JEFFERSON COMMUNITY COLLEGE

AUDIT REPORT

For the year ended June 30, 2002

Charles E. Harris & Associates, Inc.

Certified Public Accountants

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Jefferson Community College, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. 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. The Jefferson Community College is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 23, 2002

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JEFFERSON COMMUNITY COLLEGE
AUDIT REPORT
For the Year Ended June 30, 2002

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis	1-4
Report of Independent Accountants	5-6
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9-10
Notes to the Financial Statements	11-22
Schedule of Federal Awards Expenditures	23
Notes to the Schedule of Federal Awards Expenditures	24
Report on Compliance and on Internal Control Over Financial Reporting on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	25-26
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*	27-28
Schedule of Findings and Questioned Costs	29-30
Status of Prior Audit's Citations and Recommendations	31

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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, 2002. No comparative data to last year's activity is provided in this section since this is the first year that the college falls under the new reporting requirements of GASB 34/35. In future years, the college will present a comparative analysis of data to the preceding year.

USING THIS ANNUAL REPORT

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This Statement requires a comprehensive look at the entity as a whole and presents a long-term view of the entity's finances. In November 1999, GASB issued Statement No. 35, Basic Financial Statements – and Management Discussion and Analysis – for Public College and Universities, which applies these standards to public colleges and universities.

The major changes from the statements presented by the College in the past and the "look at the entity as a whole" are as follows:

- New reporting standards which require three basic financial statements:

    1. The Statement of Net Assets
    2. Statement of Revenues, Expenses and Change in Net Assets
    3. The Statement of Cash Flows.

- Establishing an operating and non-operating basis of reporting whereby revenues that are charges for services and goods are recorded as operating revenues. Essentially all other types of revenue are non-operating, or other revenue.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format, notes to financial statements and the supplemental information.

FINANCIAL HIGHLIGHTS

As of June 30, 2002, the college's unrestricted net assets have increased to $3,215,989 from $2,205,652 at June 30, 2001. The increase is primarily due to a one-time adjustment to levy income of approximately $900,000, which requires the college to record the levy funds as earned rather than on a cash basis. The change is required by GASB 34/35.

Net Assets, Year Ended June 30, 2002

	06/30/02
Current Assets	5,190,956
Non current Assets (Net of Depreciation)	6,987,480
Total Assets	$12,178,436
Current Liabilities	630,655
Non Current Liabilities	533,137
Total Liabilities	1,183,792
Net Assets:	
Invested in Capital Assets,	
Net of Related Debt	6,987,480
Restricted for:	
Scholarships	231,750
Other	559,425
Unrestricted	3,215,989
Total Net Assets	$10,994,644

Operating Results

Operating Results for the Year Ended June 30, 2002

Operating Revenues	**6/30/02**
Tuition and Fees	2,750,180
Auxiliary Services	801,124
Other	706,510
Total Operating Revenues	4,257,814
Operating Expenses	9,810,357
Net Operating Loss	5,552,543
Non Operating Revenues	
State Grants and Contracts	4,221,087
Other Non Operating Revenues	1,204,161
Total Non Operating Revenues	5,425,248
Increase (Decrease in Net Assets)	(127,295)
Net Assets	
Net Assets – beginning of year	11,121,939
Net Assets – end of year	$10,994,644

Revenues

State support for higher education, as a whole, was reduced in FY02 due to a shortfall in state revenues. This decrease was offset by a tuition increase of 8.6% and an increase in enrollment of 4%.

The college had the third lowest tuition rate in the state for FY02.

The college receives support from the citizens of Jefferson County through a 1 mill tax levy which generates approximately $1,000,000 annually. This support is independent of the state and does not fluctuate with changes in enrollment.

Operating Expenses for the Year Ended June 30, 2002

Operating Expenses	**6/30/02**
Education and General	
Instructional	3,570,124
Public Service	605,149
Academic Support	1,095,975
Student Services	860,319
Institutional Support	1,668,055
Operation and Maintenance of Plant	548,360
Scholarships & Fellowships	280,342
Depreciation	360,069
Total Education and General	8,988,393
Auxiliary Enterprises	821,964
Total Operating Expenses	9,810,357

Fiscal Year 2002 is the first year in which depreciation was recorded.

