# Jefferson Community College

## Audit Report

## For the year ended June 30, 2003

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, 2002 to June 30, 2003. 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 23, 2003

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**Jefferson Community College**
**Audit Report**
**For the year ended June 30, 2003**

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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, 2003, 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 basis 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, 2003, 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 3-5 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.



S.R. Snodgrass, A.C.
626 North Fourth Street Steubenville, OH 43952~1982 Phone: 740~282~2771 Facsimile: 740~282~1606

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 6, 2003 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 6, 2003

## 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, 2003, as well as comparative data to the previous year ended June 30, 2002.

## USING THIS ANNUAL REPORT

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 basic 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, 2003, the college's unrestricted net assets have increased to $3,267,547 from $3,215,989 at June 30, 2002. This increase incurred despite state subsidy and other state cutbacks of over $91,000 during the fiscal year due to the economic downturn experienced in the state. College administration made several cost cutting moves that included not replacing a full-time college administrator and several part-time positions that helped the college overcome state funding cutbacks. Other cost cutting measures included eliminating the first stage of a marketing study.

**Revenues**

State support for higher education was reduced in FY03 due to a shortfall in state revenues. This decrease was offset by a tuition increase of 15.87%.

The college receives support from the citizens of Jefferson County through a 1 mill tax levy which generated $898,404 in FY03. This support is independent of the state and does not fluctuate with changes in enrollment.

**Operating Expenses for the Year Ended June 30, 2002 and 2003**

**Operating Expenses**

| | 6-30-02 | 6-30-03 |
|---|---|---|
| Education and General | | |
| Instructional | $ 3,570,124 | $ 3,967,405 |
| Public Service | 605,149 | 636,762 |
| Academic Support | 1,095,975 | 1,085,881 |
| Student Services | 860,319 | 844,763 |
| Institutional Support | 1,668,055 | 1,595,744 |
| Operational and Maintenance of Plant | 548,360 | 603,461 |
| Scholarships and Fellowships | 280,342 | 305,470 |
| Depreciation | 360,069 | 363,948 |
| Total Education and General | 8,988,393 | 9,403,434 |
| Auxiliary Enterprises | 821,964 | 881,250 |
| Total Operating Expenses | $9,810,357 | $10,284,684 |

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 college is expecting no increase in state support in either FY04 or FY05.

Due to a continuing decline of state support the Board of Trustees approved a tuition increase of 5.48% for FY04. The college has the fourth lowest tuition rate in the state.

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 come 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 FY04 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 $500,000. Funding for this purchase will come primarily from capital funds provided by the state.

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

The college will be entering into 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 30,2003**

## ASSETS

| | |
|---|---|
| Current Assets | |
| Cash and cash equivalents | $ 1,811,198 |
| Investments | 1,400,000 |
| Property tax receivable | 791,488 |
| Other receivables | 659,339 |
| Inventory | 176,944 |
| Other assets | 147,341 |
| Total current assets | 4,986,310 |
| Non-current Assets | |
| Restricted cash and cash equivalents | 202,917 |
| Endowment investments | 38,056 |
| Capital assets, gross | 13,470,948 |
| Accumulated depreciation | (6,655,700) |
| Total assets | 12,042,531 |

## LIABILITIES

| | |
|---|---|
| Current Liabilities | |
| Accounts payable and accrued liabilities | 158,122 |
| Accrued wages | 106,005 |
| Deferred revenue | 195,931 |
| Deposits | 28,428 |
| Total current liabilities | 488,486 |
| Non current Liabilities | |
| Compensated absences | 544,203 |
| Total Liabilities | 1,032,689 |

## NET ASSETS

| | |
|---|---|
| Invested in capital assets, net of related debt | 6,815,248 |
| Restricted For: Expendable | |
| Scholarships | 240,973 |
| Capital | 626,328 |
| Educational and general | 59,746 |
| Unrestricted | 3,267,547 |
| Total Net Assets | 11,009,842 |
| Total liabilities and net assets | $12,042,531 |

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, 2003

| | |
|---|---|
| **REVENUES** | |
| Operating Revenues | |
| Tuitions and student fees, net of allowance of $75,846 | $ 3,032,351 |
| Auxiliary enterprises revenue | 854,267 |
| State grants and contracts | 650,267 |
| Federal grants and contracts | 21,336 |
| Local grants and contracts | 4,580 |
| Other operating revenue | 43,424 |
| Total operating revenues | 4,606,225 |
| **EXPENSES** | |
| Operating expenses: | |
| Education and General | 3,967,405 |
| Public Service | 636,762 |
| Academic Support | 1,085,881 |
| Student services | 844,763 |
| Institutional support | 1,595,744 |
| Operation and maintenance of plant | 603,461 |
| Scholarships and fellowships | 305,470 |
| Auxiliary enterprises | 881,250 |
| Depreciation | 363,948 |
| Total operating expenses | 10,284,684 |
| **OPERATING LOSS** | (5,678,459) |
| **NONOPERATING REVENUES** | |
| Federal/state grants and contracts | 4,556,177 |
| Local grants and contracts | 72,477 |
| Capital grants and contracts | 25,997 |
| Investment income | 140,602 |
| Property taxes | 898,404 |
| Total nonoperating revenues | 5,693,657 |
| Increase in net assets | 15,198 |
| Net assets - beginning of year | 10,994,644 |
| Net assets - end of year | $11,009,842 |

