Jefferson Community College

Audit Report

For the year ended June 30, 2004

Auditor of State
Betty Montgomery

Board of Trustees
Jefferson Community College
4000 Sunset Boulevard
Steubenville, Ohio 43952

We have reviewed the Independent Auditor's Report of Jefferson Community College, Jefferson County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jefferson Community College is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 2, 2004

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Jefferson Community College
Audit Report
For the year ended June 30, 2004

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SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Report of Independent Accountants

Board of Trustees
Jefferson Community College
Steubenville, Ohio

We have audited the accompanying basic financial statements of Jefferson Community College, (a nonprofit organization), as of June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respect, the financial position of Jefferson Community College as of June 30, 2004, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-6 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Jefferson Community College taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004 on our consideration of Jefferson Community College's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

S. R. Snodgrass, A.C.

Steubenville, Ohio
October 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of Jefferson Community College's Annual Financial Report presents management's discussion and analysis of the college's financial activity during the fiscal year ended June 30, 2004, as well as comparative data to the previous year ended June 30, 2003.

USING THIS ANNUAL REPORT

The College is reporting its financial position in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local* Governments, and GASB Statement 35 – *For Public Colleges and* Universities, as amended by GASB Statements 37 and 38. Comparative condensed financial information has been presented for the current year and the prior year.

This report consists of three basic financial statements: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements provide information on the College as a whole, and present a snapshot of the College's finances. The following functions are included in the college's basis financial statements:

- Instruction
- Academic Support
- Student Services
- Institutional Support
- Operation and Maintenance of Plant
- Student Aid
- Public Service
- Bookstore Operations

The Statement of Net Assets acts much as a consolidated balance sheet does for a business. It shows the book value of all asset categories, and compares them to the amount of liabilities, with the residual difference, called Net Assets, being detailed by the type of commitment which gave rise to the underlying assets.

The Statement of Revenues, Expenses and Changes in Net Assets acts as a statement of the College's operations. Revenues and expenses on the accrual basis of accounting are detailed by operating type, and the reconciliation between the beginning and ending Net Assets is presented.

The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet it's obligations as they become due and assess the need for additional funding or financing.

These statements can help the reader understand what the financial health of the College is at the end of the fiscal year, as well as indicating the changes in financial position since the end of the prior year. Over time, increases in net assets, which are the result of the College's keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

FINANCIAL HIGHLIGHTS

As of June 30, 2004, the college's unrestricted net assets have increased to $3,452,277 from $3,267,547 at June 30, 2003. This increase was generated by several factors including a higher revenue than expected in the Bookstore operations and the Business and Industry Training division of the college.

State support for Jefferson Community College was increased in FY04 to the General Fund by $125,297 (3.5%). The college also increased tuition rates by 5.48% to offset higher operational costs.

The college receives support from the citizens of Jefferson County through a 1 mill tax levy which generated $974,881 in FY04. This support is independent of the state and does not fluctuate with changes in enrollment.

Revenues and Operating Expenses for the Year Ended June 30, 2004 and 2003

	6-30-04	6-30-03
Operating Revenues		
Tuition and Student Fees	$ 3,278,761	$ 3,032,351
Auxiliary Enterprises	898,355	854,267
Federal Grants and Contracts	519,643	650,267
State Grants and Contracts	176,132	21,336
Local Grants and Contracts	13,200	4,580
Other Operating Revenues	54,842	43,424
Total Operating Revenues	4,940,933	4,606,225
Non-Operating Revenues		
State Grants and Contracts	4,319,449	4,556,177
Local Grants and Contracts	15,052	72,477
Capital Grants and Contracts	725,000	25,997
Investment Income	98,256	140,602
Property taxes	974,881	898,404
Total Non-Operating Revenues	6,132,638	5,693,657
Total Revenues	$11,073,571	$10,299,882
Operating Expenses		
Education and General		
Instructional	$ 3,830,425	$ 3,967,405
Public Service	740,409	636,762
Academic Support	1,040,523	1,085,881
Student Services	745,944	844,763
Institutional Support	1,618,777	1,595,744
Operational and Maintenance of Plant	706,674	603,461
Scholarships and Fellowships	334,767	305,470
Depreciation	392,382	363,948
Total Education and General	9,409,901	9,403,434
Auxiliary Enterprises	903,907	881,250
Total Operating Expenses	$10,313,808	$10,284,684