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 state will further reduce funding for FY03.

Due to a continuing decline of state support the Board of Trustees approved a tuition increase of 15.9% for FY03.

The College is negotiating to acquire a 26,000 square foot facility (former AEP building) sometime in FY03. Financing for the acquisition, renovation and related equipment purchases will come from a combination of a state grant of $725,000, Jefferson Community College capital funds, and bank financing. The acquisition of this building will allow the college to expand the customized training offered to local business and industry.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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, 2002, 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 respects, the financial position of Jefferson Community College as of June 30, 2002, 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.

As described in Note 1 to the basic financial statements, the College adopted Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* No.37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* and No. 38, *Certain Financial Statement Note Disclosures*. These statements result in a change in format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 1 – 4 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 17, 2002 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.

Charles E. Harris & Associates, Inc.
October 17, 2002

JEFFERSON COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2002

		2002
ASSETS		
Current Assets		
Cash and cash equivalents	$	531,680
Short-term investments		2,942,738
Property tax receivable		782,616
Loans receivable, net		5,000
Other receivables		642,218
Inventory		167,814
Other assets		118,890
Total current assets		5,190,956
Non-current Assets		
Capital assets, gross		13,309,597
Accumulated depreciation		(6,322,117)
Total assets		12,178,436
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities		232,430
Accrued wages		185,950
Deferred revenue		183,963
Deposits		28,312
Total current liabilities		630,655
Non current Liabilities		
Compensated absences		553,137
Total Liabilities		1,183,792
NET ASSETS		
Invested in capital assets, net of related debt		6,987,480
Restricted For: Expendable		
Scholarships		231,750
Other		559,425
Unrestricted		3,215,989
Total Net Assets		10,994,644
Total liabilities and net assets	$	12,178,436

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, 2002

REVENUES		2002
Operating Revenues		
Tuitions and student fees, net of		
bad debt allowance of $84,202	$	2,750,180
Auxiliary enterprises revenue		801,124
State grants and contracts		602,197
Federal grants and contracts		67,896
Other operating revenue		36,417
Total operating revenues		4,257,814
EXPENSES		
Operating expenses:		
Education and General		3,570,124
Public Service		605,149
Academic Support		1,095,975
Student services		860,319
Institutional support		1,668,055
Operation and maintenance of plant		548,360
Scholarships and fellowships		280,342
Auxiliary enterprises		821,964
Depreciation		360,069
Total operating expenses		9,810,357
OPERATING INCOME/(LOSS)		(5,552,543)
NONOPERATING REVENUES/EXPENSES		
State grants and contracts		4,221,087
Federal grants and contracts		7,031
Local grants and contracts		12,728
Capital grants and contracts		15,000
Investment income		191,210
Property taxes		978,192
Total nonoperating revenues/expenses		5,425,248
Decrease in net assets		(127,295)
NET ASSETS		
Beginning of year, as previously reported		18,941,640
Cumulative effect of change in accounting principles		(7,819,701)
Beginning of year, as restated		11,121,939
Net assets - end of year	$	10,994,644

The accompanying notes are an integral part of this statement

JEFFERSON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2002

CASH FLOW FROM OPERATING ACTIVITIES	
Tuition and fees	2,581,540
Payments to suppliers	(2,560,238)
Payroll and fringe benefits	(6,413,108)
Auxiliary enterprise charges	689,221
Other Income	66,290
Net cash used by operating activities	(5,636,295)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local property taxes	1,084,433
State appropriations	3,773,166
Grants and contracts	848,748
Net cash provided by noncapital financing activities	5,706,347
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(66,538)
Net cash used by capital and related financing activities	(66,538)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	256,378
Net cash provided (used) by investing activities	256,378
Net increase (decrease) in cash	259,892
Cash, Beginning of Year	3,214,526
Cash, End of Year	3,474,418

(Continued)

JEFFERSON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS - continued
For the Year Ended June 30, 2002

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities	
Operating loss	(5,552,543)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	360,069
Changes in net assets:	
Receivables	(568,882)
Inventories	10,032
Other assets	(8,249)
Accounts payable	121,299
Accrued salaries and benefits	(11,184)
Deposits held	(5,031)
Deferred revenue	18,194
Net cash used by operating activities	(5,636,295)

The accompanying notes are an integral part of this statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The significant accounting policies followed by Jefferson Community College are described below to enhance the usefulness of the financial statements to the reader.