The accompanying notes are an integral part of this statement

**Jefferson Community College**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2003**

| | |
|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | |
| Tuition and fees | $ 3,006,943 |
| Grants and contracts | 689,505 |
| Payments to suppliers | (4,045,632) |
| Payroll and fringe benefits | (5,949,411) |
| Auxiliary enterprise charges | 811,922 |
| Other Income | 87,166 |
| Net cash used by operating activities | (5,399,507) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Local property taxes | 889,532 |
| State appropriations | 3,366,332 |
| Grants and contracts | 863,725 |
| Net cash provided by noncapital financing activities | 5,119,589 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Purchases of capital assets | (191,716) |
| Capital grants and contracts | 253,529 |
| Net cash provided by capital and related financing activities | 61,813 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest on investments | 157,802 |
| Net cash provided by investing activities | 157,802 |
| Net decrease in cash | (60,303) |
| Cash, Beginning of Year | 2,074,418 |
| Cash, End of Year | $ 2,014,115 |

The accompanying notes are an integral part of this statement.

**Jefferson Community College**
**STATEMENT OF CASH FLOWS – continued**
**FOR THE YEAR ENDED JUNE 30, 2003**

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

| | |
|---|---|
| Operating loss | $(5,678,459) |
| Adjustments to reconcile net operating loss to net cash used by operating activities: | |
| Depreciation | 363,948 |
| Net changes in: | |
| Receivables | 102,688 |
| Inventories | (9,130) |
| Other assets | (28,451) |
| Accounts payable and other liabilities | (74,308) |
| Accrued wages | (79,945) |
| Deferred revenue | 12,968 |
| Deposits held | 116 |
| Compensated absences | (8,934) |
| Net cash used by operating activities | $(5,399,507) |

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.

### 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, 2003, 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 fell 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 $3,410,474 and the bank balance was $3,514,339. On the bank balance:

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

2. $3,114,339 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 | $ - | $38,056 | $ - | $38,056 | $38,056 |

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 | $2,014,115 | $1,438,056 |
| Cash on Hand | (3,641) | - |
| Investments: | | |
| Certificates of Deposit (Over 90 Days) | 1,400,000 | (1,400,000) |
| GASB Statement 3 | $3,410,474 | $ 38,056 |

## 3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2003 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, 2003 is composed of the following:

| Description | Balance July 1, 2002 | Additions | Deletions | Capitalization Change | Balance June 30, 2003 |
|---|---|---|---|---|---|
| Land | $ 279,400 | $ - | $ - | $ - | $ 279,400 |
| Buildings and Building Improvements | 11,626,442 | 119,463 | - | 119,463 | 11,745,905 |
| Movable Equipment and Furniture | 1,403,755 | 72,253 | 30,365 | 41,888 | 1,445,643 |
| Total | 13,309,597 | 191,716 | 30,365 | 161,351 | 13,470,948 |
| Less: accumulated depreciation | 6,322,117 | 363,948 | 30,365 | 333,583 | 6,655,700 |
| Capital assets, net | $6,987,480 | | | | $ 6,815,248 |

## 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. 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, 2003.

The SERS and STRS payable represents withholdings made from employees in fiscal 2003 to be paid to the School Employees Retirement System and the State Teachers Retirement System in fiscal 2004. 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 2003 but not paid until fiscal year 2004. 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 recorded for the fiscal year ending June 30, 2003 was $898,404.

## 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, 2003, 2002, 2001 were $269,313, $249,692 and $245,151, respectively, equal to the required contributions for each year.

## 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, 2003, 2002, 2001 were $431,138, $390,808, and $368,935, 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, 2002 (the latest information available) the Board allocated employer contributions equal to 4.5 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 $3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were $434,287,000.

## 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, 2002 (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, 2002 (the latest information available), were $182,946,777 and the target level was $274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of $335.2 million.

## 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 2003, 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 | 24,856,600 | 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 | - |

## 10. RISK MANAGEMENT (CONTINUED)

| Coverage | Amount | Deductible |
|---|---|---|
| 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.<br>500 Collision |
| Commercial Umbrella | 5,000,000 | 10,000<br>(Retained Limits) |

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 2003 totaled $152,090.