	6-30-04	6-30-03
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,354,764	$ 1,811,198
Short-term investments	800,000	1,400,000
Property tax receivable	865,512	791,488
Loans receivable, net	-	-
Other receivables	625,347	659,339
Inventory	277,822	176,944
Other assets	124,261	147,341
Total Current Assets	5,047,706	4,986,310
Non-current Assets		
Restricted Cash and Cash Equivalents	1,209,583	38,056
Endowment Investments	37,492	202,917
Capital assets, gross	15,510,677	13,470,948
Accumulated depreciation	(6,817,054)	(6,655,700)
Total Assets	$14,988,404	$12,042,531
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 100,193	$ 158,122
Accrued wages	124,995	106,005
Bond interest payable	70,485	-
Deferred revenue	207,044	195,931
Deposit	27,865	28,428
Long term liabilities and current portion	168,154	-
Total Current Liabilities	698,736	488,486
Non-Current Liabilities		
Bond payable	1,931,846	-
Compensated absences	588,217	544,203
Total Non-Current Liabilities	2,520,063	544,203
Total Liabilities	$ 3,218,799	$ 1,032,689

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of Jefferson Community College is closely tied to that of the state. Due to limited economic growth and increased demand for state resources, the college is expecting limited increase in state support in either FY05 or FY 06.

Due to a continuing decline of state support the Board of Trustees approved a tuition increase of 5.20% for FY05. The college has one of the lowest tuition rates in the state.

In October 2004, the college acquired a 26,000 square foot, two-story, building including approximately five (5) acres of land (former AEP building) across the street from the main campus of Jefferson Community College. Financing for the acquisition, renovation and related equipment purchases will came from a combination of a state grant of $725,000, Jefferson Community College capital funds, and the issuance of a bond. The college will retire the bond by utilizing its State of Ohio provided capital component allocation over a ten (10) year period. The college plans to renovate the first floor of the building in FY05 to allow the college to expand the customized training offered to local business and industry. The second floor of the facility will be rented in the short term. The rental income will be used to offset the operating cost of the facility. In the long term, the college intends to renovate and occupy the second floor.

The college is planning to acquire new administrative software to run the operations of the college since the current software, which was purchased over twenty years ago, has become obsolete and unable to handle many current college needs. The cost of acquiring this new software, along with training, installation and new hardware will probably cost in excess of $600,000. Funding for this purchase will come from capital funds provided by the state as well as college fund balance.

In addition the college has plans to update the lecture halls and library using state capital funds.

The college began labor negotiations with the two collective bargaining units that represent college employees in the spring of 2004.

Jefferson Community College
STATEMENT OF NET ASSETS
June 30,2004

ASSETS

Current Assets	
Cash and cash equivalents	$ 2,354,764
Investments	800,000
Property tax receivable	865,512
Other receivables	625,347
Inventory	277,822
Other assets	124,261
Total current assets	5,047,706
Non-current Assets	
Restricted cash and cash equivalents	1,209,583
Endowment investments	37,492
Capital assets, gross	15,510,677
Accumulated depreciation	(6,817,054)
Total assets	14,988,404

LIABILITIES

Current Liabilities	
Accounts payable and accrued liabilities	100,193
Accrued wages	124,995
Deferred revenue	207,044
Deposits	27,865
Bond interest payable	70,485
Bond payable - current portion	168,154
Total current liabilities	698,736
Non current Liabilities	
Compensated absences	588,217
Bond payable	1,931,846
Total Liabilities	2,520,063