The Reporting Entity

As defined by GASB Statement No. 14, "The Financial Reporting Entity," the College is not financially accountable for any other entity nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

Financial Statement Presentation

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.* This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The financial statement presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Effective July 1, 2001, the College adopted two related GASB Statements: GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting of the College has been restructured and includes management discussion and analysis.

Significant accounting changes made in order to comply with the new requirements include adoption of depreciation on capital assets. The cumulative effect of applying GASB Statement No. 35 to the College's financial statements is reported as a restatement of beginning net assets. The following is a reconciliation of the total June 30, 2001 net assets as previously reported, to the restated Net Assets – Beginning of the Year balance reported on the Statement of Revenues, Expenditures and Changes in Net Assets:

	June 30, 2001
Combined net assets, as previously reported	$ 18,941,640
Restatements	(7,819,701)
Combined net assets, restated	$ 11,121,939

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)

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

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, 2002, the College has no nonexpendable 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (continued)

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.

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 nonexchange 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 $2,831,225 and the bank balance was $2,939,879. On the bank balance:

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

2. **$2,539,879 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	$ -0-	$ 37,617	$ -0-	$ 37,617	$ 37,617
Repurchase Agreement	-0-	-0-	601,000	601,000	601,000
Total	$ -0-	$ 37,617	$ 601,000	$ 638,617	$ 638,617

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 9	$ 1,136,801	$ 2,337,617
Cash on Hand	(4,576)	
Investments:		
Certificates of Deposit (Over 90 Days)	2,300,000	(2,300,000)
Repurchase Agreement	(601,000)	601,000
GASB Statement 3	$ 2,831,225	$ 638,617

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2002 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, 2002 is composed of the following:

Description	Balance 07/01/01	Additions	Deletions	Capitalization Change	Balance 06/30/02
Land	$279,400	$ -0-	$ -0-	$ -0-	$279,400
Buildings and Building Improvement	11,707,614	24,810	-0-	(105,982)	11,626,442
Movable Equipment and Furniture	4,003,059	41,728	-0-	(2,641,032)	1,403,755
Total	$15,990,073	$66,538	-0-	(2,747,014)	$13,309,597
Less: Accumulated Depreciation	(5,962,048)	(360,069)	-0-	-0-	(6,322,117)
Capital assets, net	$10,028,025				$6,987,480

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.

6. ACCRUED 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, 2002.

The SERS and STRS payable represents withholdings made from employees in fiscal 2002 to be paid to the School Employees Retirement System and the State Teachers Retirement System in fiscal 2003. 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 2002 but not paid until fiscal year 2003. It is mostly faculty contracts that are earned but not yet paid at year- end.

7. TAX LEVY

The College has levied a 1 mill property tax for general operating expenses. The amount collected for the fiscal year ending June 30, 2002 was $978,192.

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 9 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, 2002, 2001, 2000 were $249,692, $245,151 and $259,075, respectively, equal to the required contributions for each year. Eighty-six percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. $36,012 representing the unpaid contributions for fiscal year 2002, is recorded as a liability.

8. DEFINED BENEFIT PENSION PLANS – (continued)

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 9.3% 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, 2002, 2001, 2000 were $390,808, $368,935, and $352,228, respectively. Ninety-eight percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. $9,949 representing the unpaid contributions for fiscal year 2002, is recorded as a liability.

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, 2001 (the latest information available) the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled $125,617 during fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 eligible benefit recipients.

9. POSTEMPLOYMENT BENEFITS - (continued)

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, 2001 (the latest information available) the allocation rate was 9.8 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the current year, the minimum pay has been established at $12,400. 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, 2001 (the latest information available), were $161,439,934 and the target level was $242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of $315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the College, the amount to fund health care benefits equaled $174,784.

