	\$ 172,144	\$ -	\$ 991	\$ 283,278	\$ 629,196

Jones County Junior College Foundation's operating expenses by functional classification were as follows for the year ended June 30, 2004:

	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities
Student aid	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Endowment operations	175,805	-	-	10,074	24,100
Total operating expenses	\$ 175,805	\$ -	\$ -	\$ 10,074	\$ 24,100

	Scholarships and Fellowships	Commo- dities	Depre- ciation Expense	Other	Total
Student aid	\$ 164,091	\$ -	\$ -	\$ -	\$ 164,091
Depreciation	-	-	2,218	-	2,218
Endowment operations	-	-	-	879,901	1,089,880
Total operating expenses	\$ 164,091	\$ -	\$ 2,218	\$ 879,901	\$ 1,256,189

JONES COUNTY JUNIOR COLLEGE

Notes to Financial Statements
Years Ended June 30, 2005 and 2004

(9) Pension Plan.

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

Funding policy - PERS members are required to contribute 7.25 percent of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75 percent of annual covered payroll. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The College's contributions to PERS for the years ended June 30, 2005 and 2004 were \$1,567,541 and \$1,578,598, respectively, equal to the required contributions for each year.

(10) Contingencies.

The College is involved in litigation and other matters arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the College's future financial position or on the results of its future operations.

(11) Pending Accounting Standards.

GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* to be effective for periods beginning after December 15, 2004. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The College will be required to adopt GASB No. 42 for its fiscal year ending June 30, 2006, and management anticipates this change will not materially affect its financial statements.

JONES COUNTY JUNIOR COLLEGE

SUPPLEMENTARY INFORMATION

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Student Financial Aid - Cluster			
<u>U.S. Department of Education</u>			
Federal PELL Grant Program	84.063		\$ 8,220,924
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		371,986
Federal Family Educational Loan Program (FFEL)	84.032		3,911,120
Federal Work Study Program (FWS)	84.033		184,457
Total U.S. Department of Education			12,688,487
Total Student Financial Aid			12,688,487
Other Programs			
<u>U.S. Department of Education</u>			
Pass-through Programs from			
State Department of Education - Adult Education - State Grant Program	84.002		150,239
State Department of Education - Vocational Education Basic Grant	84.048		497,197
State Department of Education - Tech-prep Education	84.243		41,058
Pass-through Program from Board of Trustees of Institutions of Higher Learning - Leveraging Educational Assistance Partnership (LEAP)	84.069		4,824
Total U.S. Department of Education			693,318
<u>U.S. Department of Agriculture</u>			
Agricultural Education Enhancement Grant	10.226		11,323
Pass-through Program from Mississippi Community College Foundation - Mississippi Rural Health Corp. Program - Cooperative Extension Service	10.500		119,411
Total U.S. Department of Agriculture			130,734
<u>Small Business Administration</u>			
Pass-through Program from University of Mississippi - Small Business Development Center	59.037		47,166
Total Small Business Administration			47,166

JONES COUNTY JUNIOR COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Other Programs			
<u>National Science Foundation</u>			
Education and Human Resources	47.076		\$ 49,287
Total National Science Foundation			<u>49,287</u>
<u>Department of Labor</u>			
Trade Adjustment Assistance	17.245		72,844
Workforce Investment Act	17.267		155,040
Mississippi Development Authority - Clarke County	17.260		532,693
Advanced Technology Center	17.261		158,011
Total Department of Labor			<u>918,588</u>
<u>Department of Defense</u>			
Pass-through Program from			
University of Southern Mississippi - Next Generation Internet Grant and Meteorology Grant	12.300		32,999
Mississippi Emergency Management Agency			
Mississippi Emergency Management Grant	83.565		2,096
Total Department of Defense			<u>35,095</u>
Total other programs			<u>1,874,188</u>
Total expenditures of federal awards			<u>\$ 14,562,675</u>

Notes to Schedule of Expenditures of Federal Awards

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the basic financial statements, with the following exceptions:

- (1) For purposes of this schedule, loans made to students under the Federal Family Educational Loan Program (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by federal lending institutions.

JONES COUNTY JUNIOR COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JONES COUNTY JUNIOR COLLEGE

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

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, 2005, as listed in the table of contents and have issued our report thereon dated May 3, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jones County Junior College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County Junior College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Jones County Junior College, members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Home LLP

Laurel, Mississippi
May 3, 2006



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

Compliance

We have audited the compliance of Jones County Junior College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Jones County Junior College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jones County Junior College's management. Our responsibility is to express an opinion on Jones County Junior College's compliance based on our audit.

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

In our opinion, Jones County Junior College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Jones County Junior College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jones County Junior College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Jones County Junior College, members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Home LLP

Laurel, Mississippi
May 3, 2006

JONES COUNTY JUNIOR COLLEGE

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

JONES COUNTY JUNIOR COLLEGE

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

Board of Trustees
Jones County Junior College
Ellisville, Mississippi

We have audited the basic financial statements of Jones County Junior College as of and for the year ended June 30, 2005, and have issued our report thereon dated May 3, 2006. 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*.

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

The results of those procedures and our audit of financial statements disclosed one instance of noncompliance with state laws and regulations. As part of Mississippi Code Section 27-105-305, governmental entities are to bid out depositories every two years. The College had not bid out depositories and was in noncompliance with this law.

This report is intended solely for the information and use of Jones County Junior College, members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Horne LLP

Laurel, Mississippi
May 3, 2006

JONES COUNTY JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY JUNIOR COLLEGE

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JONES COUNTY JUNIOR COLLEGE
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the general purpose financial statements: | Unqualified |
| 2. | Material noncompliance relating to the general purpose financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |

Student financial aid cluster
 CFDA #84.063
 CFDA #84.007
 CFDA #84.032
 CFDA #84.033

Basic Grants to States
 CFDA #84.048

Workforce Investment Act
 CFDA #17.260

JONES COUNTY JUNIOR COLLEGE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

- | | | |
|-----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$436,880 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ . 315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Reportable Conditions in Internal Control

Our tests did not disclose any financial statement findings.