NET ASSETS

Invested in capital assets, net of related debt	7,485,600
Restricted For: Expendable	
Scholarships	248,412
Capital	491,471
Educational and general	91,845
Unrestricted	3,452,277
Total Net Assets	11,769,605
Total liabilities and net assets	$14,988,404

The accompanying notes are an integral part of this statement

Jefferson Community College
STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES	
Operating Revenues	
Tuitions and student fees, net of allowance of $124,096	$ 3,278,761
Auxiliary enterprises revenue	898,355
State grants and contracts	176,132
Federal grants and contracts	519,643
Local grants and contracts	13,200
Other operating revenue	54,842
Total operating revenues	4,940,933
EXPENSES	
Operating expenses:	
Education and General	3,830,425
Public Service	740,409
Academic Support	1,040,523
Student services	745,944
Institutional support	1,618,777
Operation and maintenance of plant	706,674
Scholarships and fellowships	334,767
Auxiliary enterprises	903,907
Depreciation	392,382
Total operating expenses	10,313,808
OPERATING LOSS	(5,372,875)
NONOPERATING REVENUES	
State grants and contracts	4,094,266
Local grants and contracts	15,052
Capital grants and contracts	725,000
Investment income	98,256
Property taxes	974,881
State utility deregulation payment	225,183
Total nonoperating revenues	6,132,638
Increase in net assets	759,763
Net assets - beginning of year	11,009,842
Net assets - end of year	$11,769,605

The accompanying notes are an integral part of this statement

Jefferson Community College
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOW FROM OPERATING ACTIVITIES	
Tuition and fees	$ 3,278,538
Grants and contracts	699,354
Payments to suppliers	(4,075,785)
Payroll and fringe benefits	(5,903,570)
Auxiliary enterprise charges	896,574
Other Income	48,268
Net cash used by operating activities	(5,056,621)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local property taxes	900,857
State appropriations	3,919,430
Grants and contracts	427,320
Net cash provided by noncapital financing activities	5,247,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,270,757)
Capital financing	3,550,000
Net cash provided by capital and related financing activities	1,279,243
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	80,003
Net cash provided by investing activities	80,003
Net increase in cash	1,550,232
Cash, Beginning of Year	2,014,115
Cash, End of Year	$3,564,347

The accompanying notes are an integral part of this statement.

Jefferson Community College
STATEMENT OF CASH FLOWS – continued
FOR THE YEAR ENDED JUNE 30, 2004

Reconciliation of net operating loss to net cash used by operating activities

Operating loss	$(5,372,875)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	392,382
Net changes in:	
Receivables	(84,440)
Inventories	(100,878)
Other assets	23,080
Accounts payable and other liabilities	(57,929)
Accrued wages	18,990
Deferred revenue	11,113
Deposits held	(563)
Bond interest payable	70,485
Compensated absences	44,014
Net cash used by operating activities	$(5,056,621)

The accompanying notes are an integral part of this statement.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The financial statements of the College have been prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 provided they do not conflict with or contradict GASB pronouncements.

In May, 2002, GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14" was issued. This statement provides additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as a component unit based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2003. The College believes, based on a preliminary assessment of the statement, that the Foundation will not be included as a component unit of the College in its financial statements.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2004, the College has no non expendable restricted assets.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Cash Equivalents

For the purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Ohio. Accounts receivable also include amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectable amounts. Property taxes receivable include amounts due within the next year.

Inventories

Inventories consist principally of books and supplies of the bookstore. Bookstore inventories at year-end are stated at the lower of cost or market value on the first-in, first-out basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance 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 lives of the assets, 40 years for buildings and building improvements, 10 years for equipment other than computer equipment, and 3 years for computer equipment.