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 2002, 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	$ 4,190,785	$1,000
Building	20,059,000	1,000
Earthquake	6,000,000	25,000
Business Income	1,000,000	1,000
Commercial General Liability		
General Liability	2,000,000	1,000
Employee Benefit Liability	1,000,000	1,000
Commercial Crime		
Employee Dishonesty	150,000	1,000
Forgery	100,000	1,000
Premises	50,000	1,000

10. RISK MANAGEMENT - (continued)

Coverage	Amount	Deductible
Commercial Inland Marine		
Accounts Receivable	100,000	-
Valuable Papers	100,000	1,000
EDP	993,445	1,000
Commercial Auto		
Auto	1,000,000	1,000
Commercial Umbrella	5,000,000	10,000

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 2002 totaled $119,643.

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

	Single Coverage	Double Coverage	Family Coverage
P.P.O.	$ 247.32	$ 544.10	$ 706.36

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.

10. RISK MANAGEMENT - (continued)

	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2001	-0-	102,106	102,106	-0-
2002	-0-	119,643	119,643	-0-

11. PENDING LITIGATION

At June 30, 2002, there were lawsuits and claims pending against Jefferson Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of 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.

JEFFERSON COMMUNITY COLLEGE

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2002

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	$ 1,643,938	$ 1,643,938
Pell Grant - Administrative Allowance	"	"	4,040	4,040
Total Pell Grant			1,647,978	1,647,978
S.E.O.G. - Financial Aid	"	84.007	53,720	53,720
College Work Study - Financial Aid	"	84.033	33,278	33,278
College Work Study - Administrative Allowance	"	"	3,030	3,030
Total College Work Study			36,308	36,308
Total College Work Study			1,738,006	1,738,006
U.S. Department of Education/ Passed Through Ohio Department of Education				
Tech Prep Programs	VETP-2002-15-A2	84.243	374,415	366,187
A.B.L.E. Workplace Literacy Project	063453-AB-S1-02	84.002	15,446	15,446
Perkins Grant	VEC P11-P01-511	84.048	52,863	53,700
Total Ohio Department of Education			442,724	435,333
Total U.S. Department of Education			2,180,730	2,173,339
U.S. Department of Labor/ Passed Through Ohio Department of Job and Family Services				
Workforce Investment Act	4D7310000	17.255	32,302	32,302
Total U.S. Department of Labor			32,302	32,302
U.S Appalachian Regional Commission/ Passed Through Ohio Appalachian Center For Higher Education				
Vocational and Other Education Facilities	HB215235-478	23.012	47,000	50,257
Total Appalachian Regional Commission			47,000	50,257
U.S. Department of Human Services/ Passed Through Ohio Board of Regents				
J.O.B.S Program	561	93.593	50,000	51,470
Total U.S. Department of Human Services			50,000	51,470
Total Federal Financial Assistance			$ 2,310,032	$ 2,307,368

See accompanying Notes to the Schedule of Federal Awards Expenditures

JEFFERSON COMMUNITY COLLEGE
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

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.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON COMPLIANCE AND 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, 2002, and have issued our report thereon dated October 17, 2002, wherein we noted the College adopted Governmental Accounting Standards Board Statement Nos. 34, 35, 37 and 38 for the year ended June 30, 2002. 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.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated October 17, 2002.

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.

Charles E. Harris & Associates, Inc.
October 17, 2002

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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, 2002. 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 its major federal programs for the year ended June 30, 2002.

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.

Charles E. Harris & Associates, Inc.
October 17, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

JEFFERSON COMMUNITY COLLEGE
JEFFERSON COUNTY
June 30, 2002

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 statement 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 Tech Prep CFDA #84.243
(d)(1)(viii)	*Dollar Threshold: Type A\B Programs*	Type A: > $300,000 Type B: all others
(d)(1)(ix)	*Low Risk Auditee?*	Yes

JEFFERSON COMMUNITY COLLEGE
JEFFERSON COUNTY
June 30, 2002

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, 2001, included no material citations or recommendations.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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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
JANUARY 9, 2003