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

| | Single Coverage | Double Coverage | Family Coverage |
|---|---|---|---|
| P.P.O. | $299.68 | $659.29 | $853.49 |

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, 2003, 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, 2003 financial statements. At June 30, 2003, the total net assets of the Foundation, not included in the financial statements of the College, were $105,534

**Jefferson Community College**
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**
**FOR THE YEAR ENDED JUNE 30, 2003**

| 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 | $1,885,206 | $1,885,206 |
| Pell Grant – Administrative Allowance | Direct | 84.063 | 255 | 255 |
| Total Pell Grant | | | 1,885,461 | 1,885,461 |
| S.E.O.G. – Financial Aid | Direct | 84.007 | 27,965 | 27,965 |
| S.E.O.G. – Administrative Allowance | Direct | 84.007 | 129 | 129 |
| Total S.E.O.G. Grant | | | 28,094 | 28,094 |
| College Work Study – Financial Aid | Direct | 84.033 | 31,987 | 31,987 |
| College Work Study – Administrative Allowance | Direct | 84.033 | 4,251 | 4,251 |
| Total College Work Study Grant | | | 36,238 | 36,238 |
| Total Department of Education | | | 1,949,793 | 1,949,793 |
| **U.S. Department of Education/ Passed Through Ohio Department Of Education** | | | | |
| Tech Prep Programs | Various | 84.243 | 357,101 | 357,101 |
| A.B.L.E. Workplace Literacy Project | AB-S1-02 | 84.002 | 181,222 | 181,222 |
| Perkins Grant | CP11-A02 | 84.048 | 54,080 | 54,080 |
| Total Ohio Department Of Education | | | 592,403 | 592,403 |
| Total U.S. Department of Education | | | 2,542,196 | 2,542,196 |
| **U.S. Department of Labor/ Passed Through Ohio Department of Job and Family Services** | | | | |
| Workforce Investment Act (Jefferson and Harrison Counties) | 4D7310000 | 17.255 | 22,769 | 22,769 |
| Total U.S. Department of Labor | | | 22,769 | 22,769 |

**Jefferson Community College**
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**
**FOR THE YEAR ENDED JUNE 30, 2003**

| Federal Grantor/Pass Through Grantor Program Title | Pass Through Entity Number | CFDA Number | Receipts Recognized | Program Expenditures |
|---|---|---|---|---|
| **U.S. Appalachian Regional Commission/ Passed Through Ohio Appalachian Center for Higher Education** | | | | |
| Vocational and Other Education Facilities | HB215235-478 | 23.012 | 43,000 | 43,000 |
| Total Appalachian Regional Commission | HB215235-478 | 23.012 | 43,000 | 43,000 |
| **U.S. Department of Justice Passed Through Ohio Criminal Justice System** | | | | |
| Police Byrne Grant | 2002-DG-B01-7345 | 16.579 | 25,876 | 25,876 |
| Total U.S. Criminal Justice Services | | | 25,876 | 25,876 |
| **U.S. Department of Health and Human Services/ Ohio Department of Education/ Passed Through Jefferson County Department of Jobs and Family Services** | | | | |
| Appalachian Technology and Workforce Development Initiative Grant | Various | 93.558 | 334,647 | 334,647 |
| Total U.S. Department of Health and Human Services Grant | | | 334,647 | 334,647 |
| Total Federal Financial Assistance | | | $2,968,488 | $2,968,488 |

See accompanying notes to the schedule of federal awards expenditures.

**Jefferson Community College**
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**
**FOR THE YEAR ENDED JUNE 30, 2003**

## 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, 2003, and have issued our report thereon dated October 6, 2003. 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.



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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 6, 2003.

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 6, 2003

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, 2003. 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, 2003.

**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.



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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 6, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**OMS CIRCULAR A-133 SECTION .505**
**JEFFERSON COMMUNITY COLLEGE JEFFERSON COUNTY**
**June 30, 2003**

**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:<br>Pell Grant CFDA #84.063<br>S.E.O.G. CFDA #84.007<br>College Work Study CFDA #84.033<br>Tech Prep CFDA #84.243<br>Appalachian Technology and Workforce Development Initiative Grant #93.558 |
| | | |
| (d)(1)(vii) | Dollar Threshold: Type A\B Programs | Type A: > $300,000<br>Type B: all others |
| | | |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**OMS CIRCULAR A-133 SECTION .505**
**JEFFERSON COMMUNITY COLLEGE JEFFERSON COUNTY**
**June 30, 2003**

**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, 2002, included no material citations or recommendations.

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Auditor of State
Betty Montgomery

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Columbus, Ohio 43216-1140

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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 8, 2004**