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.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (CONTINUED)

Noncurrent Liabilities

Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Income Tax

The College, as a political subdivision of the State of Ohio, is excluded from federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

Classification of Revenues

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

Operating revenue: Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, 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 federal appropriations, and (4) interest on institutional student loans.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal. state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and Ohio domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposits, savings accounts, money market accounts, STAR Ohio, obligations of the United States government or certain agencies there of and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

The College's Board of Trustees is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the federal deposit insurance corporation, qualified securities pledged in the name of the College and held at the Federal Reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal at least 110% of the public funds on deposit. At least quarterly the College determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and the Federal Home Loan Bank Board.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits:

At year end, the carrying amount of the College's deposits was $4,675,454 and the bank balance was $4,533,573. On the bank balance:

1. $400,000 was covered by federal depository insurance.

2. $4,133,573 was uninsured, but collateralized by U.S. Government securities pooled by the depositories not in the College's name. As with all deposits, there is a risk of loss of assets, but management believes this collateral gives the College its safest deposit of money.

Investments

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amount and the market value of investments, classified by risk. The College's investments are categorized as either (1) insured or registered for which the securities are held by the College or its agent in the College's name, (2) uninsured or unregistered for which the securities are held by the broker's or dealer's trust department or agent in the College's name or (3) uninsured or unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the College's name.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Risk Category

	1	2	3	Carrying Amount	Fair Value
Donated Stocks	$ -	$37,492	$ -	$37,492	$37,492

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement	$3,564,347	$837,492
Cash on Hand	(3,641)	-
Investments:		
Certificates of Deposit (Over 90 Days)	800,000	(800,000)
GASB Statement 3	$4,360,706	$ 37,492

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2004 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivable in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

4. CAPITAL ASSETS

Changes in capital assets at June 30, 2004 is composed of the following:

Description	Balance July 1, 2003	Additions	Deletions	Capitalization Change	Balance June 30, 2004
Land	$ 279,400	$ 349,800	$ -	$ 349,800	$ 629,200
Buildings and Building Improvements	11,745,905	1,900,719	-	1,900,719	13,646,624
Movable Equipment and Furniture	1,445,643	30,746	241,536	(210,790)	1,234,853
Total	13,470,948	2,281,265	241,536	2,039,729	15,510,677
Less: accumulated depreciation	6,655,700	402,890	241,536	161,354	6,817,054
Capital assets, net	$6,815,248				$8,693,623

5. STATE SUPPORT

Jefferson Community College is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the current operating subsidies, the State of Ohio provides the funding for the construction of major plant facilities on Jefferson Community College's campus. The funding is obtained from the issuance of special obligation bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as building or construction in progress in the accompanying balance sheet. Neither the obligation for the bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. LIABILITIES

Accrued liabilities include payments for SERS and STRS, and alternative retirement benefit payments due on accrued salaries. Also included are vacation and sick leave benefits and salaries and wages payable at June 30, 2004.

The SERS and STRS payable represents withholdings made from employees in fiscal 2004 to be paid to the School Employees Retirement System and the State Teachers Retirement System in fiscal 2005. Vacation/Sick Leave payable is management's estimation of earned benefits that would be paid to employees upon termination, retirement or by usage of vacation and sick leave. It is recorded in accordance with Statement No. 16 of the Governmental Accounting Standards Board. Salaries and wages payable represent employee earnings for fiscal year 2004 but not paid until fiscal year 2005. It is mostly faculty contracts that are earned but not yet paid at year-end.

In October 2003, the college issued Series 2003 Bonds totaling $2,100,000 to finance the purchase of the neighboring American Electric Power building. Purchasing the building will facilitate the growth of the college in both size and programs offered. The bonds will mature on September 30, 2013 and pay interest at a rate of 4.72% per annum. Maturity of the bonds is set forth in the following table.

2004	$ 169,154
2005	177,138
2006	185,499
2007	194,255
2008	203,423
2009	213,025
2010	223,080
2011	233,609
2012	244,635
2013	256,182
	$2,100,000

7. TAX LEVY

The College has levied a 1-mill property tax for general operating expenses. The revenue recorded for the fiscal year ending June 30, 2004 was $974,881.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Jefferson Community College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and Jefferson Community College is required to contribute an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the years ended June 30, 2004, 2003, 2002 were $275,925, $269,313 and $249,692, respectively, equal to the required contributions for each year.

State Teachers Retirement System

Jefferson Community College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer retirement system administered by the State Teachers Retirement System. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 10% percent of their annual covered salary and Jefferson Community College is required to contribute 14 percent, 4.5 percent (the latest information available) was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, 2002 were $436,839, $431,138, and $390,808, respectively.

9. POSTEMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2003 (the latest information available) the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.798 billion at June 30, 2003 (the latest information available). For the year ended June 30, 2003, net health care costs paid by STRS were $460,117,000.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a Maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent is allocated to providing health care benefits. At June 30, 2003 (the latest information available) the allocation rate was 5.8 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount. For the current year, the minimum pay has been established at $14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were $204,930,737 and the target level was $307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of $303.6 million.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2004, the College contracted with insurance companies for coverage of buildings and contents.

The following is a list of insurance coverages of the College and the deductibles associated with each:

Coverage	Amount	Deductible
Commercial Property		
Commercial Property and Building (Blanket)	$24,856,620	$1,000
Earthquake	24,856,620	25,000
Business Income (Accrual loss sustained in 1 year)	-	1,000
Commercial General Liability		
General Liability (Per Occurrence)	1,000,000	-
Employee Liability	1,000,000	-
Employee Benefit Liability	1,000,000	-
Directors and Officers Liability	1,000,000	-
Commercial Crime		
Employee Dishonesty	150,000	250
Forgery	75,000	250
Premises (Theft, Disappearance, Destruction)	75,000	250
General Aggregate	2,000,000	-
Commercial Inland Marine		
Accounts Receivable	100,000	500
Valuable Papers	100,000	100
EDP	993,455	500
Commercial Auto		
Auto	1,000,000	250 Comp. 500 Collision
Commercial Umbrella	5,000,000	10,000 (Retained Limits)

10. RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the College has not significantly reduced coverages in the past year.

All employees of the College are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher bond coverage.

The College pays the State Worker's Compensation System a premium based on a rate per $100 of salaries. The rate is calculated based on accident history and administrative costs.

The College does not provide Vision or Dental insurance. However, each employee is granted an amount of $750, if a PPO member in a flexible spending plan, to use for reimbursement of expenses for non- covered medical payments, co-payments, etc. If an employee is not enrolled in the College's health plan, the College entitles the employee to a cash payment of $1,400 a year or $2,400 if the employee declines the health care coverage. The College self-insures a prescription drug plan for employees. Prescription expenses for fiscal year 2004 totaled $172,000.

The premiums paid by the College for full-time employees are as follows:

	Single Coverage	Double Coverage	Family Coverage
P.P.O.	$334.76	$736.46	$953.40

Double Coverage premium for the P.P.O. plan is, for example, coverage for an employee and spouse, or an employee and child which would not, in these instances, require full family plan coverage.

11. LITIGATION

At June 30, 2004, there were no lawsuits or claims pending against Jefferson Community College. Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

12. RELATED ORGANIZATIONS

The Jefferson Community College Foundation (the Foundation) is a not-for-profit organization, which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College's June 30, 2004 financial statements. At June 30, 2004, the total net assets of the Foundation, not included in the financial statements of the College, were $111,305.

Jefferson Community College
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Education				
Student Financial Aid Cluster:				
Pell Grant – Financial Aid	Direct	84.063	$2,103,567	$2,103,567
Pell Grant – Administrative Allowance	Direct	84.063	4,605	4,605
Total Pell Grant			2,108,172	2,108,172
S.E.O.G. – Financial Aid	Direct	84.007	43,606	43,606
S.E.O.G. – Administrative Allowance	Direct	84.007	3,974	3,974
Total S.E.O.G. Grant			47,580	47,580
College Work Study – Financial Aid	Direct	84.033	34,508	37,906
College Work Study – Administrative Allowance	Direct	84.033	-	-
Total College Work Study Grant			34,508	37,906
Total Department of Education			2,190,260	2,193,658
U.S. Department of Education/ Passed Through Ohio Department Of Education				
Tech Prep Programs	VETP0-2004 15 FB	84.243	156,698	156,698
A.B.L.E. Workplace Literacy	AB-S1-2004	84.002	201,990	201,990
Perkins Grant	VECP II 2004-521	84.048	90,452	90,452
Total Ohio Department Of Education			449,140	449,140
Total U.S. Department of Education			2,639,400	2,642,798
U.S. Department of Labor/ Passed Through Ohio Department of Job and Family Services				
Workforce Investment Act (Jefferson, Harrison, Belmont, Columbiana & Mahoning Counties)	4D7310000	17.255	38,527	38,527
Total U.S. Department of Labor			38,527	38,527

Jefferson Community College
SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Justice				
Passed Through Ohio Criminal Justice System				
Police Byrne Grant	2002-DG-B01-7345	16.579	35,995	35,995
Total U.S. Criminal Justice Services			35,995	35,995
Ohio Department of Development F.A.I.R. Grant	Pass Thru Portion	23.002	15,500	15,500
(Fiscal Year 2003 recognized $10,000 in revenue of the 31,000 in funds received in January 2004, the entire $10,000 was considered as State funds, and the allocation for FY04 for the balance of $21,000 in FY04 will be $5,500 in state funds and $15,500 in federal funds The $34,000 received in August 2002 (50% which was recognized as all FY 2002 revenue and none of which was reported on the FY2002 financial statements by our previous auditors)				
Total Federal Grants			$2,729,422	$2,732,820

See accompanying notes to the schedule of federal awards expenditures.

Jefferson Community College
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

1. General

The accompanying Schedule of Federal Awards Expenditures of Jefferson Community College presents the activity of all federal awards of the College. The College's reporting entity is defined in Note 1 to the College's financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The basis of accounting for this schedule is the accrual basis, which is consistent in the financial reporting basis. See Note 1 of the Financial Statements.

SNODGRASS
Certified Public Accountants
and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Jefferson Community College
Steubenville, Ohio

We have audited the basic financial statements of Jefferson Community College (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the 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 assurance 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 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 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Snodgrass, A. C.

Steubenville, Ohio
October 15, 2004

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 of
Jefferson Community College
Steubenville, Ohio

Compliance

We have audited the compliance of Jefferson Community College (a nonprofit organization) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the 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 program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the 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, 2004.

Internal Control Over Compliance

The management of the 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 the 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 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 intended for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Snodgrass, a. c.

S.R. Snodgrass, A.C.
October 15, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMS CIRCULAR A-133 SECTION .505
JEFFERSON COMMUNITY COLLEGE JEFFERSON COUNTY
June 30, 2004

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control Weakness conditions reported at The financial statements level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable Control weakness conditions Reported at the financial Statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material Non-compliance at the financial Statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal Control weakness conditions Reported for major federal Programs?	No
(d)(1)(iv)	Were there any other reportable Internal control weakness Conditions reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings Under Section .510	No
(d)(1)(vii)	Major Programs:	Student Financial Aid Cluster: Pell Grant CFDA #84.063 S.E.O.G. CFDA #84.007 College Work Study CFDA #84.033
(d)(1)(vii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
OMS CIRCULAR A-133 SECTION .505
JEFFERSON COMMUNITY COLLEGE JEFFERSON COUNTY
June 30, 2004

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

3. Findings and Questioned Costs for Federal Awards

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2003, included no material citations or recommendations.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

JEFFERSON COMMUNITY COLLEGE

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 23, 2004